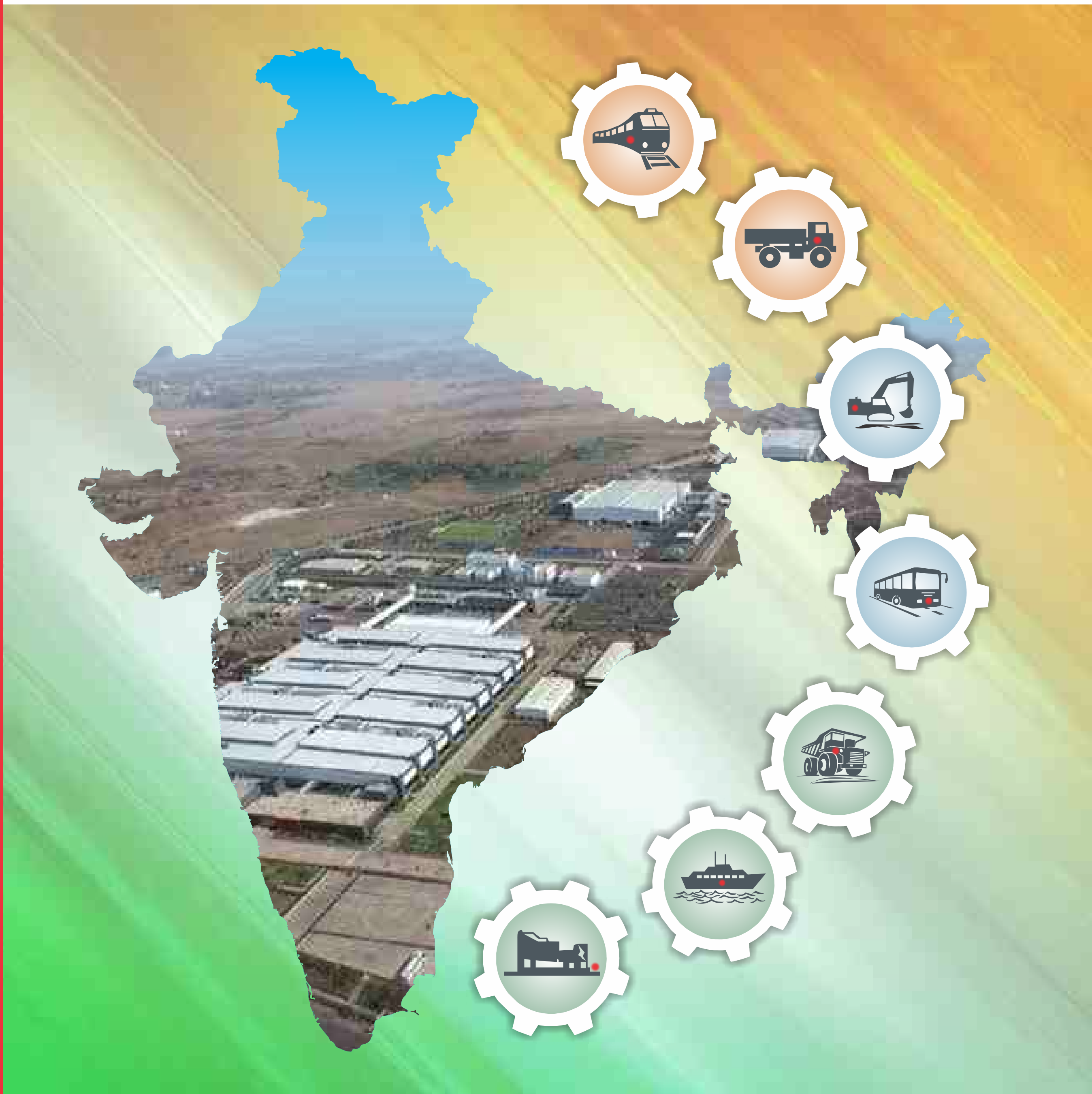
Cummins India Limited

Annual Report 2016-17

At the Core of Make in India



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To Our Shareholders

2016-17 has been another strong year for your Company filled with many significant achievements. The revival in the domestic market due to the Government's increased investments in infrastructure allowed your Company to perform well in spite of the disappointing global economic scenario. We remain well positioned to maximize our market opportunities based on our capabilities to leverage world-class technologies, strong customer and supplier partnerships, best-in-class customer support, a disciplined focus on continuously realigning our cost structure and improving efficiencies, guided by a diverse and stable leadership team.

Anant J. Talaulicar
Chairman and
Managing Director,
Cummins India Limited

2016-17 Financial Performance

In the fiscal year 2016-17, gross sales for your Company were at ₹5,310 crores, representing a 7 percent increase over the previous year. While domestic sales for the fiscal year grew at a robust 12 percent over the previous year, exports declined 3 percent. Net profit before tax (excluding exceptional items) was approximately flat at ₹908 crores, over the same period last year.

We are positive about our ability to grow the company profitably. The Company generated a significant amount of cash, strengthened its balance sheet and continued to return strong value to its shareholders in alignment to its mission.

An interim dividend of ₹5 per fully paid-up equity share of ₹2 each (250 percent) was disbursed in March 2017. The 2016-17 financial year concluded with the Board recommending a final dividend of ₹9 per share of ₹2 fully paid-up (450 percent) aggregating to ₹14 per share of ₹2 each fully paid-up (700 percent), subject to your approval at the Annual General Meeting.

During the year, the businesses of your Company – Engine, Power Systems and Distribution continued to stay true to our brand promise of Dependability and maximize on their growth opportunities.

Various restructuring projects combined with cost reduction programs such as ACE IV, TRIMS which leveraged our Six Sigma approach, have had a significant positive influence on our profitability, and helped offset the negative pricing and mix impacts our business faced. Through Six Sigma which is now in its 13th year, we generated savings of ₹111 crores. We undertook a significant initiative to revamp our Six Sigma program, the result of which was 462 completed projects, of which 71 were focused on addressing customer concerns. Having trained 952 belts during the year, we continue driving the philosophy of Six Sigma across the organization by encouraging employees to get trained in Six Sigma.

Owing to the fourth wave of the 'Accelerated Cost Efficiency' (ACE) program towards reducing the Total Cost of Ownership for direct materials, we accrued savings of approximately ₹154 crores by implementing 146 cost reduction projects, thus helping us sustain profitability across all our businesses. The other cost reduction program, TRIMS, to reduce the Total Cost of Ownership for indirect materials and services, generated savings of ₹24 crores for your Company.

Strong partnerships with all stakeholders

Your Company continued to strengthen its long-standing partnerships with our stakeholders. These partnerships extend to our key OEMs as well as end-users across the construction, compressor, marine, railway and mining segments, suppliers and our communities.

Your Company continued to strengthen business by investing in leading technologies

Scaling great heights: Cummins continues to work closely with global reach-stacker manufacturers to integrate the 'Made in India', electronic 8.9-litre engine, offering the lowest total cost of ownership due to its advanced fuel economy, better reliability and durability.

and launching innovative products that will help our customers win in their markets. Our Engine Business recorded the highest shipments ever, which was also driven by the increase in demand from the construction and compressor segments. Working closely with global reach-stacker manufacturers to integrate our 'Made in India', electronic 8.9-litre engine which offers the lowest total cost of ownership due to its advanced fuel economy, better reliability and durability, your Company is ready to respond with agility to the impetus in the Government's focus on port development. We also continue to enhance our leadership position in the off-highway markets by partnering with global OEMs to address the needs of customers in Japan, China, South Korea and Canada.

During the year, we set-up a new Projects Division within our Power Systems Business which will provide integrated power solutions and an expanded portfolio that goes beyond engines and helps form deeper ties with our customers in the rail, marine, defence and mining segments.

Last year, I had mentioned about our 50-litre electronic engine for the Diesel Electrical Multiple Unit (DEMU). I am happy to share that during the year, we gained significant market share in DEMU applications for the Indian Railways. We are developing telematics based solutions to improve efficiencies for rail applications through proactive diagnostics. With growing number of passengers, space optimization can significantly support higher passenger transfer. Cummins' underslung power pack that is installed below the rail carriage frees up space in the compartment to increase passenger occupancy. Your Company continues to work closely with the Indian

Railways to introduce this technology as a first of its kind in India. Another unique and innovative solution for reducing noise levels substantially is the complete coach insulation in Powercar applications, which will contribute significantly towards a comfortable travel experience for passengers. At the core of multiple railway applications, your Company is strongly positioned to support the segment in its next phase of evolution to enhance safety, speed, capacity as well as reducing noise and emissions.

We regained market share across almost all major segments in Power Generation such as datacenters, IT & ITES and commercial realty. The new 250 kVA generator set based on the L9 (8.9-litre) engine platform is yet another excellent example of how your Company gained competitive advantage with a lean, fit for market product. The features of this product make it an ideal solution for manufacturing, realty, infrastructure, hospitality, rental, service and process industries. A series of exciting new features include greater fuel efficiency, capability to deliver full power at high altitude and temperature and enhanced step loading capabilities. With the use of advanced in-cylinder technology and a high pressure inline fuel system, this 250 kVA generator set has been delivering market leading performance, durability and value to customers.

We view our suppliers as strategic partners in bringing high quality, right first time products to the marketplace. Over the last two years, we have been focusing heavily on improving quality as this remains one of the most important parameters for our customers. In achieving zero defect in quality, we are aggressively pursuing the AMaZe program (Accelerated Move towards Zero defects). This program made substantial progress during the year in enhancing our customer satisfaction and market share. A total of 376 projects were undertaken which yielded significant progress through enhanced quality and reduction in early life failures.

Power packed performance: The new, lean, fit for market 250 kVA generator set based on the L9 (8.9-litre) engine platform is all set to provide Cummins a competitive advantage in the markets.

This program is further helping build an integrated supply chain by encouraging close supplier engagement right from the initial stages of product development till ensuring right service quality to the end customer.

Our responsibility towards our employees, natural resources and the environment continued in 2016, with refreshed zeal towards Health, Safety and Environment. The many initiatives undertaken during the year has resulted in your Company reducing water consumption and greenhouse gas (GHG) emissions by 3 percent and 8 percent respectively. Focussed efforts continue towards effective and better waste generation management.

While on the one hand we fulfilled our health, safety and environmental commitments, we also continued to improve lives in our communities. At Cummins, we believe that a company is only as healthy as the communities where we do business. I am proud as well as humbled to share that each and every one of our employees including shop floor operators have successfully dedicated a minimum of four paid hours for the fourth consecutive year in a row to corporate responsibility, and many have far exceeded this goal.

History repeats itself: For the fourth consecutive year in a row, every single Cummins employee including shop floor operators engage in improving lives of communities through sustained projects under corporate responsibility.

These hours were dedicated towards the many sustained projects under the focus areas of Higher Education, Energy & Environment, Social Justice and Infrastructure. All our senior leaders personally drove our high community impact projects at all our locations throughout the year along with dedicated commitment from employees. While some projects were scaled up to achieve greater milestones, others were replicated across locations.

Our collective commitment in improving our communities is evident from the resultant positive impact. Details of the many projects undertaken under corporate responsibility have been outlined in the Business Responsibility Report of this Annual Report.

A better tomorrow!: Corporate Responsibility projects under the three focus areas have been scaled up to achieve greater milestones, through leader led focussed efforts and dedicated commitment from employees.

I am particularly delighted to note that we partnered with the Cummins College of Engineering for Women to help it achieve autonomous status in the college's silver jubilee year. This will now allow the college with the flexibility to tailor its curriculum to support the evolving needs of modern industry.

I am also pleased to share that we have undertaken two new long term strategic projects in Corporate Responsibility.

In the Clean Delhi Air project, we are taking the lead in collaborating with the Confederation of Indian Industry (CII) and the Niti Aayog, other industries, NGOs, academia and government authorities in devising a holistic and data based road map to rid the capital of its worsening pollution levels.

The second, Monsoon Resilient Maharashtra, aims to help the rain dependent rural communities in the state institute measures to substantially lessen their dependency on the monsoon and become self-sufficient.

Technology leadership

Your Company has over the years built a leadership position in engine and generator performance, fuel economy and emissions.

Our largest and most strategic current investment is the Cummins Technical Center India (CTCI), the largest research and development center world-wide, which is very near completion after four years! With physical infrastructure now in place, and work underway to strengthen deep technical expertise, I am excited about taking significant strides in 2017 towards our ambitious vision of becoming a global technology hub that designs lean, sustainable and dependable technologies of the future for Cummins' businesses in India and worldwide.

Manufacturing scale

Reiterating our allegiance to the 'Make in India' initiative by the Government of India, your Company has continued disciplined investments over the years in increasing manufacturing capabilities at superior quality levels.

The stage is set: The Cummins Technical Center India (CTCI), the largest research and development center world-wide, is very near completion after four years, and is all set to strengthen deep technical expertise and become a global technology hub.

As we scale up our capacities, we are also providing our suppliers with strong opportunities to scale up their volumes. In further driving supplier development towards leaner manufacturing, we are working closely with National Productivity Council of India (NPC) and the Mahratta Chamber of Commerce Industries and Agriculture (MCCIA) for the Lean Management Cluster formation. The first cluster of 10 micro-small-medium scale enterprise (MSME) suppliers have already begun working towards improving value for customers by eliminating waste in the entire supply-chain.

Additionally, working with suppliers in improving parts availability, we have expanded the operations of the India Parts Distribution Center (IPDC) at the Megasite. During the year, the IPDC showed a consolidated growth of 6 percent across domestic and exports business, by working closely with aftermarket customers to enhance the fulfillment of regular as well as emergency orders.

Your Company is geared to be looked upon as the preferred choice for high quality manufacturing for the world with world-class infrastructure backed by a dedicated team of diverse employees.

Customer Support

In continuing to enhance the service experience of our customers, we significantly increased focus on our Customer Support Excellence (CSE) initiatives. We took many steps in becoming more customer centric by forming a centralized supply chain management organization, placing greater emphasis on product planning and quality. We initiated a Customer Connect program where our senior leaders traveled to key customer locations to better understand their business challenges and how Cummins could help. We also initiated a Customer Talk program to have key customers visit our locations and speak to our employees about their experience with Cummins. We have seen significant benefits with these programs and have decided to continue pursuing these aggressively in 2017-2018.

Connecting the dots: Strengthening our connect with the last mile is the Customer Connect program where Cummins' senior leaders travel to key customer locations to better understand their business challenges and how Cummins can help.

The Cummins Dealer Operating System (CDOS) launched its smart phone based application, 'Cummins Care', which extends the software's features in a more user-friendly manner in the hands of end customers and our dealer technicians. Allowing multiple user benefits, one time registration and a facility to plan service events, this application provides seamless prompt service at the customer's fingertips.

We are upgrading all of our field offices and dealerships for a uniform look and feel which reflects the Cummins brand, so as to offer a consistent experience to our customers. This, in addition to our branded service vans will increase our responsiveness as well as brand recall.

Last year I had updated you about the acquisition of the 50 percent stake that our partner had in Cummins Svam Sales and Service in Noida to further strengthen your

Company's distribution and service capabilities in India. The renamed entity - Cummins Sales and Service Pvt. Ltd., which is the only company owned dealership, has made remarkable progress during the year in implementing processes along with a significant level of IT enablement that would result in setting a benchmark in the last mile operations and providing excellent customer support.

The resultant transactional Net Promoter Score (NPS), one of the best measures of customer loyalty and an indicator of our progress in CSE year-on-year, has improved to 74 percent which places it in the top quartile in the entire network.

While it has been heartening to achieve greater synergies across our product and service businesses to drive Customer Support Excellence to the next level with the establishment of a robust framework and review mechanism, we promise to continue to step up this initiative to earn the continuing loyalty of our customers.

Right Environment

The primary reason for the Company to achieve strong financial and non-financial results, is by fostering the right working environment which allows each individual regardless of their diverse backgrounds, to contribute to their full potential to delight all our stakeholders. Our journey of investing in leaders who drive the right environment will continue to make Cummins a strong and great institution. Details of initiatives undertaken to build and foster this environment, while reinforcing your Company as a 'Great Place to Work' have been provided in the Director's and Business Responsibility Report. I urge you to go through these to understand how much your Company is investing in developing and retaining talent who we believe will ultimately ensure our success.

Looking Ahead

I remain confident of India's growth story with the current economy. Continuing to be at the core of powering multiple sectors across the country, we are poised to benefit from continued investments in infrastructure and the implementation of reforms such as GST. As the global economy begins to revive, we have much upside to our exports growth too. We believe we are in a strong position to capitalize on all of these exciting opportunities given our technological capabilities, our strong customer relationships, our manufacturing footprint, our diverse leadership and talent.

I would like to thank our Board of Directors whose support, experience and foresight is helping us grow profitably while sustaining the respect of all stakeholders. I am also very grateful to the leadership team and all the employees for what we have accomplished during the year. I remain grateful to you for your trust and unstinted confidence in our capabilities. I recommit myself and my entire team to continue enhancing our legacy of Dependability.

Sincerely,

Anant J. Talaulicar

BOARD OF DIRECTORS

Anant J. Talaulicar
Chairman and
Managing Director,
Cummins India Limited

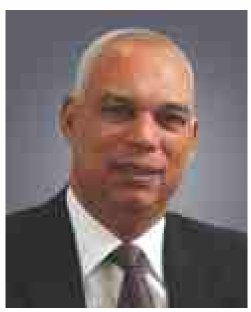
Antonio Leitao
Director

Mark Smith
Director

Norbert Nusterer
Director

Suzanne Wells
Director

Nasser Munjee
Independent Director

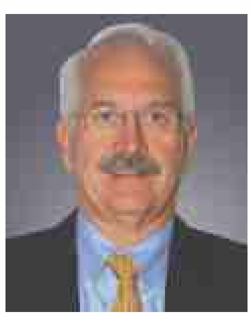


P. M. Telang
Independent Director

P. S. Dasgupta
Independent Director

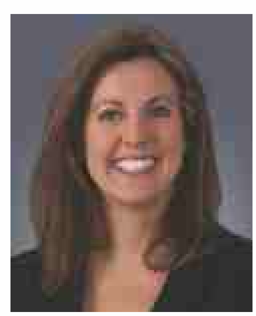
Rajeev Bakshi
Independent Director

Venu Srinivasan
Independent Director



J. M. Barrowman
Alternate Director
to Norbert Nusterer

Pradeep Bhargava
Alternate Director
to Mark Smith



Nicole McDonald
Alternate Director
to Suzanne Wells

BANKERS :

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

ICICI Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS :

S R B C & CO LLP
Chartered Accountants
C - 401, 4th Floor, Panchshil Tech Park,
Yerwada, (Near Don Bosco School),
Pune 411 006

REGISTRAR & TRANSFER AGENT :

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Cummins India Limited

[CIN : L29112PN1962PLC012276]

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DIRECTORS' REPORT

The Directors take pleasure in presenting the Fifty-Sixth Annual Report together with the audited financial statements for the year ended March 31, 2017. With the challenging economic conditions of the previous year continuing into 2016, your Company has focused on improving productivity, eliminating waste, re-aligning the cost structure and increasing market share.

1. FINANCIAL RESULTS:

On a standalone basis: -

During the Financial Year 2016-17, revenue from operations was ₹ 542,875 Lacs as compared to ₹ 508,806 Lacs during the previous year (6.70% higher). Profit after tax decreased to ₹ 73,463 Lacs from ₹ 75,430 Lacs recorded for the previous year (2.61% lower).

On a consolidated basis: -

During the Financial Year 2016-17, revenue from operations was ₹ 545,779 Lacs as compared to ₹ 509,940 Lacs during the previous year (7.03% higher). Profit after tax increased to ₹ 73,627 Lacs from ₹ 72,132 Lacs recorded for the previous year (2.07% higher).

Financial Summary: -

	Standalone		Consolidated	
	2016-17 (₹ in Lacs)	2015-16 (₹ in Lacs)	**2016-17 (₹ in Lacs)**	2015-16 (₹ in Lacs)
APPROPRIATION OF PROFIT:				
Profit before taxation	**90,824**	91,038	**84,301**	79,937
Net Profit for the year after tax	**73,463**	75,430	**73,627**	72,132
Tax on dividend	**7,901**	7,901	**7,901**	7,901
Dividend	**38,808**	38,808	**38,808**	38,808

2. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 9/- per equity share of ₹ 2/- each fully paid-up, in addition to the interim dividend of ₹ 5/- per equity share of ₹ 2/- each fully paid-up share declared on February 1, 2017, aggregating to ₹ 14/- (i.e. 700%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2017 (last year ₹ 14/- per equity share i.e. 700%). The final dividend payout is subject to approval of the Members at the ensuing annual general meeting.

The paid up share capital of the Company is ₹ 554,400,000/- divided in to 277,200,000 equity shares of ₹ 2/- each. Your Company has not come out with any issue (public, rights or preferential) during the year.

3. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associate companies as on March 31, 2017: -

a) Cummins Sales & Service Private Limited (CSSPL):

CSSPL (*formerly known as* Cummins Svam Sales & Service Private Limited), a wholly-owned subsidiary of the Company focuses on sales of Cummins engines, parts, accessories and providing service support to engines and genrators in parts of Northern India close to the National Capital Region (NCR). CSSPL generated a revenue of ₹ 7,922.34 Lacs from its operations for the year ended March 31, 2017, as compared to ₹ 7,514.07 Lacs during the previous year (5.43% higher).

b) **Cummins Research and Technology India Private Limited (CRTI):**

The revenue from operations of Cummins Research and Technology India Private Limited (CRTI), a 50:50 joint venture between Cummins Inc., USA and your Company for the year ended March 31, 2017, was nil as compared to ₹ 3,084 Lacs during the previous year. CRTI was formed in 2003 with an intent to provide information technology enabled mechanical engineering development services primarily to Cummins Inc., USA, its subsidiaries and joint ventures in all parts of the world. Effective April 1, 2016, CRTI closed its operations and your Board of Directors decided that the activity carried out by CRTI for your Company, shall be undertaken in-house by absorbing the appropriate number of employees from CRTI in your Company. This has further enabled your Company to enhance efficiency, optimize the response time, reduce administrative procedures and avoid duplication of efforts. In short, there has been simplicity in running the same activities in a more effective manner.

c) **Valvoline Cummins Private Limited (VCPL):**

VCPL, a 50:50 joint venture with Valvoline International Inc., USA, a global leader in lubricants and engine oils, generated a revenue of ₹ 125,374 Lacs from its operations for the year ended March 31, 2017, as compared to ₹ 116,897 Lacs during the previous year.

d) **Cummins Generator Technologies India Private Limited (CGT):**

Your Company owns 48.54% shareholding in the Associate Company namely CGT which is in the business of design, manufacturing, marketing, sales and service of alternators and related spare parts. CGT generated a revenue of ₹ 60,245 Lacs from its operations for the year ended March 31, 2017, as compared to ₹ 53,622 Lacs during the previous year (12.35% higher).

Your Company announces consolidated financial results on an annual basis. As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, consolidated financial statements of the Company, its subsidiary, joint ventures and associate, prepared in accordance with the applicable Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended, form part of the Annual Report and are reflected in the consolidated financial statements of the Company.

Further, a statement containing the salient features of the financial statement of subsidiaries, associate companies and joint ventures in the prescribed Form AOC-1 is appended as **Annexure ‘1’** which forms part of this Report.

The Company will make the said financial statements and related detailed information of CSSPL available upon request by any member of the Company. These financial statements will also be kept open for inspection by any Member at the Registered Office of the Company and of CSSPL. Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of CSSPL, are available on the website of the Company.

4. INITIATIVES AT PHALTAN:

Currently, the manufacturing plants of your Company operational at the Megasite at Phaltan are the HHP Rebuild Center, Phaltan MidRange Upfit Center (PMUC) and the India Parts Distribution Center at the Domestic Tariff Area and the Low Horsepower Generator set plant at the Special Economic Zone (SEZ).

Based on sustained lower demand and in order to optimize costs and better utilize existing resources, it was decided to outsource manufacturing of ‘C’ series engines and ‘B’ series natural gas engines by way of contract manufacturing and to shift certain activities, resources and operations to other existing factories of Cummins group companies operating at Phaltan which resulted in the closure of PMUC operations. After the closure, the partially empty plant has been made available for Cummins Technologies India Private Limited on rental basis at arm’s length basis.

While the common facilities such as the crèche, administration office and health center commenced operations since August 2014, a training center for employees including an auditorium with a seating capacity of 250 people became functional since June 2015.

The other training center that had commenced operations in December 2015 at the Megasite, is the technical training center. With a capacity to train more than 550 engineers and 300 customers annually to service High Horsepower, Heavy duty and MidRange mechanical engines, generator sets and complex components that make up these products, the training center will further enhance your Company's capability to provide world-class service experience to the end-user.

In addition to the manufacturing and related facilities, a residential campus to house Phaltan based employees of your Company in a high quality, safe and clean environment near the Megasite has also been established. This facility comprises of four buildings with 240 rooms, a cafeteria and a club house. Your Company is also setting up 625 KW Roof Top Solar power plant, which will power the plant with Green Power. This solar plant will be operational in the year 2017.

5. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

Other than the unsecured loan given to Cummins Technologies India Private Limited (which is a subsidiary of Cummins Inc., USA) in 2011 in compliance with the then applicable, Companies Act, 1956 and Rules thereunder, no other loan or guarantee was given or investment was made by your Company during the Financial Year 2016-17.

6. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013 in the prescribed Form AOC-2 is appended as **Annexure '2'** which forms part of this Report.

The Policy on materiality of related party transactions and dealings with related party transactions as approved by the Board may be accessed on the Company's website at the link:
'http://www.cumminsindia.com/investors/corporate-governance'.

7. CONSERVATION OF ENERGY:

Your Company continued to undertake various energy conservation initiatives during the year, some of which are given below:

Kothrud Engine Plant (KEP), Pune:

- Improved LUX level and reduction in energy consumption of illumination devices by 50%;
- Reduction of monthly energy consumption of street lights without affecting present light condition;
- Achieved energy savings on lighting load by giving automatic control of lights and ACs in conference rooms and stores;
- Achieved energy savings by improving the MSEDCL power transformation efficiency from 97% to 99.5% with improved power quality;
- Achieved energy savings by improving efficiency by installation of 2.5 MVA energy efficient transformer;
- Achieved energy savings by controlling operation of test cell blowers as per number of test cells in operation;
- Reduction of monthly energy consumption of AHU without affecting present air circulation condition;
- Reduction of average electricity consumption from 88,853 kWh to 79,968 kWh per month (10% reduction) in heat treatment operations;
- 10% reduction in electricity consumption per SMH in NHNT/ K6 block; and
- Use of energy review tool and energy balance tool for identifying energy saving projects.

The Plant continued implementation of the following initiatives: -

- Replacement of 46 nos. of 400 watt Metal Halide Lamps in the KV engine Assembly, Test, Paint area by 100 watt LED lamps;
- Reduction of power consumption of ventilation blowers of U4 Power House;
- Reduction of power consumption of water pumps for U4 Power House;
- Energy savings achieved by closing air ball valves in shop and assembly testing area when machine is not in use;
- Improved LUX level and energy efficiency of illumination devices in NH NT Assembly. (2 x 36 watt lamps replaced by 20 watt LED tubes - 46 nos.); and
- Replacement of Cummins Technical Center India (CTCI) transformer by energy efficient transformer.

IMPACT OF THE ABOVE MEASURES:

All these initiatives resulted in savings of 7.26 Lacs units of electricity, ₹ 58 lacs saving of energy cost and GHG reduction of 595 tons of CO_2 emission.

Phaltan Midrange Upfit Center, Phaltan:

- On account of downsizing of activities at PMUC no specific initiatives were undertaken.

Power Generation Business Unit Plant, Pirangut and Phaltan SEZ:

- Reduction of power consumption from test cell lighting by replacing 216 watt T5 tube fitting with 100 watt LED fitting which will result in 53% power saving w.r.t. to consumption;
- Reduction of power consumption from test cell blower which resulted in 11% power saving w.r.t. consumption;
- Reduction of power consumption from shop lighting by replacing 216 watt T5 tube fitting with 100 watt LED fitting (46 nos.); and
- Reduction of power consumption during the Unplugged Challenge by 9,500 kWh.

Distribution Business Unit Plants (Erandwane, Pune and HHP Rebuild Center, Phaltan):

- Replacement of street light from 96 CFL to 34 LED fittings. (Total 26 Nos.)
- Installation of control system for cooling tower fan motor of temperature control system.
- Installation of HULs fans (2 Nos.) in the stores area.
- Assigned responsibilities to individuals for air conditioning to shut off in break times.

India Parts Distribution Center, Phaltan:

- Provision of individual switches for lamps of inbound and outbound workstations. Previously there was one master switch, so even if only one workstation is operational, lamps of all workstations would remain ON;
- Half yearly service of AHU initiated resulting into overall air flow and thus, effectiveness; and
- Periodic service of air compressor initiated resulting into less restriction in the suction line and improved efficiency.

IMPACT OF THE ABOVE MEASURES:

All these intiatives were taken towards the energy improvement which will deliver the result in terms of energy conservation in the year 2017.

8. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

Your Company is committed to introducing new products and improving existing products to have better performance levels, lower life cycle costs, excellent safety, recyclability characteristics, meet stringent emission norms and specific needs of the Indian customer. The Technical Center of your Company continues in this endeavour by indigenizing components and developing the next generation of components and systems in collaboration with the parent company - Cummins Inc., USA.

In order to improve technical productivity, new methodologies and technologies have been introduced and enhancements in capabilities are being continuously pursued to reduce the costs associated with new product development and customer support. An example of this is the enhanced use of analysis-led design computer models that help minimize hardware testing and therefore accelerate product development cycle times. Continued implementation of Six Sigma initiatives have resulted in significant cost savings and improved operating efficiency.

To ensure the health and safety of employees, the Technical Center also pursued several initiatives to help drive towards the goal of zero-recordable incidents.

A. New Product Development: -

The following new Products were developed as part of the above initiatives during the year:-

1. Key Industrial engine product families to support the growing Industrial Business.
2 Key Marine engine product families to support the increasing commercial Marine Business.
3. Fundamental electronics capability to help develop products that comply with on board diagnostics legislation.
4. Further enhancement of non-diesel product development capability.

B. Benefits derived as a result of the above activities are: -

1. Enhanced development capabilities through use of electronic tools and simulation software to control the engine performance and combustion process.
2. Enhanced capability to tailor engine designs to improve the value proposition for customers through delivering superior power output, fuel economy and transient response and reduced emissions.
3. Product and component availability to meet the new emission norms ahead of implementation.
4. More safe, recyclable, reliable, durable and performance-efficient products and critical components.
5. Component indigenization capability was improved through enhanced test capability, rig test and flow bench development and availability.
6. Significant enhancements in measurement capability were made to pursue business opportunities in non-diesel markets to serve both the rural and international communities.

C. Future plans include: -

1. Developing local ‘fit for market’ solutions to meet upcoming emission regulations, local and rural market needs.
2. Technological innovation to add value to the products in the areas of alternate fuels, recycle / re-use and hybrid engines.
3. Continued expansion of the product range to serve the local and global market needs.
4. Providing energy-efficient solutions to reduce carbon footprint and improve recyclability.
5. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives.
6. Alternate source development for various engine components.
7. Expanding the coverage of our engine development for the Power Generation market.

D. Your Company continues to draw benefits from Cummins Inc.'s technical capabilities and advanced technology. With continued support from Cummins Inc., USA, your Company is committed to develop advanced fuel-efficient and emission-compliant engines that work on a variety of fuel sources and comply with forthcoming domestic and global emission regulations, to help reduce Greenhouse Gas emission, whilst also enabling the products to deliver superior performance, reliability, durability and recyclability.

E. Expenditure on R & D:-

The total expenditure on R & D was as follows:-

	2016-2017 (₹ in Lacs)	2015-2016 (₹ in Lacs)
Capital	**395**	1
Recurring	**3,067**	2,510
Total	**3,462**	2,511
Total R&D expenditure as a percentage of total sales turnover	**0.65%**	0.51%

9. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company continues to be a net foreign exchange earner. During the year under review, your Company exported 6,209 engines and 9,954 generator sets thereby achieving total export earnings of ₹ 152,219 Lacs.

Foreign exchange earnings and outgo (including royalty, dividend etc.) during the year under review were as follows:-

		2016-2017 (₹ in Lacs)			2015-2016 (₹ in Lacs)
(a)	Earnings		**163,131**		171,357
(b)	Outgo –		**93,683**		82,640
	- Raw Materials / Components	**56,894**		48,038	
	- Capital Equipment	**1,712**		229	
	- Others	**35,077**		34,373	

10. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT:

The Management Discussion and Analysis Report and the Corporate Governance Report which forms part of this Report is appended as **Annexure '3'** and **'4'** respectively.

The Company has obtained a Certificate from Practicing Company Secretary confirming compliance with conditions of the Code of Corporate Governance as stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is appended as **Annexure '5'** which forms part of this Report.

11. EXTRACT OF THE ANNUAL RETURN:

Extract of the annual return as prescribed under Section 92(3) of the Companies Act, 2013 is appended as **Annexure '6'** which forms part of this Report.

12. RISK MANAGEMENT:

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities. As a process, the risk associated with the business are identified and prioritized based on severity, likelihood and effectiveness of current detection. Such risks are reviewed by the senior management on a quarterly basis. Process owners are identified for each risk and metrics are developed for monitoring and reviewing the risk mitigation through Six Sigma Projects.

Audit and Risk Management Committee of the Board of Directors of your Company assists the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks.

13. INTERNAL FINANCIAL CONTROL:

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is appended as **Annexure '3'** and forms part of this Report.

14. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

Your Company is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engages the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently.

The Company has a 'Whistle Blower Policy' which *inter alia* provides adequate safeguards against victimization of persons who may blow the whistle. In addition, the Company also has constituted an Internal Complaints Committee (under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013) and an Ethics Committee comprising of senior executives of the Company. Protected disclosures can be made by a whistle blower through an email or dedicated telephone line or letter to the Chairman & Managing Director of the Company or Letter to the Chairman of Audit and Risk Management Committee. Whistle Blower Policy may be accessed on the Company's website at the link: 'http://www.cumminsindia.com/investors/corporate-governance'. Details of number of complaints filed and resolved by the Internal Complaints Committee during the year are provided in the Business Responsibility Report of the Company.

15. CODE OF CONDUCT COMPLIANCE:

All members of the Board and Senior Management have affirmed compliance to the Code of Conduct for the Financial Year 2016-17. A declaration signed by the Chairman & Managing Director affirming compliance with the Company's Code of Conduct by the Board of Directors and Senior Management for the Financial Year 2016-17 as required under Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

16. DIRECTORS' RESPONSIBILITY STATEMENT:

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2016-17.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

(i) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards have been followed and there was no material departure from the same;

(ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2017 and of the profit for the period April 01, 2016 to March 31, 2017;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis;

(v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year; and

(vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

17. DIRECTORS:

a) Changes in the composition of the Board of Directors:

During the year, Mr. Edward Pence (DIN: 06577765), resigned as a Director of the Company with effect from August 4, 2016 due to change in his profile at Cummins Inc., USA and consequently, Mr. J. M. Barrowman (DIN: 00668324) ceased to be an Alternate Director for Mr. Edward Pence from August 4, 2016.

The Board, at its meeting held on August 4, 2016, noted the presence of Ms. Suzanne Wells (DIN: 06954891) in India during August 1, 2016 to August 4, 2016 and consequent cessation of Ms. Nicole McDonald (DIN: 07369062) as an Alternate Director of Ms. Wells effective August 1, 2016. The Board confirmed appointment of Ms. McDonald as an Alternate Director for Ms. Wells effective August 5, 2016 upon return of Original Director (Ms. Wells) to the USA.

The Board, at its meeting held on October 26, 2016, appointed Mr. Norbert Nusterer (DIN: 07640359) as an Additional Director of the Company and Mr. J. M. Barrowman (DIN: 00668324) as an Alternate Director to Mr. Nusterer effective October 26, 2016.

The Board, at its meeting held on February 2, 2017, noted the presence of Mr. Norbert Nusterer (DIN: 07640359) in India during January 31, 2017 to February 1, 2017 and consequent cessation of Mr. J. M. Barrowman (DIN: 00668324) as an Alternate Director of Mr. Nusterer effective January 31, 2017. The Board confirmed appointment of Mr. Barrowman as an Alternate Director for Mr. Nusterer effective February 2, 2017 upon return of Original Director (Mr. Nusterer) to the USA.

The Board, at its meeting held on February 2, 2017, noted the presence of Ms. Suzanne Wells (DIN: 06954891) in India during January 31, 2017 to February 3, 2017 and consequent cessation of Ms. Nicole McDonald (DIN: 07369062) as an Alternate Director of Ms. Wells effective January 31, 2017. The Board confirmed appointment of Ms. McDonald as an Alternate Director for Ms. Wells effective February 4, 2017 upon return of Original Director (Ms. Wells) to the USA.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Ms. Suzanne Wells, Director of the Company, retires by rotation and is eligible for re-appointment.

The details of number of meetings of the Board etc. are provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

b) Committees of the Board:

The Board of Directors have constituted following committees in order to effectively cater its duties towards diversified role under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: -

- Audit and Risk Management Committee;
- Stakeholders Relationship Committee;
- Nomination and Remuneration Committee; and
- Corporate Social Responsibility Committee.

Details of the constitution, terms of references of each Committee and number of meetings attended by individual director etc. are provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

c) Policy on Director's Appointment and Remuneration:

The Policy of the Company on Director's Appointment and Remuneration, including criteria for determining qualifications, positive attributes, independence of the directors and other matters provided under Section 178 (3) of the Companies Act, 2013, adopted by the Board is appended as **Annexure '7'** which forms part of this Report. Details of the remuneration paid to the Board of Directors are provided in the Corporate Governance Report. We affirm that the remuneration paid to the Directors is as per the terms laid down in the Nomination and Remuneration Policy of the Company.

d) Board Performance Evaluation Mechanism:

Pursuant to the provisions of the Companies Act, 2013 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance and the Directors individually, as well as the evaluation of the working of its Committees. Details of the evaluation mechanism is provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

e) Familiarization Programme for Independent Directors:

The Independent Directors of the Company are associated with the Company for many years and are very familiar with the Company. During the year, the Management provided various documents, background notes, etc. to have a better insight of the Company. The Chairman & Managing Director also has a one-to-one discussion with the newly appointed Directors. Details of initiatives for the Director to understand the Company, its business and the regulatory framework in which the Company operates and equip him / her to effectively fulfil his / her role as a Director of the Company. The details of familiarisation programmes imparted are available at 'http://www.cumminsindia.com/investors/corporate-governance'.

f) Declarations from the Independent Directors:

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under both, the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

18. PARTICULARS OF EMPLOYEES:

The details in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, is appended as **Annexure '8'** which forms part of this Report.

A statement containing the details as prescribed under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time forms part of this Report. Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

19. INDUSTRIAL RELATIONS:

Industrial relations at the Company's plants continue to be cordial.

20. AUDITORS:

STATUTORY AUDITORS:

At the Annual General Meeting held on August 4, 2016, M/s. S R B C & CO LLP (Firm Registration No. 324982E), were appointed as statutory auditors of the Company to hold office till the conclusion of Sixtieth Annual General Meeting. In terms of the Section 139(1) of the Companies Act, 2013, the appointment of auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. S R B C & CO LLP, as statutory auditors of the Company is placed for ratification by the shareholders. M/s. S R B C & CO LLP have informed the Company vide letter dated April 27, 2017 that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

There are no qualifications, reservations or adverse remarks or disclaimers made by the auditors in the Audit Report for the year 2016-17.

SECRETARIAL AUDITOR:

Dr. K. R. Chandratre, Company Secretary in Practice, was appointed to conduct the secretarial audit of the Company for the Financial Year 2016-17, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 for Financial Year 2016-17 is appended as **Annexure '9'** which forms part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS:

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, as amended from time to time, the cost audit records maintained by the Company in respect of its manufacturing activity is required to be audited. Your Directors, on the recommendation of the Audit and Risk Management Committee, appointed M/s. Ajay Joshi and Associates, Pune, to audit the cost accounts of the Company for the Financial Year 2017-18 on a remuneration of ₹ 9.5 Lacs plus taxes as applicable and re-imbursement of out of pocket expenses. As required under the Companies Act, 2013, the Members' ratification for the remuneration payable to M/s. Ajay Joshi and Associates, Cost Auditors is being sought at the ensuing Annual General Meeting.

21. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

Your Company is an early adopter of the Corporate Social Responsibility (CSR) initiatives. Corporate Responsibility is one of the six core values of your Company, which focuses on 'serving and improving the communities in which we live'. Your Company works with 'Cummins India Foundation' towards three broad focus areas viz. Higher Education, Energy & Environment and Social Justice & Infrastructure.

Details about the CSR Policy and initiatives taken by the Company during the year are available on our website 'http://www.cumminsindia.com/investors/corporate-governance'. The Annual Report on our CSR Activities, is appended as **Annexure '10'** which forms part of this Report.

22. BUSINESS RESPONSIBILITY REPORT:

As stipulated under the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Business Responsibility Report describes the initiatives taken by the Company from environmental, social and governance perspective, which forms part of the Annual Report.

23. GENERAL:

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

a. Change in Key Managerial Personnel during the year;

b. Details relating to deposits covered under Chapter V of the Companies Act, 2013;

c. Issue of equity shares with differential rights as to dividend, voting or otherwise;

d. Issue of shares (including sweat equity shares) to employees of the Company under any scheme;

e. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;

f. No frauds were reported by auditors under Section 143(12) of the Companies Act, 2013;

g. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations (however, Members attention is drawn to the Statement on Contingent Liabilities, commitments in the notes forming part of the Financial Statement); and

h. No material changes and commitments occurred during April 1, 2017 till the date of this Report which would affect the financial position of your Company.

ACKNOWLEDGEMENT:

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from financial institutions, banks, government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and associates.

On behalf of the Board of Directors,

Anant J. Talaulicar
Chairman & Managing Director
DIN: 00031051

Place : Pune
Date : June 29, 2017

Annexures to the Directors' Report

Annexure 1 – STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ ASSOCIATE COMPANIES/ JOINT VENTURES

[Pursuant to first proviso to Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 – Form AOC - 1]

Part "A": Subsidiaries: -

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to the wholly-owned subsidiary

Sr. No.	Particulars	
1.	**Name of the subsidiary :**	Cummins Sales & Service Private Limited (earlier known as Cummins Svam Sales & Service Private Limited and originally incorporated as 'Cummins Svam Sales & Service Limited')
2.	**Reporting period for the subsidiary concerned, if different from the holding company's reporting period :**	Financial Year 2016-17
3.	**Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.**	Indian Rupees (₹)
4.	**Share capital :**	₹ 1,200.00 Lacs
5.	**Reserves & surplus :**	₹ 3.06 Lacs
6.	**Total assets :**	₹ 2,470.36 Lacs
7.	**Total Liabilities :**	₹ 1,267.30 Lacs
8.	**Investments :**	Nil
9.	**Turnover :**	₹ 7,922.34 Lacs
10.	**Profit before taxation :**	₹ 163.87 Lacs
11.	**Provision for taxation :**	₹ 58.91 Lacs
12.	**Profit after taxation :**	₹ 104.96 Lacs
13.	**Proposed Dividend :**	Not Applicable
14.	**% of shareholding**	100

Note: Your Company does not have any subsidiary which is yet to commence operations or which has been liquidated or sold during the year.

Annexures to the Directors' Report

Part "B": Associates and Joint Ventures : -

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Company and Joint Ventures

Name of Associate/ Joint Ventures	Cummins Research and Technology India Private Limited	Valvoline Cummins Private Limited	Cummins Generator Technologies India Private Limited
1. **Date of the latest audited Balance Sheet**	March 31, 2017	March 31, 2017	March 31, 2017
2. **Shares of Associate/ Joint Ventures held by the Company on the year end**			
No.	114,600 equity shares of ₹ 10/- each	9,500,000 equity shares of ₹ 10/- each	779,997 equity shares of ₹ 10/- each
Amount of Investment in Associates/ Joint Venture	₹ 11 Lacs	₹ 804 Lacs (Please refer note no. 1)	₹ 1,720 Lacs (Please refer note no. 2)
Extend of Holding %	50%	50%	48.54%
3. **Description of how there is significant influence**	Joint Venture	Joint Venture	Associate Company with control of more than 20% of total share capital
4. **Reason why the associate/joint venture is not consolidated**	NA	NA	NA
5. **Net worth attributable to Shareholding as per latest audited Balance Sheet**	₹ 556 Lacs	₹ 21,231 Lacs	₹ 17,567 Lacs
6. **Profit/ Loss for the year**			
i. Considered in Consolidation	₹ (22) Lacs	₹ 6,208 Lacs	₹ 1,924 Lacs
ii. Not Considered in Consolidation	₹ (22) Lacs	₹ 6,208 Lacs	₹ 2,040 Lacs

Notes: -

1. The Company has invested ₹ 8.46/- per share in Valvoline Cummins Private Limited.
2. The Company has invested ₹ 220.50/- per share in Cummins Generator Technologies India Private Limited.
3. There is neither any associate company/ joint venture which is yet to commence operations nor any associate/ joint venture which has been liquidated or sold during the year.
4. Share of profit of subsidiary, joint ventures and associate has been considered in consolidation.

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
M. No. : FCS4138

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place : Mumbai
Date : May 18, 2017

Annexures to the Directors' Report

Annexure 2 – PARTICULARS OF CONTRACTS/ARRANGEMENTS ENTERED INTO BY THE COMPANY WITH RELATED PARTIES

[Pursuant to clause (h) of Section 134(3) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014 – Form AOC - 2]

This Form pertains to the disclosure of particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188(1) of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis

No contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis.

2. Details of material* contracts or arrangement or transactions at arm's length basis

Nature and Particulars of transactions	Name of the Related Party/s	Nature of Relationship	Salient Terms	Amount of the transaction (₹ in Lacs)
Sale of internal combustion engines, their parts and accessories by the Company for the Financial Year 2016-17	Cummins Limited, UK	Cummins Limited, UK and Cummins India Limited both are subsidiaries of Cummins Inc., USA	Exports in the ordinary course of business based on the Purchase Orders raised from time to time	60,812
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2016-17	Tata Cummins Private Limited, Jamshedpur (TCPL)	- 50-50% joint venture company between Cummins Inc., USA and Tata Motors Limited. Cummins Inc., USA is the parent company of Cummins India Limited. - Mr. Anant J. Talaulicar, Chairman and Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also the Managing Director of TCPL. - Mr. Rajiv Batra, Chief Financial Officer (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL.	Purchase of B & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	78,159

* Material related party transactions (RPTs) i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements are provided in the above table. As a part of its regular business, the Company transacts with various companies owned or managed under Cummins group for sale and/ or purchase of

different series of internal combustion engines along with parts and accessories. Out of such companies, the transactions with Cummins Limited, UK and Tata Cummins Private Limited, Jamshedpur are Material RPTs. It may be noted that during the Financial Year 2016-17, the total annual consolidated turnover of the Company was ₹ 533,897 Lacs and that the Company had transactions with Cummins Limited, UK of ₹ 60,812 Lacs (i.e., 11.39%) and that with Tata Cummins Private Limited of ₹ 78,159 Lacs (i.e., 14.64%). A similar trend of transactions with Cummins Limited, UK and Tata Cummins Private Limited is expected in the current year. Therefore, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit and Risk Management Committee and the Board of Directors have approved these transactions on May 18, 2017 and have presented the same for approval by the shareholders at the ensuing Annual General Meeting.

On behalf of the Board of Directors,

Anant J. Talaulicar
Chairman & Managing Director
DIN: 00031051

Place : Pune
Date : June 29, 2017

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- The growth rate of the Indian economy in the Financial Year 2016-17 is expected to be ~7.1%[1]. The demonetization measures in November 2016 had a short term negative impact on the domestic economy and with the accelerated pace of re-monetization and consumer spending, demand recovered in the January - March quarter.
- The implementation of the GST Act is expected to simplify India's indirect tax system, help goods move seamlessly across state borders and attract investments by improving the ease of doing business in India.
- The continued increase in government spend on infrastructure such as railways (up by 26%[2] in Financial Year 2016-17 from previous year), roads (up by 12%[2] in Financial Year 2016–17 from previous year) etc. would provide impetus to the economic growth.
- The government's sustained focus on the 'Make-in-India' campaign to promote local manufacturing would help manufacturing companies in the medium to long term.
- Rising global oil, metal and commodity prices are pushing inflation upwards, intensifying supply side price pressures.
- Global trade has largely remained restrained due to slow global growth and some rising tendency towards protectionist policies.
- In the Financial Year 2017-18, continued investments in infrastructure and implementation of reforms such as GST, if coupled with a normal monsoon, is expected to spur the domestic growth momentum.

Note:

1) At constant market prices as per the Advance Estimates of National income 2016-17 Central Statistics Office (CSO) - Ministry of Statistics & Programme Implementation (released in Jan 2017).

2) Based on revised estimates of Financial Year 2016-17 against actuals for Financial Year 2015-16 from Ministry of Railways and Ministry of Road Transport and Highways.

2. Opportunities and Threats

Key Opportunities

Power Systems

- Despite the reducing power deficit over the last few years and resultant change in the usage pattern of generator sets, your Company expects the segment to grow, driven by high demand for backup power arising from urbanization, GDP growth and changing aspirational preference of consumers for comfortable living and safety.
- Your Company expects that the investments in the IT/ITES sector and particular in datacenter capacity would sustain the growth in the high horse power segment, where your Company holds a significant market share.
- With Indian Railways targeting to commission 3,500 km of new track during the next financial year and increased focus on gauge conversion, your Company anticipates an increase in demand for track maintenance machines.
- Your Company believes that the thrust on production of more secure LHB passenger coaches and increased rail speed would result in demand for Power Car and replacement of loco hauled passenger trains by DEMU (Diesel Electric Multiple Unit).

- With the Coal Ministry's target to increase coal production to 1BT by 2020, your Company believes that the higher tonnage equipment market would expand. Increased outsourcing to contractors will simultaneously lead to increased demand for small tonnage mining equipment.
- Your Company believes that the marine propulsion and diesel genset market is set to expand in the next financial year, stimulated by fleet expansion and modernization initiatives by the Indian Navy and Coast Guard and emphasis on inland water development.
- With government focus on CGD (City Gas Distribution) and clarity on gas pricing, the gas compression market is likely to see an upsurge in demand.

Off-highway

- Increase in government expenditure on road building, infrastructure and smart cities is likely to lead to an overall growth in demand for construction equipment.
- Also, in alignment with government's 'Make in India' initiative, many global players have increased their focus on exporting India-built equipment to other parts of the world.
- Your Company is strongly placed in this sector, having decades of partnership experience with all major equipment manufacturers.

Distribution

- Growth across industrial and off-highway segments is expected to drive growth of the distribution business in India's engine, parts and service revenues.
- Further, your Company is leveraging the data captured via various IT systems for meaningful segmentation of customers to drive data based insights for better forecast accuracy and supply chain management.

Exports

- Your Company has identified new opportunities for supply of machined components to Cummins Inc. parts distribution centers.

Key Threats

Power Systems

- The market has exhibited limited willingness to absorb price increases subsequent to the implementation of CPCB-II norms (effective July 1, 2014). Intense competitive activity from international players, who have established their manufacturing footprint in India and domestic players has led to price discounting in the domestic market in 2016-17, as was the case in 2015-16.
- The power deficit in India has been hovering in the range of 0-1% levels during Financial Year 2016–17. Your Company is expecting reduction of power deficit to continue further, impacting the demand for after-market parts & services in generator set applications.
- Track electrification can impact demand for DEMU in near future, shifting trend towards EMU (Electric Multiple Unit).

Exports

- The sluggish growth in the global economy and changing demand pattern is resulting in volatility as well as reduction in demand. The challenge is being mitigated with close interaction and timely execution actions to subdue the impact.

3. Product-wise Performance

Power Systems

- Post CPCB-II implementation which led to a challenging Financial Year 2014–15 for the domestic business, your Company has focused on sales initiatives, cost reduction projects and quality improvements which have resulted in growing market share and revenue.

- Your Company received positive response from the market for introduction of the L8.9 engine at 250 kVA and observed significant growth in this rating as compared to 2015-16.

- The Projects Business, across rail, mining, marine, oil & gas and defense segments, witnessed healthy growth in 2016-17 over the last year.

- Your Company executed major Marine projects in 2016-17 and has a strong pipe line going into 2017-18.

- Your Company was approved by RDSO as a supplier for a complete DA set.

Off-highway

- The Government's focus on improving road infrastructure led to record growth in domestic demand in Financial Year 2016-17 for the 6 cylinder and 4 cylinder engines powering excavators and road machinery equipment.

Distribution

- Your Company's distribution business grew around 9% over the last financial year. Engine sales were bolstered by demand from railways, power generation & mining segments. This increase coupled with focused market penetration initiatives helped in the growth of spare parts and service business.

Exports

- The 14 L engine developed by your Company for marine applications has been accepted well by global distributors and end customers. We are witnessing increasing demand for the model and are looking forward to expand to new territories including South East Asia apart from existing demand from North American and European regions.

4. New Business initiatives for Financial Year 2016-17

Power Systems

- Your Company formed the Project Business in order to focus on offering integrated power solutions, with a single Cummins interface to the customer for the entire value package, across rail, mining, marine, oil & gas and defense segments.

- Cummins developed a silent power car for the Indian Railways and is executing orders for DETC's (Diesel Electric Tower Car) which has seen a significant increase over the previous years.

- Your Company will continue to focus on customer satisfaction and engagement by strongly directed initiatives towards integrated account management and end user management.

Off-highway

- Your Company is stepping up business development efforts to foray into new applications with both, existing and new OEMs.

- Your Company, with its strong global after sales network, is working with customers to grow exports to Middle East, South East Asia and Africa.

Distribution

- Your Company has been leveraging technology in order to enhance customer support and engagement. Your Company has developed a mobile application for end customers which will provide a platform to schedule and track service events of registered products and also the ability to provide feedback. This will help your Company enhance the customer service experience and resolve customer issues at the earliest.

Exports

- In order to expand business opportunities, your Company is executing a project with Cummins Japan to revive the rail business with Japan Rail, for quantum series 14 L engines from India. The project will open doors for future opportunities with Japan Rail and other global rail application requirements.

- Your Company has added new parts to the existing portfolio of machined components, so as to bring in additional business.

5. Achievements

Power Systems

- Your Company received Reseach Designs & Standards Organisation (RDSO) approval for supplying its 500 kVA DA set for rail power car application.

- Your Company gained market share and became the sole supplier to the Indian Railways in the DEMU application.

Off-highway

- Your Company's revenue in the off-highway segment experienced record growth of 40% in Financial Year 2016–17 over Financial Year 2015–16.

Distribution

- The Net Promoter Score (NPS) which is a measure of customer loyalty, was sustained at 72%, maintaining the second spot in DBU NPS scores globally.

- The service van initiative took a big leap this year and now your Company has 23 vans on the road as compared to 7 vans last year, improving the customer service experience and response time.

- The service response time, which has a direct impact on customers' confidence in Cummins' channel, has improved and is currently at 95% within 4 hours of customer's notification.

- Your Company further strengthened the nation-wide 'Coach Them Young' initiative, a program aimed at imparting awareness about the importance of environment protection to the budding generation of our country. The project successfully covered 9.3 lakh students, a whopping 2 lakh students more than last year.

6. Outlook and Initiatives for the Current Year and Thereafter

Power Systems

- Your Company expects the power deficit to remain low intensifying the shift in generator set usage towards a standby pattern. However, with the renewed push on infrastructure & industrial development, as well as changing lifestyles of residents in Tier II and Tier III cities, your Company is optimistic about the demand for generator sets.

- In the long term, with greater focus on more stringent environmental norms in the future, your Company is positioned favorably as a pioneer in producing engines with cleaner technology and higher fuel efficiency.

- There is tremendous opportunity to establish your Company as an integrated supplier for power cars, underslung diesel auxiliary sets & DETC (track maintenance) engines.

- Ramping up of coal output and productivity paves the way for new business opportunities for your Company in higher tonnage mining equipment.
- A strong Indian Navy order board and new tenders from the coast guard are expected in Financial Year 2017-18 fueled by the drive to modernize the Indian fleet and implementation of the inland waterways initiative.
- New opportunities are expected to be created in the defense sector with the impetus on 'Make in India' by the Central Government.

Off-highway

- Your Company is expected to sustain its leadership in various construction equipment segments such as excavators, wheel loaders, road machinery equipment and water well drill rigs.
- Your Company will continue to work on gaining market share and improving profitability.

Distribution

- Despite the reducing utilization of diesel generators in the country, the distribution business grew 9% in the Financial Year 2016-17 as a result of various market penetration initiatives.
- The outlook for Financial Year 2017–18 is positive and your Company is expected to continue the growth story on account of a healthy order board for spare parts, continued demand for engines from key accounts and improving penetration in service contracts.
- Further strengthening the channel to improve customer loyalty will be the prime focus of your Company for the coming years.

Exports

- Your Company is focused on increasing the exports of its products and is positioned strongly in all its export markets as the global markets recover. Your Company has identified profitable opportunities to supply parts to various Cummins engine plants and parts distribution centers globally.

7. Risks and Concerns the Management Perceives

- Potential increases in US interest rates, rising crude oil prices, rising protectionism against imports in the global markets, an adverse exchange rate are risks. Your Company's export growth hinges on increase in demand in partner countries which continues to be uncertain and weak.
- The transition to GST in the next year may pose administrative and technological challenges before the situation stabilizes.

Measures to mitigate risks

- To counter the slowdown in global economic growth and demand, it is imperative to maintain focus and leadership in the domestic market. New product and market development, overall portfolio diversification and better market penetration for existing products will continue to be focus areas for your Company.
- Various restructuring projects combined with cost reduction programs such as 'Accelerated Cost Efficiency' (ACE) IV, Accelerated Move Towards Zero Defects (AMAZE) which leverage Six Sigma approach, have had a significant positive influence on your Company's profitability. Continued focus on these efforts will help your Company maintain cost leadership in the domestic market and remain the preferred source for exports.
- Your Company has collaborated and held workshops with vendor partners in order to enable smooth transitioning to GST and to realize benefits for the end customers.

8. Internal Control Systems and its Adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. The Company has continued its efforts to align all its processes and controls with global best practices.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, the Management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by the Internal Audit department and supported by the Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit and Risk Management Committee. An ongoing programme, for the reinforcement of the Cummins Code of Conduct is prevalent across the organization. The Code covers transparency in financial reports, ethical conduct, and regulatory compliance, conflicts of interests review and reporting of concerns. Anti-fraud programmes including whistle blower mechanisms are operative across the Company.

The Board takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management programme, the Company's business units and corporate functions address opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. The business risk is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the senior management. The Audit and Risk Management Committee reviews business risk areas covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, product quality and product planning.

9. Human Resources Development and Industrial Relations

The total number of employees stands at 3,674 as on March 31, 2017.

Leadership Excellence

In building leadership excellence across the organization, your Company has continued to cascade the five critical leadership skills (Coaching, Fostering Open Communications, Managing Diversity, Managing Talent and Strategic Thinking), covering 938 managers in the Coach and Develop session, 825 managers in the session on Fostering Open Communications and 694 managers in Talent Management sessions. In addition, 736 managers underwent the 'Leadership Conversations – Building Success in Others' programme. This year, 139 employees are continuing sponsorship for higher education, at your Company's partner institutions such as the Kelley School of Business at the Indiana University in the US, IIM-Ahmedabad as well as the S. P. Jain post graduate management programs and the masters level program in engineering at the ARAI-Vellore Institute of Technology.

Hire-To-Develop and Seamless Talent Deployment

To help develop talent in a more integrated manner, your Company has launched the Global Internal Moves policy and iRecruit IT system. These are automated systems that allow your Company's employees to view growth opportunities in India and other parts of the world. Another important initiative under hire-to-develop philosophy involves presenting growth opportunities to employees to develop themselves by taking on responsibilities across functions and businesses. Approximately 227 professional employees moved into different roles or functions, within the group.

Campus Hiring

Continuing the focus around employing the right talent at the entry level and developing them for future roles within the organization, this year, your Company hired 43 employees from Engineering, CA, MBA and MTech fields. 8 engineers went through the Young Managers Development Program (YMDP). Around 29 women were hired in 2016 (which is 67% of total hires in 2016), thus showcasing the commitment towards gender equality. Your Company also continued to hire diverse workforce from other regions of India (East, South and North) thus endorsing your Company's inclusive culture.

Your Company also strengthened partnerships with distinguished MBA and Engineering colleges. These includes institutes such as Indian Institute of Management, Ahmedabad, Indore (IIM – Indore), Udaipur (IIM – Udaipur), Xavier Labour Relations Institute (XLRI) Jamshedpur, Tata Institute of Social Sciences (TISS), S. P. Jain Institute of Management and Research (S. P. Jain), Symbiosis Institute of Business Management (SIBM Pune), Narsee Monjee Institute of Management Studies (NMIMS), Symbiosis Centre of Management and Human Resource Development (SCMHRD), National Institute of Industrial Engineering (NITIE) Mumbai, Symbiosis Institute of Operations Management (SIOM) – Nashik, Indian Institute of Technology Bombay (IIT-Bombay), Indian Institute of Technology Madras (IIT-Madras), College of Engineering Pune (CoEP) and the Indian School of Business (ISB), by appointing senior leaders as 'Sponsors' to take up the responsibility to engage with these colleges at various levels including participating in guest lectures, symposiums, college events, event-sponsorships, tech shows, case studies, etc.

Diversity

Given the impact of diversity as a powerful business driver, your Company has continued to focus on diversity as a core value. Improving gender representation continues to remain the key focus. The efforts of the past ten years in increasing representation and greater inclusion of talented, high performing women at the workplace at all levels of the organization are more visible with representation at professional levels at ~30%. Last year the Second Career Women hiring initiative has been successfully launched under project REBOOT to tap this potential talent pool boosting the journey towards attaining 50:50 Gender ratio in workforce. Extensive work was carried out with a group of leaders to prepare a comprehensive roadmap for improving women leadership representation in middle and senior leadership roles. Your Company is careful not to encourage any entitlement system and all selections are made on the basis of merit. The Company hosted the first ever women's conference on 'Driving Business Success through Balanced Leadership' with key senior leadership team in attendance from India and US including Cummins Inc. CEO Mr. Tom Linebarger.

Building on minority representation in the workforce mix has been chosen as another area of focus - a conscious tilt towards moving the diversity needle beyond just gender.

Your Company understands the significance of care in leadership excellence and right leadership being the primary enabler to building a culture that allows each individual regardless of their diverse backgrounds to contribute to their full potential to delight all our stakeholders. This strategic positioning on inclusion nudged your company to take significant step which saw the launch of maternity leave of 26 weeks for all primary care givers and 30 days paternity leave for all secondary care givers with respect to biological birth, adoption or commissioning.

The Women's Affinity Group across India organized various workshops in the areas of safety, development and health & wellness. This was in addition to the periodical Focus Group Discussions and interactive inter-entity competitions encouraging creativity among the employees. Infrastructure facilities such as crèche and health center are already in place. With 84% usage of crèche facilities, the demand builds on and to respond to this rising need, the Company has provisioned for infrastructural enhancement at plant premises – Phaltan and Kothrud to start with.

Megasite Update

At the Cummins Megasite, living up to the spirit of 'One Cummins', the Company continues to invest in Team Based Work Systems (TBWS), which helps create an inclusive environment in all its plants. In order to strengthen team spirit among the shop-floor employees at the Megasite. The 'train the trainer' workshop on TBWS audit mechanism and cross entity audit was completed which resulted in gap analysis and identification of best practice.

Cummins has achieved 23 percent female representation amongst shop-floor employees. Infrastructure facilities such as the learning center, crèche and health center are already in place. To retain talent and provide safe and harmonious living conditions to employees based at Phaltan, Company initiated enrolment at the Cummins residential campus, with state of the art facilities such as a club house, recreational zone, emergency medical services, 24/7 security, cafeteria and other amenities to provide a safe and comfortable living environment. Cummins residential campus currently houses 540 employees with 43% female residents.

For female employees, training sessions on investment banking, soft skills development, communication skills and leadership were organized. As a part of their health improvement, health check-ups, anaemia check-ups and basic personal hygiene were also organized. Sanitary pad vending machines were also provided at the shop floor.

For the third year in a row, the Megasite women employees came together along with their plant leadership teams, to celebrate the International Women's Day. Various exemplary women employees were awarded with the 'Woman Achiever of Megasite Awards' (WAMA) for 2016. All the Megasite entities participated in the talent show competition, based on the theme of this year – 'Be bold for Change, Pledge for Parity'. Rangoli and poster competitions were also organized.

Right Environment

During the course of the year, your Company honored instances of exemplary allegiance to the six core values - Integrity, Innovation, Delivering Superior Results, Diversity, Global Involvement and Corporate Responsibility, along with Six Sigma, Customer Support Excellence and Health, Safety and Environment. The winners were felicitated at the CMD (Chairman and Managing Director) awards function, an annual event that is now in its eleventh year. Our efforts to have all employees understand and commit to the 'Cummins Code of Business Conduct' and 'Treatment of Each Other at Work' Policy continues. This remains the core in creating and sustaining the right environment for all our stakeholders, both inside and outside the organization.

10. Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in government regulations, tax laws and other statutes and incidental factors.

Annexures to the Directors' Report

Annexure 4 – CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Corporate Governance is a set of principles, processes and systems to be followed by the Directors, Management and all employees of the Company for enhancement of shareholder value, keeping in view interests of other stakeholders. Integrity, transparency and compliance with regulations in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency and accountability at all levels in the organisation.

Your Company believes that good governance is the foundation for a truly sustainable company. The commitment to do what is right and to do what we will say we will do, this long-standing commitment to integrity provides the framework for all our business activities, and serves as the foundation for the Company's governance policies and procedures. Your Company's Board of Directors represents and protects the interests of Company's stakeholders, with the legal responsibility for overseeing the affairs of the Company.

2. BOARD OF DIRECTORS:

a) Composition of the Board of Directors:

The Board of Directors of the Company has an optimum combination of Executive and Non-executive Directors, and comprises of 10 Directors, with 1 Promoter (Executive) Director, 4 Promoter (Non-executive) Directors, including 1 Woman Director and 5 Independent (Non-executive) Directors.

Mr. Anant J. Talaulicar (DIN 00031051), Managing Director, is the Chairman of Board of Directors of the Company effective April 25, 2003.

b) Board meetings:

i. During the Financial Year, the Board of Directors met four times on May 25, 2016, August 4, 2016, October 26, 2016 and February 1, 2017.

The Independent Directors held their separate meeting on January 31, 2017 without the attendance of Non-Independent Directors and Members of management.

ii. Attendance at the Board meetings and Annual General meeting ('AGM'):

Name of Directors	Dates of Meeting				Date of AGM
	May 25, 2016	Aug. 4, 2016	Oct. 26, 2016	Feb. 1, 2017	Aug. 4, 2016
Mr. Anant J. Talaulicar	✓	✓	✓	✓	✓
Mr. Antonio Leitao	X	✓	X	✓	✓
Mr. Edward Pence	X	X	NA	NA	X
Mr. Mark Smith	✓	X	X	X	X
Ms. Suzanne Wells	X	✓	X	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓	✓

Name of Directors	Dates of Meeting				Date of AGM
	May 25, 2016	Aug. 4, 2016	Oct. 26, 2016	Feb. 1, 2017	Aug. 4, 2016
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓
Mr. Venu Srinivasan	X	✓	X	✓	X
Mr. J. M. Barrowman	X	✓	X	X	✓
Mr. Pradeep Bhargava	X	✓	X	✓	✓
Ms. Nicole McDonald	✓	X	✓	X	X
Mr. Norbert Nusterer	NA	NA	✓	✓	X

Notes: -

1. All the Independent Directors attended the separate meeting of Independent Directors' held on January 31, 2017 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. Mr. Nasser Munjee, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Audit and Risk Management Committee of the Board of Directors of the Company.
3. Mr. P. M. Telang, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee of the Board of Directors of the Company.
4. Mr. J. M. Barrowman, Vice President – HHP Operations, Cummins Inc., attended the Annual General Meeting by special invitation.

c) Category of Directors and details of other Boards or Board Committees in which they are Members or Chairpersons:

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	*Member	Chairman	Member
Mr. Anant J. Talaulicar	Promoter Executive	2	9	3	10
Mr. Antonio Leitao	Promoter Non-executive	-	1	-	-
***Mr. Edward Pence	Promoter Non-executive	-	1	-	-
Mr. Mark Smith	Promoter Non-executive	-	1	-	1
Ms. Suzanne Wells	Promoter Non-executive	-	1	-	-
****Mr. Norbert Nusterer	Promoter Non-executive	-	1	-	-
Mr. Nasser Munjee	Independent Non-executive	4	13	9	23

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	*Member	Chairman	Member
Mr. P. S. Dasgupta	Independent Non-executive	-	16	5	17
Mr. P. M. Telang	Independent Non-executive	3	12	8	15
Mr. Rajeev Bakshi	Independent Non-executive	-	4	-	2
Mr. Venu Srinivasan	Independent Non-executive	4	13	4	9
*****Mr. J. M. Barrowman	Alternate Director to Mr. Edward Pence	-	1	-	-
Mr. Pradeep Bhargava	Alternate Director to Mr. Mark Smith	-	8	5	10
Ms. Nicole McDonald	Alternate Director to Ms. Suzanne Wells	-	1	-	-

* Number of Membership of Board includes Chairmanship of Board.

** Number of Membership of Committees include Chairmanship of Committees.

*** Mr. Edward Pence resigned as a Director of the Company effective August 04, 2016.

**** Mr. Norbert Nusterer was appointed as a Director of the Company effective October 26, 2016.

***** Consequent to cessation of Mr. Edward Pence as a Director of the Company, Mr. J. M. Barrowman ceased to be the Alternate Director. With the appointment of Mr. Nusterer, Mr. Barrowman was appointed as an Alternate Director to Mr. Nusterer effective October 26, 2016.

Notes : -

1. As on March 31, 2017, Mr. P. M. Telang jointly with Mrs. Anjali Telang held 1,400 fully paid shares of ₹ 2/- each in the equity share capital of the Company.

2. Directorships in Foreign Companies are excluded in the above table.

3. As per the records available with the Company, none of the Directors holds the office of Independent Director in more than seven listed companies.

4. The details of the familiarisation programmes imparted to the Independent Directors can be viewed at ‘http://www.cumminsindia.com/investors/corporate-governance’.

3. COMMITTEES OF THE BOARD:

a) AUDIT AND RISK MANAGEMENT COMMITTEE:

The Audit and Risk Management Committee consists of 5 Independent Directors – Mr. Nasser Munjee (Chairman), Mr. P. M. Telang, Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Venu Srinivasan; 1 Promoter (Executive) Director – Mr. Anant J. Talaulicar and 1 Promoter (Non-Executive) Director – Mr. Mark Smith.

Name of Directors	Date of Audit and Risk Management Committee Meeting			
	May 25, 2016	Aug. 4, 2016	Oct. 25, 2016	Feb. 1, 2017
Mr. Anant J. Talaulicar	✓	✓	✓	✓
Mr. Mark Smith	✓	X	✓	X
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. P. M. Telang	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Venu Srinivasan	X	✓	X	✓

The Committee reviewed the audited financial statement for the year ended March 31, 2017 and unaudited financial results for the quarters ended June 30, 2016, September 30, 2016 and December 31, 2016. The Committee also reviewed (i) appointment of Statutory, Internal and VAT Auditors of the Company; (ii) performance of Subsidiary, Joint Ventures & Associates; (iii) reports of the Internal Auditor; (iv) Cost Audit Report for the year 2015-16; (v) acquisition/ sale of assets; (vi) Directors' Responsibility Statement; (vii) Related Party Transactions; (viii) performance of Statutory and Internal Auditors; (ix) Legal Compliance Reports; (x) major litigations; (xi) Monitoring of the Code of Conduct; (xii) Forex Management Policy and (xiii) Ethics and related matters.

The Committee had regular interaction with the Internal, Statutory and Cost Auditors of the Company.

All recommendations of the Committee during the year were accepted by the Board of Directors from time to time.

Broad terms of reference to the Audit and Risk Management Committee in brief:

The Committee primarily acts in line with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee oversees the Company's financial reporting process and internal control system and ensures that the financial statements are correct, sufficient and credible. The Committee reviews the annual and quarterly financial statements before submission to the Board for approval. The Committee also reviews Related Party Transactions of the Company and approves the transactions which are in line with the Related Party Transactions Policy of the Company. The Related Party Transaction Policy of the Company is available at 'http://www.cumminsindia.com/investors/corporate-governance'.

The Committee has been entrusted with the responsibility of reviewing Internal Audit findings and ensuring adequacy of internal control systems. The Committee recommends to the Board, appointment of external auditors and payment of fees. The Committee holds regular discussions with the Internal, Statutory and Cost Auditors about their scope of audit and holds post audit discussions with the Auditors. The Statutory and Cost Auditors, Internal Auditor, the Chief Operating Officer, the Chief Financial Officer and the Business Unit Heads of the Company were invited for the meetings of the Committee.

b) NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee consists of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Nasser Munjee and 1 Promoter (Executive Director) – Mr. Anant J. Talaulicar.

Name of Directors	Date of Nomination and Remuneration Committee Meeting			
	May 25, 2016	Aug. 4, 2016	Oct. 25, 2016	Jan. 31, 2017
Mr. Prakash Telang	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. Anant J. Talaulicar	✓	✓	✓	✓

The Committee reviews appointment of Directors and Key Managerial Persons. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of a Director. The Board upon recommendation from the Committee have formulated a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees. The Nomination and Remuneration Policy of the Company is available at 'http://www.cumminsindia.com/investors/corporate-governance'.

Broad terms of reference of the Nomination and Remuneration Committee:

- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director; and
- To formulate and recommend to the Board, a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

The Committee oversees the following self-evaluation process, used by the Directors, by the Board and by each committee of the Board, to determine their effectiveness and opportunities for improvement. Each Board member is requested to evaluate the effectiveness of the Board dynamics and relationships, information flow, value addition, governance, and the effectiveness of the whole Board and its various Committees in descriptive manner. Feedback on each Director is encouraged to be provided as a part of survey. Independent Directors have three key roles – governance, control and guidance. Some of the performance indicators based on which the Independent Directors are evaluated include:-

- Ability to contribute to and monitor corporate governance practices at the Company;
- Active monitoring of the strategic direction and operational performance of the Company; and
- Facilitating open and interactive discussion by encouraging diverse perspectives.

At least annually, the Head - HR contacts each Director soliciting comments with respect to performance of the Directors, Board and its Committees on which the Director serves as well as Director performance and Board dynamics. These comments will relate to the large question of how the Board can improve its key functions of overseeing financials, other major issues of strategy, risk, integrity and governance.

The Head – HR then works with the Chairman & Managing Director to organise the comments received around options for changes at either Director, Board or Committee level. At a subsequent Board and Committee meeting, time is allocated to a discussion of and decisions relating to the actionable items.

REMUNERATION OF DIRECTORS:

The Non-executive Independent Directors are paid sitting fees and annual commission. Annual commission is paid on equal basis to all Non-executive Independent Directors. The Chairman & Managing Director is paid remuneration as approved by the Shareholders. There is no pecuniary relationship or transactions of any of the Non-executive Directors, except Mr. P. S. Dasgupta, vis-à-vis the Company, apart from the remuneration as detailed in this Report.

Details of Sitting Fees and Commission to Non-executive Independent Directors for the year April 1, 2016 to March 31, 2017:

₹ in Lacs

Name of the Director	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	5.50	15.00	20.50
Mr. P. S. Dasgupta	3.75	15.00	18.75
Mr. Prakash Telang	5.50	15.00	20.50
Mr. Rajeev Bakshi	5.50	15.00	20.50
Mr. Venu Srinivasan	2.75	15.00	17.75

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2016 to March 31, 2017:

₹ in Lacs

	Sitting fees	Salary	Commission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	-	408.00	-	17.57	0.20	0	14.38	440.15

Remuneration paid to Mr. Pradeep Bhargava, Alternate Director for Mr. Mark Smith, for rendering professional services on a retainership basis for the year April 1, 2016 to March 31, 2017 is ₹ 18.50 Lacs.

Notes: -

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of the Managing Director.
3. The Company paid ₹ 22,000/- towards fees for professional services rendered by New Delhi Law Offices, a law firm of which Mr. P. S. Dasgupta is the Managing Partner, during the Financial Year 2016-17. (₹ 76,250 during the Financial Year 2015-16) after obtaining prior approval by the Audit and Risk Management Committee of the Board of Directors of the Company. The same are not material in nature.
4. 'Other Benefits' in the remuneration details provided for Mr. Anant J. Talaulicar consists of expenses related to the car and communication facilities.

c) **STAKEHOLDERS RELATIONSHIP COMMITTEE:**

The Stakeholders Relationship Committee consists of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Venu Srinivasan and 1 Promoter (Executive) Director – Mr. Anant J. Talaulicar.

Name of Directors	Date of Stakeholders Relationship Committee Meeting			
	May 25, 2016	Aug. 4, 2016	Oct. 25, 2016	Jan. 31, 2017
Mr. Anant J. Talaulicar	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. Venu Srinivasan	X	✓	X	✓

Broad terms of reference to Stakeholders Relationship Committee:

The Committee reviews and advises the Company on any grievance in relation to (a) Non-transfer of shares (b) Non-receipt of Annual Report (c) Non-receipt of dividend/ interest warrants and (d) Any other investors' grievance raised by any shareholder.

Compliance Officer: Mr. K. Venkata Ramana, Group Vice President – Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 1, 2016 to March 31, 2017:

Sr. No.	Nature of Complaint	No. of Complaints
1.	Non-receipt of Annual Reports	3
2.	Non- receipt of Dividend Warrants	0
3.	Non-receipt of Share Certificates	0
4.	SEBI – Scores/NSE/BSE	5
	Total	**8**

Number of complaints pending with the Company: NIL

Number of pending share transfers: NIL

d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Corporate Social Responsibility Committee consists of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. Nasser Munjee and Mr. P. S. Dasgupta and 1 Promoter (Executive) Director – Mr. Anant J. Talaulicar.

Name of Directors	Date of Corporate Social Responsibility Committee meeting			
	May 25, 2016	Aug. 4, 2016	Oct. 25, 2016	Jan. 31, 2017
Mr. Anant J. Talaulicar	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓

Broad terms of reference of Corporate Social Responsibility Committee:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
- To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company; and
- To monitor the CSR policy of the Company from time to time.

Insider Trading Code: The Company has a separate Insider Trading Code in line with SEBI (Prohibition of Insider Trading) Regulations, 2015. The said Code is applicable to all the Directors and Connected Persons, as defined under the said Regulations. The Code governs sale and purchase of shares of the Company by the Directors and Connected Persons. In terms of this Code, the Directors and the Connected Persons can deal in shares of the Company only when the Trading Window is open and not otherwise, except with the prior approval of the Compliance Officer appointed under the Code i.e. Chief Financial Officer.

4. ANNUAL GENERAL MEETING ('AGM') :

a) Location and Time, where previous three (3) AGMs were held:

Particulars	FY 2013–14	FY 2014–15	FY 2015–16
Date and Time	01.08.2014 At 12 noon	06.08.2015 At 12 noon	04.08.2016 At 12 noon
Venue	Yashada, MDC Auditorium, Baner Road, Pune 411 007	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045

b) Special resolutions passed at previous three (3) AGMs :

At its Annual General Meeting held on August 1, 2014, the members of the Company passed the Special Resolutions for the following matters:

a) Appointment of Mr. Pradeep Bhargava, Alternate Director for Mr. Mark Smith, for rendering professional services on a retainership basis for a period of 27 months starting from May 1, 2014 until July 31, 2016 for an honorarium of ₹ 150,000/- per month pursuant to Section 188 of the Companies Act, 2013;

b) Approval for material related party transaction(s) for sale of internal combustion engines, their parts and accessories by the Company to Cummins Limited, UK on arm's length basis for a consideration estimated at ₹ 76,381 Lacs for the Financial Year 2014-15 pursuant to Clause 49(VII) of the Equity Listing Agreement;

c) Approval for the Related Party Transactions not in the ordinary course of business (which is letting out or giving on rent, lease, leave and license or any other similar arrangement basis, the premises of the Company to Cummins Technologies India Limited, Cummins Generator Technologies India Limited, Cummins Research and Technology India Limited and Tata Cummins Limited) on arm's length basis, pursuant to the applicable provisions of Section 188 and any other provisions of the Companies Act, 2013 and Rules framed thereunder;

d) Approval for payment of sum, in addition to the sitting fees for attending the meetings of the Board of Directors or Committees thereof, not exceeding in aggregate one percent of the net profits of the Company in accordance with Section 198 of the Companies Act, 2013 for each of three (3) financial years commencing from April 1, 2014.

At its Annual General Meeting held on August 6, 2015, the Members of the Company passed the Special Resolutions for the following matters:

a) Appointment of M/s. Ajay Joshi and Associates, Pune, Cost Accountants, to conduct the audit of the cost records of the Company for the Financial Year 2015-16 for ₹ 900,000/- (Rupees Nine Lacs only) as the remuneration plus service tax as applicable and re-imbursement of out of pocket expenses pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and Rules thereunder;

b) Approval for material related party transaction(s) for sale of internal combustion engines, their parts and accessories by the Company to Cummins Limited, UK on arm's length basis for a consideration estimated at ₹ 124,600 Lacs for the Financial Year 2015-2016 pursuant to Clause 49(VII) of the Equity Listing Agreement;

c) Approval for material related party transaction(s) for purchase of B and L series internal combustion engines, parts and accessories thereof by the Company from Tata Cummins Private Limited on arm's length basis for a consideration estimated at ₹ 101,000 Lacs for the Financial Year 2015–16.

No special resolution was passed at the Annual General Meeting held on August 4, 2016.

Postal Ballot: No resolution was passed through Postal Ballot during the Financial Year 2016-17 or is being proposed at the ensuing Annual General Meeting.

5. DISCLOSURES:

a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at 'http://www.cumminsindia.com/investors/corporate-governance'

b) The Company has complied with the requirements of the regulatory authorities on capital markets and no penalties/ strictures have been imposed against it in the last 3 years.

c) None of the Directors of the Company are related to each other.

d) The Company has complied with the mandatory Corporate Governance requirements of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

e) The Company follows a Whistle Blower Policy since the Financial Year 2003-04 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the then, Clause 49 of the Listing Agreements with BSE Limited and National Stock Exchange of India Limited). No person has been denied access to the Audit and Risk Management Committee under the Whistle Blower Policy.

f) Commodity price risk or foreign exchange risk and hedging activities:

During the Financial Year 2016-17, the Company has managed foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports.

The details of the sensitivity analysis on the foreign currency exposure are disclosed in Note No. 46 (a) (i) to the Annual Accounts (Standalone Financial Statement).

The details of the sensitivity analysis on the foreign currency exposure are disclosed in Note No. 48 (a) (i) to the Annual Accounts (Cash Flow Statement).

g) The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge, there are no deviations in the accounting treatments that require specific disclosure.

6. MEANS OF COMMUNICATION:

a) The quarterly shareholding pattern and quarterly / half-yearly / yearly unaudited / audited financial results were posted on the Company's website www.cumminsindia.com.

b) The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.

c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2017 and quarters ended June, September and December 2016 were published in Business Standard (All editions) and Maharashtra Times (Pune Edition).

d) Transcript of conference calls with the Analysts held on May 26, 2016, August 5, 2016, October 27, 2016 and February 2, 2017 and the Chairman's presentation to the Shareholders made at the AGM held on August 4, 2016, were displayed on the Company's website www.cumminsindia.com.

7. GENERAL SHAREHOLDER INFORMATION:

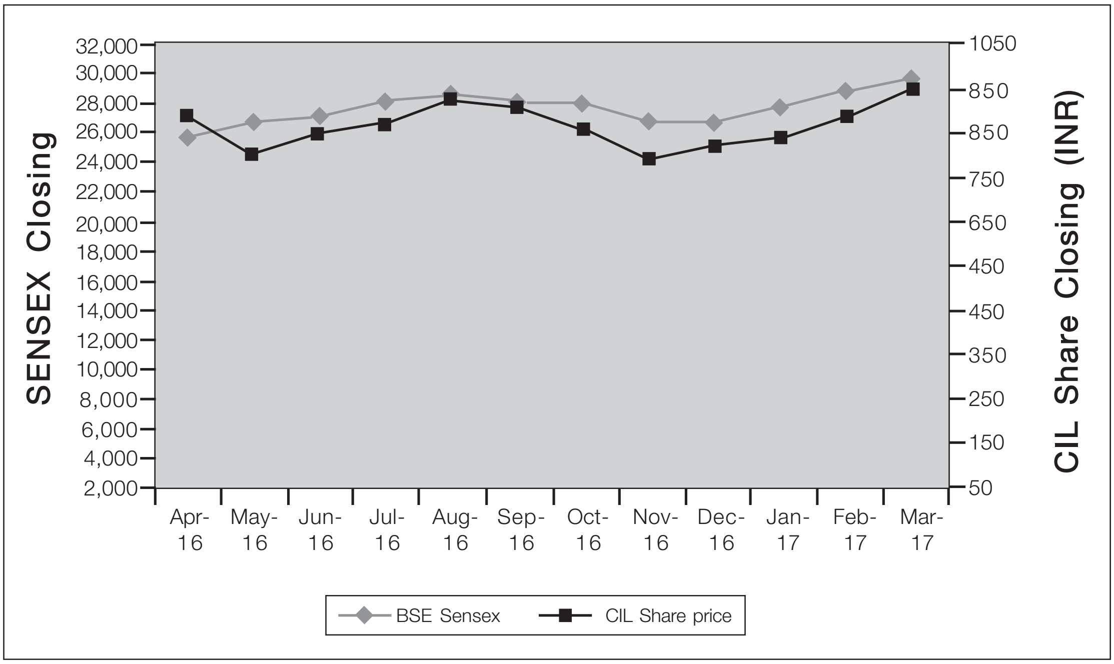
Registered Office	Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra, India Phone No. : (020) 67067000 Fax No. : (020) 67067015 Website : www.cumminsindia.com
Annual General meeting	Date and Time : August 3, 2017 at 12:00 noon Venue : The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411045
Financial Year	The Financial Year of the Company is 1st April to 31st March.
Financial calendar	■ Results for quarter ending June 30, 2017 – By first week of August, 2017 ■ Results for quarter and half year ending September 30, 2017 – By second week of November, 2017 ■ Results for quarter and nine months ending December 31, 2017 – By first week of February, 2018 ■ Results for the year ending March 31, 2018 – By second week of May, 2018
Dates of Book Closure	July 29, 2017 to August 3, 2017 (both days inclusive).
Interim dividend payment date	March 1, 2017
Final Dividend payment date	September 1, 2017 (subject to approval of shareholders)
Listing on Stock Exchanges	**Name of Exchange** / **Stock Code** 1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400001 — 500480 2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai : 400051 — CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2017-18.

Market price data: High, Low during each month in the Financial Year 2016 – 17

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2016	919.00	829.80	April 2016	919.00	828.15
May 2016	914.50	746.80	May 2016	914.90	746.15
June 2016	853.90	771.80	June 2016	855.00	770.00
July 2016	904.00	812.65	July 2016	904.80	813.00
August 2016	934.50	811.45	August 2016	933.75	810.00
September 2016	946.50	876.80	September 2016	947.00	875.10
October 2016	938.60	837.00	October 2016	940.00	836.55
November 2016	858.85	747.75	November 2016	865.00	747.55
December 2016	830.80	750.00	December 2016	831.00	751.00
January 2017	860.00	794.45	January 2017	860.00	794.10
February 2017	920.00	826.35	February 2017	921.00	825.50
March 2017	959.35	842.90	March 2017	959.70	840.00

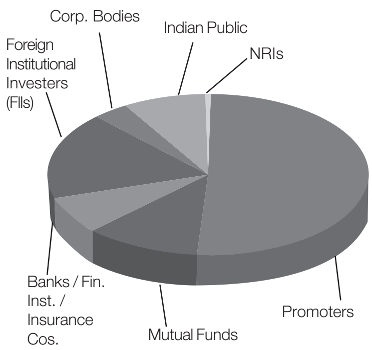
Performance in comparison to broad-based indices such as BSE Sensex.	Chart A depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2017.

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2016-17



Registrar and Transfer Agent	The Company has appointed Link Intime India Private Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended to and processed at the office of the Registrar and Transfer Agent :- Link Intime India Private Limited Unit : Cummins India Limited C-101, 1st Floor, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai 400083 Phone No. (022) 49186270 Fax No. (022) 49186060 Contact Person : Mr. Ishwar Suvarna Email: ishwar.suvarna@linkintime.co.in / rnt.helpdesk@linkintime.co.in Time:- 1000 to 1600 hours (Mon. to Fri. excl. public holidays)
Share Transfer System	Share Transfer requests in physical form are processed within 15 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.

Distribution of shareholding as on March 31, 2017



Category	No. of shares of ₹ 2/- each	% of shareholding
Promoters	141,372,683	51.00%
Mutual Funds	37,734,175	13.61%
Banks / Financial Institutions / Insurance Companies	19,463,699	7.02%
Foreign Institutional Investors (FIIs)	39,592,725	14.28%
Corporate Bodies	8,333,958	3.01%
Indian Public	29,473,329	9.71%
NRIs	1,229,431	0.44%
TOTAL	**277,200,000**	**100.00**

Distribution of shareholding within various categories (as on March 31, 2017)

Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	54,365	4,895,241	87.40
501-1,000	2,869	2,038,414	4.61
1,001- 2,000	1,808	2,514,464	2.91
2,001-3,000	871	2,131,366	1.40
3,001- 4,000	433	1,496,771	0.70
4,001- 5,000	359	1,624,437	0.58
5,001- 10,000	828	6,244,851	1.33
10,001 and above	671	256,254,456	1.07
Total	**62,204**	**277,200,000**	**100.00**

Dematerialisation of shares and liquidity (as on March 31, 2017).	98.85% shares are in demat form.
Sub-divided share certificate in lieu of old certificates	The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 4, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Shareholders who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each.
Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

Plant locations	1. Kothrud, Pune – 411 038. 2. 35 A/1/2, Erandwane, Pune – 411 038. 3. Gat No. 311/1B, At Post Kasar, Amboli Taluka Mulshi Pirangut.Dist. Pune – 412 111, Maharashtra. 4. MIDC Phaltan, Village Survadi Dist. Satara, Maharashtra. 5. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai – 600 060.
Address for correspondence	Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune – 411 045, Maharashtra, India. Tel: +91 20 6706 7000, 3019 7000 Fax : +91 20 6706 7011 1) Ms. Janhvie Khele, Managing Counsel Email – janhvie.khele@cummins.com 2) Mr. K. Venkata Ramana, Group Vice President - Legal & Company Secretary E-mail – venkat.ramana@cummins.com Registrar and Transfer Agent : Link Intime India Private Limited Please refer details above for address / contact details etc.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Company has obtained a Certificate from Dr. K R Chandratre, Practising Company Secretary, confirming compliance with conditions of the Code of Corporate Governance as stipulated in Regulation 34 read with Schedule V of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 and the same is appended as **Annexure '5'** to the Directors' Report.

Declaration – Code of Conduct

As per Regulation 26 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the Financial Year 2016-17.

For Cummins India Limited

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Place : Pune
Date : June 29, 2017

Annexures to the Directors' Report

Annexure 5 – CERTIFICATE ON COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015 BY CUMMINS INDIA LIMITED

I have examined compliance by Cummins India Limited (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) relating to corporate governance requirements for the year ended on March 31, 2017.

In my opinion and to the best of my information and according to the explanations given to me and the representation by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance under the Listing Regulations. The examination is neither an audit nor an expression of opinion on the financial statements of the Company or the Corporate Governance Report of the Company.

I state that no investor's grievance is pending unresolved by the Company for a period exceeding one month against the Company as per the records maintained by the Stakeholders Relationship Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Dr. K R Chandratre
Practising Company Secretary
FCS No. 1370. Certificate of Practice No. 5144

Place: Pune
Date: May 18, 2017

Annexures to the Directors' Report

Annexure 6 – EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014– Form MGT 9]

I. Registration and other details

i)	CIN:	**L29112PN1962PLC012276**
ii)	Registration Date:	**17.02.1962**
iii)	Name of the Company:	**Cummins India Limited**
iv)	Category / Sub-Category of the Company: (Company Limited by shares/ Indian Non-Government Company)	**Company Limited by shares**
v)	Address of the Registered office and contact details	**Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune 411 045 Maharashtra India Tel: +91 20 67067000, 30197000 Fax: +91 20 67067011**
vi)	Whether listed company (Yes / No):	**Yes**
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any:	**Link Intime India Private Limited C-101, 1st Floor, 247 Park, L.B.S. Marg, Vikroli (West), Mumbai 400 083 Phone: (022) 49186270 Fax: (022) 49186060**

II. Principal business activities of the Company

All the business activities contributing 10 % or more of the total turnover of the Company are :-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Engines	281	84%
2.	Generator Sets	271	16%

III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1.	Cummins Inc. 500 Jackson Street, Columbus, State of Indiana, IN 47201 United States of America	Foreign Company	Holding	51%	2(46)
2.	Cummins Sales & Service Private Limited D-165, Okhla Industrial Area, Phase – I New Delhi 110020 India	U29190DL2012PTC230162	Subsidiary	100%	2(87)
3.	Valvoline Cummins Private Limited 50/8, 1st Floor, Tolstoy Lane, Janpath, New Delhi 110001 India	U74899DL1994PTC062425	Associate	50%	2(6)

Sr. No.	Name and Address of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
4.	Cummins Research and Technology India Private Limited Cummins India Office Campus, Tower B, 4th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra India	U73100PN2003PTC018025	Associate	50%	2(6)
5.	Cummins Generator Technologies India Private Limited Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045 Maharshtra India	U31101PN1991PTC061456	Associate	48.5%	2(6)

IV. Share holding pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a)Individual/HUF	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt(s).	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	683	0	683	0.00	683	0	683	0.00	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f)Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (1):-	683	0	683	0.00	683	0	683	0.00	0.00
(2) Foreign									
a) NRIs -									
Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b)Other									
Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	141,372,000	0	141,372,000	51.00	141,372,000	0	141,372,000	51.00	0.00
d) Banks / FI	0	0	0		0	0	0	0.00	0.00
e)Any Other	0	0	0		0	0	0	0.00	0.00
Sub-total (A) (2):-	141,372,000	0	141,372,000	51.00	141,372,000	0	141,372,000	51.00	0.00
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	141,372,683	0	141,372,683	51.00	141,372,683	0	141,372,683	51.00	0.00
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	34,151,093	6,950	34,158,043	12.31	37,744,900	6,950	37,751,850	13.61	1.29
b) Banks / FI	189,845	10,795	200,640	0.07	206,396	10,795	217,191	0.07	0.00
c) Central Govt.	0	0	0	0.00	602,986	0	602,986	0.21	0.21
d) State Govt(s).	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture CapitalFunds	0	0	0	0.00	0	0	0	0.00	0.00

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
f) InsuranceCompanies	16,335,770	0	16,335,770	5.89	19,246,508	0	19,246,508	6.94	1.05
g) FIIs	45,669,488	5,635	45,675,123	16.48	41,496,825	5,635	41,502,460	14.97	-1.51
h)Foreign VentureCapital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i)Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	96,346,196	23,380	96,369,576	34.76	99,297,615	23,380	99,320,995	35.83	1.07
2.Non-Institutions									
a) Bodies Corp.	10,719,297	169,675	10,888,972	3.92	8,164,458	169,500	8,333,958	3.00	-0.92
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	21,185,440	2,890,832	24,076,272	8.68	20,963,545	2,803,350	23,766,895	8.57	-0.10
ii) Individual shareholders holding nominal share capital in excess of ₹ 1lakh	1,952,708	142,590	2,095,298	0.70	2,124,177	142,590	2,266,767	0.81	0.06
c) Others (specify)									
i.Clearing Member	541,288	0	541,288	0.19	207,606	0	207,606	0.07	-0.12
ii.Market Maker	2,173	0	2,173	0.00	1,145	0	1,145	0.00	0.00
iii.NRI- Repatriable	357,451	0	357,451	0.12	441,998	0	441,998	0.15	0.03
iv.NRI- Non-Repatriable	695,845	43,165	739,010	0.26	744,268	43,165	787,433	0.28	0.02
v.HUF	693,909	0	693,909	0.25	647,341	0	647,341	0.23	-0.02
vi.Trusts	37,762	0	37,762	0.01	27,400	0	27,400	0.01	0.00
vii. Officer Bearers	25,606	0	25,606	0.00	25,719	0	25,719	0.00	0.00
viii.Foreign National	0	0	0	0.00	60	0	60	0.00	0.00
Sub-total (B)(2):-	36,211,479	3,246,262	39,457,741	14.23	33,347,717	3,158,605	36,506,322	13.16	-1.06
Total Public Shareholding (B)=(B)(1)+(B)(2)	132,557,675	3,269,642	135,827,317	48.99	132,645,332	3,181,985	135,827,317	49.00	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total(A+B+C)	273,930,358	3,269,642	277,200,000	100.00	274,018,015	3,181,985	277,200,000	100.00	0.00

ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change In share holding During the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / Encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / Encumbered to total shares	
1.	Kirloskar Industries Limited	683	0.00	0.00	683	0.00	0.00	0.00
2.	Cummins Inc.	141,372,000	51.00	0.00	141,372,000	51.00	0.00	0.00
	Total	141,372,683	51.00	0.00	141,372,683	51.00	0.00	0.00

iii) **Change in Promoters' Shareholding (please specify, if there is no change) –**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	At the beginning of the year	No change during the year		No change during the year	
2.	Date wise Increase/ Decrease in Promoters, Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year		No change during the year	
3.	At the end of the year	No change during the year		No change during the year	

iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Life Insurance Corporation of India	**13,410,065**	**4.84**	01-Apr-16	NA	NA	NA	NA
				22-Jul-16	92,461	Market Purchase	13,502,526	4.87
				05-Aug-16	181,377	Market Purchase	13,683,903	4.94
				12-Aug-16	9,733	Market Purchase	13,693,636	4.94
				09-Sep-16	75,362	Market Purchase	13,768,998	4.97
				16-Sep-16	444,160	Market Purchase	14,213,158	5.12
				23-Sep-16	243,375	Market Purchase	14,456,533	5.21
				30-Sep-16	465,964	Market Purchase	14,922,497	5.38
				07-Oct-16	476,083	Market Purchase	15,398,580	5.56
				28-Oct-16	5,500	Market Purchase	15,404,080	5.56
				04-Nov-16	25,000	Market Purchase	15,429,080	5.57
				11-Nov-16	3,000	Market Purchase	15,432,080	5.57
				09-Dec-16	32,963	Market Purchase	15,465,043	5.57
				16-Dec-16	200	Market Purchase	15,465,243	5.57
				30-Dec-16	110,347	Market Purchase	15,575,590	5.62

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				17-Mar-17	315,000	Market Purchase	15,890,590	5.73
				24-Mar-17	267,689	Market Purchase	16,158,279	5.83
				31-Mar-17	-541	Market Sale	16,157,738	5.83
		16,157,738	**5.83**					
2	Reliance Capital Trustee Co. Ltd A/c Reliance Equity Opportunities Fund	**8,667,170**	**3.13**	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	94,998	Market Purchase	8,762,168	3.16
				15-Apr-16	-126,000	Market Sale	8,636,168	3.12
				22-Apr-16	-109,981	Market Sale	8,526,187	3.07
				06-May-16	-59,167	Market Sale	8,467,020	3.05
				13-May-16	32	Market Purchase	8,467,052	3.05
				27-May-16	-56,500	Market Sale	8,410,552	3.03
				10-Jun-16	-110,001	Market Sale	8,300,551	2.99
				17-Jun-16	22	Market Purchase	8,300,573	2.99
				30-Jun-16	-572,500	Market Sale	7,728,073	2.78
				01-Jul-16	-176,300	Market Sale	7,551,773	2.72
				15-Jul-16	-101,248	Market Sale	7,450,525	2.68
				22-Jul-16	-23,400	Market Sale	7,427,125	2.68
				29-Jul-16	-70,800	Market Sale	7,356,325	2.65
				05-Aug-16	123,025	Market Purchase	7,479,350	2.70
				12-Aug-16	18,722	Market Purchase	7,498,072	2.70
				19-Aug-16	12,814	Market Purchase	7,510,886	2.70
				02-Sep-16	19,891	Market Purchase	7,530,777	2.71
				30-Sep-16	-300,000	Market Sale	7,230,777	2.61
				28-Oct-16	-242,200	Market Sale	6,988,577	2.52
				04-Nov-16	10,000	Market Purchase	6,998,577	2.52
				11-Nov-16	20,421	Market Purchase	7,018,998	2.53
				18-Nov-16	29,464	Market Purchase	7,048,462	2.54
				25-Nov-16	49,668	Market Purchase	7,098,130	2.56
				02-Dec-16	25,215	Market Purchase	7,123,345	2.57
				16-Dec-16	25,497	Market Purchase	7,148,842	2.58

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				23-Dec-16	-1,220	Market Sale	7,147,622	2.58
				30-Dec-16	80	Market Purchase	7,147,702	2.58
				06-Jan-17	33	Market Purchase	7,147,735	2.58
				13-Jan-17	-34,160	Market Sale	7,113,575	2.57
				20-Jan-17	-10,900	Market Sale	7,102,675	2.57
				27-Jan-17	-160	Market Sale	7,102,515	2.57
				10-Feb-17	53,600	Market Purchase	7,156,115	2.58
				17-Feb-17	-2,005	Market Sale	7,154,110	2.58
				24-Feb-17	-3,350	Market Sale	7,150,760	2.58
				03-Mar-17	-893	Market Sale	7,149,867	2.58
				10-Mar-17	-63,661	Market Sale	7,086,206	2.55
				17-Mar-17	-5,622	Market Sale	7,080,584	2.55
				24-Mar-17	-20,939	Market Sale	7,059,645	2.55
				31-Mar-17	-1,592	Market Sale	7,058,053	2.55
		7,058,053	2.55					
3	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Frontline Equity Fund	5,763,257	2.08	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	-21,900	Market Sale	5,741,357	2.07
				22-Apr-16	-20,000	Market Sale	5,721,357	2.06
				29-Apr-16	2,743	Market Purchase	5,724,100	2.07
				06-May-16	-11,400	Market Sale	5,712,700	2.06
				27-May-16	-3,227	Market Sale	5,709,473	2.06
				03-Jun-16	100,000	Market Purchase	5,809,473	2.09
				17-Jun-16	12,653	Market Purchase	5,822,126	2.10
				24-Jun-16	6,250	Market Purchase	5,828,376	2.10
				30-Jun-16	-75,000	Market Sale	5,753,376	2.07
				08-Jul-16	-5,555	Market Sale	5,747,821	2.07
				22-Jul-16	4,900	Market Purchase	5,752,721	2.07
				29-Jul-16	-156,900	Market Sale	5,595,821	2.01
				05-Aug-16	-1,900	Market Sale	5,593,921	2.01
				12-Aug-16	-78,317	Market Sale	5,515,604	1.99
				19-Aug-16	-7,351	Market Sale	5,508,253	1.99
				09-Sep-16	-48,000	Market Sale	5,460,253	1.97
				16-Sep-16	-80,000	Market Sale	5,380,253	1.94
				30-Sep-16	-143,649	Market Sale	5,236,604	1.89
				14-Oct-16	-45,306	Market Sale	5,191,298	1.87
				28-Oct-16	-87,400	Market Sale	5,103,898	1.84

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				04-Nov-16	-5,747	Market Sale	5,098,151	1.84
				11-Nov-16	-61,000	Market Sale	5,037,151	1.81
				25-Nov-16	-5,200	Market Sale	5,031,951	1.82
				09-Dec-16	-8,523	Market Sale	5,023,428	1.81
				16-Dec-16	-1,000	Market Sale	5,022,428	1.81
				30-Dec-16	-6,472	Market Sale	5,015,956	1.81
				13-Jan-17	-19,800	Market Sale	4,996,156	1.80
				03-Feb-17	-4,087	Market Sale	4,992,069	1.80
				17-Feb-17	-3,916	Market Sale	4,988,153	1.80
				24-Feb-17	-10,000	Market Sale	4,978,153	1.80
				03-Mar-17	-24,614	Market Sale	4,953,539	1.79
				10-Mar-17	-9,000	Market Sale	4,944,539	1.78
				17-Mar-17	-18,300	Market Sale	4,926,239	1.78
				31-Mar-17	-347	Market Sale	4,925,892	1.78
		4,925,892	**1.78**					
4	Franklin Templeton Investment Funds	**5,233,026**	**1.89**	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	157,800	Market Purchase	5,390,826	1.94
				15-Apr-16	21,249	Market Purchase	5,412,075	1.95
				29-Apr-16	271,951	Market Purchase	5,684,026	2.05
				06-May-16	50,000	Market Purchase	5,734,026	2.06
				13-May-16	77,600	Market Purchase	5,811,626	2.09
				20-May-16	346,400	Market Purchase	6,158,026	2.22
				03-Jun-16	850,000	Market Purchase	7,008,026	2.53
				08-Jul-16	510,800	Market Purchase	7,518,826	2.71
				15-Jul-16	554,200	Market Purchase	8,073,026	2.91
				29-Jul-16	-2,976	Market Sale	8,070,050	2.91
				05-Aug-16	50,000	Market Purchase	8,120,050	2.93
				02-Sep-16	-6,024	Market Sale	8,114,026	2.93
				09 Sep-16	-1,569	Market Sale	8,112,457	2.93
				04-Nov-16	200,000	Market Purchase	8,312,457	3.00
				10-Feb-17	22,656	Market Purchase	8,335,113	3.01
				24-Mar-17	383,200	Market Purchase	8,718,313	3.14

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				31-Mar-17	5,525	Market Purchase	8,723,838	3.15
		8,723,838	**3.15**					
5	UTI-MNC Fund	**4,600,507**	**1.66**	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	165,000	Market Purchase	4,765,507	1.72
				06-May-16	8,000	Market Purchase	4,773,507	1.72
				13-May-16	3,375	Market Purchase	4,776,882	1.72
				27-May-16	27,000	Market Purchase	4,803,882	1.73
				03-Jun-16	96,885	Market Purchase	4,900,767	1.77
				17-Jun-16	27,000	Market Purchase	4,927,767	1.78
				24-Jun-16	-2,000	Market Sale	4,925,767	1.78
				30-Jun-16	-459	Market Sale	4,925,308	1.78
				15-Jul-16	-18,000	Market Sale	4,907,308	1.78
				29-Jul-16	-9,500	Market Sale	4,897,808	1.77
				12-Aug-16	-18,000	Market Sale	4,879,808	1.76
				19-Aug-16	-9,000	Market Sale	4,870,808	1.76
				26-Aug-16	-9,000	Market Sale	4,861,808	1.75
				02-Sep-16	-9,000	Market Sale	4,852,808	1.75
				09-Sep-16	-18,000	Market Sale	4,834,808	1.74
				16-Sep-16	-18,000	Market Sale	4,816,808	1.73
				30-Sep-16	22,125	Market Purchase	4,838,933	1.75
				07-Oct-16	17,986	Market Purchase	4,856,919	1.75
				14-Oct-16	-10,000	Market Sale	4,846,919	1.75
				21-Oct-16	36,000	Market Purchase	4,882,919	1.76
				28-Oct-16	-27,000	Market Sale	4,855,919	1.75
				04-Nov-16	6,504	Market Purchase	4,862,423	1.75
				11-Nov-16	35,865	Market Purchase	4,898,288	1.76
				18-Nov-16	-98,371	Market Sale	4,799,917	1.73
				25-Nov-16	-38,000	Market Sale	4,761,917	1.72
				09-Dec-16	-96,213	Market Sale	4,665,704	1.68
				16-Dec-16	-30,000	Market Sale	4,635,704	1.67
				23-Dec-16	-109,500	Market Sale	4,526,204	1.63
				30-Dec-16	-9,898	Market Sale	4,516,306	1.63
				06-Jan-17	-19,160	Market Sale	4,497,146	1.62

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				13-Jan-17	40,000	Market Purchase	4,537,146	1.64
				20-Jan-17	25,000	Market Purchase	4,562,146	1.65
				27-Jan-17	60,000	Market Purchase	4,622,146	1.67
				03-Feb-17	38,000	Market Purchase	4,660,146	1.68
				10-Feb-17	64,200	Market Purchase	4,724,346	1.70
				17-Feb-17	30,000	Market Purchase	4,754,346	1.72
				03-Mar-17	3,100	Market Purchase	4,757,446	1.72
				10-Mar-17	-9,000	Market Sale	4,748,446	1.71
				31-Mar-17	-9,000	Market Sale	4,739,446	1.71
		4,739,446	**1.71**					
6	Pinebridge Investments GF Mauritius Limited	**3,986,071**	**1.44**	01-Apr-16	NA	NA	NA	NA
				02-Sep-16	-43,807	Market Sale	3,942,264	1.42
				09-Sep-16	-107,728	Market Sale	3,834,536	1.38
				09-Dec-16	194,213	Market Purchase	4,028,749	1.45
		4,028,749	**1.45**					
7	Axis Mutual Fund Trustee Limited A/C Axis Mutual Fund A/C Axis Long Term Equity Fund	**3,019,447**	**1.09**	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	20,000	Market Purchase	3,039,447	1.09
				15-Apr-16	100,000	Market Purchase	3,139,447	1.13
				29-Apr-16	27,500	Market Purchase	3,166,947	1.14
				06-May-16	52,500	Market Purchase	3,219,447	1.16
				20-May-16	42,150	Market Purchase	3,261,597	1.17
				03-Jun-16	327,500	Market Purchase	3,589,097	1.30
				01-Jul-16	-3,198	Market Sale	3,585,899	1.29
				29-Jul-16	190,000	Market Purchase	3,775,899	1.36
				12-Aug-16	500,000	Market Purchase	4,275,899	1.54

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				09-Sep-16	54,300	Market Purchase	4,330,199	1.56
				16-Sep-16	120,000	Market Purchase	4,450,199	1.60
				23-Sep-16	50,000	Market Purchase	4,500,199	1.62
				07-Oct-16	55,000	Market Purchase	4,555,199	1.64
				14-Oct-16	66,000	Market Purchase	4,621,199	1.67
				21-Oct-16	138,713	Market Purchase	4,759,912	1.71
				04-Nov-16	155,000	Market Purchase	4,914,912	1.77
				11-Nov-16	36,600	Market Purchase	4,951,512	1.78
				18-Nov-16	42,200	Market Purchase	4,993,712	1.81
				09-Dec-16	-97,100	Market Sale	4,896,612	1.77
				16-Dec-16	64,000	Market Purchase	4,960,612	1.79
				23-Dec-16	-11,600	Market Sale	4,949,012	1.79
				30-Dec-16	-7,200	Market Sale	4,941,812	1.78
				06-Jan-17	-3,517	Market Sale	4,938,295	1.78
				13-Jan-17	3,270	Market Purchase	4,941,565	1.78
				10-Feb-17	563,000	Market Purchase	5,504,565	1.99
				24-Feb-17	50,000	Market Purchase	5,554,565	2.00
				03-Mar-17	100,000	Market Purchase	5,654,565	2.04
				10-Mar-17	115,000	Market Purchase	5,769,565	2.08
				17-Mar-17	150,000	Market Purchase	5,919,565	2.13
				24-Mar-17	150,000	Market Purchase	6,069,565	2.19
				31-Mar-17	7,000	Market Purchase	6,076,565	2.19
		6,076,565	**2.19**					
8	General Insurance Corporation of India	**2,850,000**	**1.03**	01-Apr-16	NA	NA	NA	NA
				24-Mar-17	-50,000	Market Sale	2,800,000	1.01
				31-Mar-17	-35,000	Market Sale	2,765,000	1.00
		2,765,000	**1.00**					

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
9	Franklin Templeton Mutual Fund A/C Franklin India Prima Plus	2,799,115	1.00	01-Apr-16	NA	NA	NA	NA
				20-May-16	40,797	Market Purchase	2,839,912	1.02
				27-May-16	124,784	Market Purchase	2,964,696	1.07
				24-Jun-16	123,717	Market Purchase	3,088,413	1.11
				30-Jun-16	476,283	Market Purchase	3,564,696	1.29
				15-Jul-16	-39,477	Market Sale	3,525,219	1.27
				22-Jul-16	-105,523	Market Sale	3,419,696	1.23
				05-Aug-16	100,000	Market Purchase	3,519,696	1.30
				12-Aug-16	200,000	Market Purchase	3,719,696	1.34
				19-Aug-16	5,609	Market Purchase	3,725,305	1.34
				02-Sep-16	92,953	Market Purchase	3,818,258	1.38
				16-Sep-16	48,438	Market Purchase	3,866,696	1.39
				30-Sep-16	70,000	Market Purchase	3,936,696	1.42
				21-Oct-16	230,000	Market Purchase	4,166,696	1.50
				28-Oct-16	50,000	Market Purchase	4,216,696	1.52
				04-Nov-16	40,000	Market Purchase	4,256,696	1.54
				11-Nov-16	67,481	Market Purchase	4,324,177	1.56
				18-Nov-16	172,519	Market Purchase	4,496,696	1.62
				25-Nov-16	120,000	Market Purchase	4,616,696	1.67
				02-Dec-16	34,885	Market Purchase	4,651,581	1.68
				09-Dec-16	35,115	Market Purchase	4,686,696	1.70
				23-Dec-16	2,848	Market Purchase	4,689,544	1.70
				30-Dec-16	7,152	Market Purchase	4,696,696	1.70
				03-Feb-17	-219,793	Market Sale	4,476,903	1.61
				10-Feb-17	-22,207	Market Sale	4,454,696	1.60
				31-Mar-17	2,821	Market Purchase	4,457,517	1.60
		4,457,517	1.61					

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
10	DSP Blackrock Top 100 Equity Fund	2,477,325	0.89	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	-10,472	Market Sale	2,466,853	0.89
				15-Apr-16	-6,484	Market Sale	2,460,369	0.88
				13-May-16	-1,413	Market Sale	2,458,956	0.88
				20-May-16	-113,417	Market Sale	2,345,539	0.85
				27-May-16	-157,921	Market Sale	2,187,618	0.79
				03-Jun-16	260,786	Market Purchase	2,448,404	0.88
				10-Jun-16	4,961	Market Purchase	2,453,365	0.89
				17-Jun-16	-223,590	Market Sale	2,229,775	0.80
				24-Jun-16	-170,082	Market Sale	2,059,693	0.74
				01-Jul-16	-887	Market Sale	2,058,806	0.74
				08-Jul-16	-22,947	Market Sale	2,035,859	0.73
				25-Nov-16	2,034	Market Purchase	2,037,893	0.74
				03-Mar-17	-26,137	Market Sale	2,011,756	0.73
				10-Mar-17	-590	Market Sale	2,011,166	0.73
				17-Mar-17	-41,358	Market Sale	1,969,808	0.71
				24-Mar-17	-3,176	Market Sale	1,966,632	0.71
				31-Mar-17	1,435	Market Purchase	1,968,067	0.71
		1,968,067	0.71					
11	ICICI Prudential Focused Bluechip Equity Fund	311,034	0.11	01-Apr-16	NA	NA	NA	NA
				08-Apr-16	-48,673	Market Sale	262,361	0.0946
				15-Apr-16	-78,565	Market Sale	183,796	0.07
				22-Apr-16	472	Market Purchase	184,268	0.07
				29-Apr-16	279	Market Purchase	184,547	0.07
				06-May-16	-710	Market Sale	183,837	0.07
				13-May-16	58	Market Purchase	183,895	0.07
				20-May-16	18	Market Purchase	183,913	0.07
				27-May-16	-66	Market Sale	183,847	0.07
				03-Jun-16	753,047	Market Purchase	936,894	0.34
				10-Jun-16	807,980	Market Purchase	1,744,874	0.63
				17-Jun-16	961,729	Market Purchase	2,706,603	0.98
				24-Jun-16	517,317	Market Purchase	3,223,920	1.16

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				30-Jun-16	228,167	Market Purchase	3,452,087	1.25
				08-Jul-16	3,407	Market Purchase	3,455,494	1.25
				15-Jul-16	53,488	Market Purchase	3,508,982	1.27
				29-Jul-16	-101	Market Sale	3,508,881	1.27
				05-Aug-16	280	Market Purchase	3,509,161	1.27
				12-Aug-16	-98,395	Market Sale	3,410,766	1.23
				19-Aug-16	-101,640	Market Sale	3,309,126	1.19
				26-Aug-16	-95,717	Market Sale	3,213,409	1.16
				02-Sep-16	186	Market Purchase	3,213,595	1.16
				16-Sep-16	-231,458	Market Sale	2,982,137	1.08
				23-Sep-16	7,241	Market Purchase	2,989,378	1.08
				07-Oct-16	58	Market Purchase	2,989,436	1.08
				14-Oct-16	-39,297	Market Sale	2,950,139	1.06
				21-Oct-16	-53,120	Market Sale	2,897,019	1.05
				28-Oct-16	-15,181	Market Sale	2,881,838	1.04
				04-Nov-16	122,774	Market Purchase	3,004,612	1.08
				11-Nov-16	184	Market Purchase	3,004,796	1.08
				18-Nov-16	57,266	Market Purchase	3,062,062	1.10
				25-Nov-16	42,329	Market Purchase	3,104,391	1.12
				02-Dec-16	-18,887	Market Sale	3,085,504	1.11
				09-Dec-16	5,073	Market Purchase	3,090,577	1.11
				16-Dec-16	-81,854	Market Sale	3,008,723	1.08
				23-Dec-16	-136,468	Market Sale	2,872,255	1.03
				30-Dec-16	-14,711	Market Sale	2,857,544	1.03
				13-Jan-17	15,923	Market Purchase	2,873,467	1.04
				20-Jan-17	-16,968	Market Sale	2,856,499	1.03
				27-Jan-17	16	Market Purchase	2,856,515	1.03
				03-Feb-17	-8,033	Market Sale	2,848,482	1.03
				10-Feb-17	-359,738	Market Sale	2,488,744	0.89
				17-Feb-17	-273	Market Sale	2,488,471	0.89

Sr. No.	Name	Shareholding at the begining of the year		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2016	% of total shares of the Company				No. of Shares	% of total shares of the Company
				03-Mar-17	171	Market Purchase	2,488,642	0.89
				10-Mar-17	173	Market Purchase	2,488,815	0.89
				17-Mar-17	-165	Market Sale	2,488,650	0.89
				24-Mar-17	75	Market Purchase	2,488,725	0.89
				31-Mar-17	99	Market Purchase	2,488,824	0.90
		2,488,824	0.90					

v) **Shareholding of Directors and Key Managerial Personnel**

Sr. No.	For Each of the Directors and KMP*	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Prakash Telang	1,400	0.0005	1,400	0.0005

* Except Mr. Telang, no other Director or KMP holds any share of the Company.

V. **Indebtedness -**

Indebtedness of the Company including interest outstanding/accrued but not due for payments :

(₹ in Lacs)

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii)Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	Nil	Nil	Nil	Nil
Change in Indebtedness during the financial year		**-**		**-**
• Addition	-	25,148	-	25,148
• Reduction	-	-	-	-
Net Change	Nil	25,148	Nil	25,148
Indebtedness at the end of the financial year				
i) Principal Amount	-	25,078	-	25,078
ii) Interest due but not paid	-	70	-	70
iii)Interest accrued but not due	-	0	-	-
Total (i+ii+iii)	Nil	25,148	Nil	25,148

VI. **Remuneration of Directors and Key Managerial Personnel -**

A. **Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sr. No.	Particulars of Remuneration	Mr. Anant J. Talaulicar Chairman & Managing Director (₹ in Lacs)	Total amount (₹ in Lacs)
1.	Gross salary		440.15
	(a) Salary as per Provisions contained in section 17(1) of the Income Tax Act, 1961	408.00	
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	32.15	
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	
2.	Stock Option	-	
3.	Sweat Equity	-	
4.	Commission - as % of profit -others, specify	-	
5.	Others, please specify	-	-
	Total (A)		440.15
	Ceiling as per the Act		4,540

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in Lacs)
		Mr. Nasser Munjee	Mr. P. S. Dasgupta	Mr. Prakash Telang	Mr. Rajeev Bakshi	Mr. Venu Srinivasan	
1.	Independent Directors Fee for attending board / committee meetings	5.50	3.75	5.50	5.50	2.75	23.00
	Commission	15.00	15.00	15.00	15.00	15.00	75.00
	Others, please specify	-	-	-	-	-	-
	Total(1)						98.00
2.	Other Non-Executive Directors Fee for attending board / committee meetingsCommission Others, please specify	-	-	-	-	-	-
	Total(2)						-
	Total(B)=(1+2)						98.00
	Total Managerial Remuneration	-	-	-	-	-	538.15
	Overall Ceiling as per the Act	-	-	-	-	-	908

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross Salary	NA	136.73	219.21	355.94
	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 Value of perquisites u/s 17(2) of the Income Tax Act, 1961 Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission- as % of profit- others, specify.	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	NA	136.73	219.21	355.94

VII. Penalties / Punishment / Compounding of offences - NIL

Type	Section of the Companies Act, 2013	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. Company					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. Other officers in default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Annexures to the Directors' Report

Annexure 7 – NOMINATION AND REMUNERATION POLICY

[Pursuant to Section 178 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The Board of Directors of Cummins India Limited ("the Company") constituted the "Nomination and Remuneration Committee" at the Meeting held on May 22, 2014 with immediate effect, consisting of three (3) Non-executive Directors of which majority are Independent Directors.

1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Key Objectives of the Committee would be:

1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

1.4. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.6. To devise a policy on Board diversity.

1.7. To develop a succession plan for the Board and to regularly review the plan.

2. DEFINITIONS

2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2. **Board** means Board of Directors of the Company.

2.3. **Directors** mean Directors of the Company.

2.4. **Key Managerial Personnel / KMP** means,

2.4.1. Chief Executive Officer or the Managing Director or the Manager;

2.4.2. Whole-time Director;

2.4.3. Chief Financial Officer;

2.4.4. Company Secretary; and

2.4.5. such other officer as may be prescribed.

2.5. **Senior Management** means personnel of the Company who are members of its core management team excluding the Board of Directors including Functional Heads.

3. ROLE OF COMMITTEE

3.1. **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The Committee shall:

3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a Director.

3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

3.2. **Policy for appointment and removal of Director, KMP and Senior Management**

3.2.1. **Appointment criteria and qualifications**

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2. **Term / Tenure**

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. *However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.*

- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an

Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a Listed Company or such other number as may be prescribed under the Act.

3.2.3. **Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.2.4. **Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. **Retirement**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. **Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel**

3.3.1. **General:**

a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required.

b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.

c) Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.

d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

3.3.2. **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

a) Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3.3.3. **Remuneration to Non- Executive / Independent Director:**

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) Sitting Fees:

The Non-executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

c) Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

4. MEMBERSHIP

4.1 The Committee shall consist of a minimum 4 Non-executive directors, majority of them being independent.

4.2 Minimum three (3) Directors out of which at least two (2) being Independent Directors, shall constitute quorum for the Committee meeting.

4.3 Membership of the Committee shall be disclosed in the Annual Report.

4.4 Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

5.1 Chairperson of the Committee shall be an Independent Director.

5.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.

5.3 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

5.4 Chairperson of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held on quarterly basis.

7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Act;

10.3 Identifying and recommending Directors who are to be put forward for retirement by rotation;

10.4 Determining the appropriate size, diversity and composition of the Board;

10.5 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.6 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

10.6 Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

10.7 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

10.8 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.9 Recommend any necessary changes to the Board; and

10.10 Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

11.1 to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate;

11.2 to approve the remuneration of the Senior Management including Key Managerial Personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company;

11.3 to delegate any of its powers to one or more of its members or the Secretary of the Committee;

11.4 to consider any other matters as may be requested by the Board; and

11.5 to maintain professional indemnity and liability insurance for Directors and Senior Management.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairperson of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

Annexures to the Directors' Report

Annexure 8 – INFORMATION AS REQUIRED UNDER THE PROVISIONS OF SECTION 197 (12) OF THE ACT, READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

1. Remuneration paid to the Directors : -

a. The Board of Directors of the Company consists of 1 Promoter (Executive) Director, 4 Promoter (Non-Executive) Directors and 5 Independent (Non-Executive) Directors.

b. Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman & Managing Director:

₹ in Lacs

	Sitting fees	Salary	Comm-ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
2015-2016	-	0.12	-	17.57	0.17	0	12.34	30.20
2016-2017	-	*408.00	-	17.57	0.20	0	14.38	440.15
% increase in remuneration over 2015-2016								1357%

** The consolidated salary to Mr. Talaulicar has been increased pursuant to resolution passed by the Members at the 55th Annual General Meeting of the Company held on August 4, 2016.*

c. Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 1, 2016 to March 31, 2017:

₹ in Lacs

Name of the Director	2015-2016		2016-2017		% increase in remuneration over 2015-2016	Total (2016-2017)
	Sitting fees	Annual Commission	Sitting fees	Annual Commission		
Mr. Nasser Munjee	5.50	15.00	5.50	15.00	-	20.50
Mr. P. S. Dasgupta	3.75	15.00	3.75	15.00	-	18.75
Mr. P. M. Telang	5.50	15.00	5.50	15.00	-	20.50
Mr. Rajeev Bakshi	5.50	15.00	5.50	15.00	-	20.50
Mr. Venu Srinivasan	2.75	15.00	2.75	15.00	-	17.75

d. Other details : -

- The median remuneration of employees of the Company during the Financial Year was ₹ 690,680/-.
- Percentage increase in remuneration of Chief Financial Officer, Company Secretary in the Financial Year 2016-17:

In ₹

Name & Designation	Remuneration 2015-16	Remuneration 2016-17	% increase in remuneration over 2015-2016
Mr. Rajiv Batra, Chief Financial Officer	20,284,520	21,921,658	8%
Mr. K. Venkata Ramana, Company Secretary	12,807,162	13,673,493	7%

- In the Financial Year, there was an increase of 6.7% in the median remuneration of employees as well as the Key Managerial Personnel (excluding Managing Director).
- There were 3,674 permanent employees on the rolls of Company as on March 31, 2017.
- The Profit before Tax for the Financial Year ended March 31, 2017 decreased by 0.24% whereas the increase in median remuneration of the employees as well as the Key Managerial Personnel (excluding Managing Director) was 6.7%. The average increase in median remuneration was in line with the performance of your Company. The remuneration paid to the Chairman & Managing Director is ₹ 440.15 Lacs as on March 31, 2017 whereas for 2015-16, the total remuneration was ₹ 30.20 Lacs. There is no variable component in the remuneration paid to the Chairman & Managing Director related to the performance of your Company.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

Annexures to the Directors' Report

Annexure 9 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To:
The Members,
Cummins India Limited,
Cummins India Office Campus,
Tower A, 5th Floor,
Survey no. 21, Balewadi,
Pune - 411 045

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Cummins India Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2017 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2017 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): —

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company during the Audit Period)**;

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not applicable to the Company during the Audit Period)**;

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the Audit Period)**;

  (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit Period)**; and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Audit Period)**.

(vi) I further report that no law is specifically applicable to the Company.

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that
The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were no specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, guidelines and standards.

Place : Pune	Dr. K R Chandratre
Date : 18 May, 2017	FCS No. 1370, C P No: 5144

Annexures to the Directors' Report

Annexure 10 – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014]

Introduction: -

Corporate responsibility is one of the six core values of your Company, which focuses on 'serving and improving the communities in which we live'. Your Company is committed to this core value through the active involvement and participation of its employees.

Through the 'Every Employee Every Community' (EEEC) initiative, each employee is encouraged to dedicate a minimum of four working hours per year towards any of the projects undertaken under three broad focus areas viz. Higher Education, Energy and Environment and Social Justice (including Local Community Infrastructure Development).

Corporate responsibility is a natural extension of Cummins' values. For a brand that is all about Dependability, your Company recognizes the symbiotic relationship with the various stakeholders to strengthen communities. Your Company clearly recognizes the long-term benefits of such an association over tangible results in the short-term, and strongly believes that the spend of contribution in all CSR activities would always depend on identifying the right projects, preferably in the local area in which your Company operates to maximize employee engagement.

At Cummins, Corporate Responsibility is aligned to its vision of 'Making people's lives better by unleashing the Power of Cummins'. Your Company is focused on working on projects that have a high impact on the communities in which we live and operate. With the success of projects implemented at a location, Cummins works towards growing and replicating the same across locations where it is present.

Corporate Social Responsibility (CSR) Committee: -

The Board of Directors of your Company constituted the "Corporate Social Responsibility Committee" at the meeting held on May 22, 2014, consisting of following Independent Directors, except Mr. Anant J. Talaulicar, as Members: -

1. Mr. Prakash M. Telang – Chairman
2. Mr. P. S. Dasgupta – Member
3. Mr. Nasser Munjee – Member
4. Mr. Anant J. Talaulicar – Member

CSR Policy and Projects: -

The Committee has formulated a Corporate Social Responsibility Policy indicating the activities to be undertaken by your Company as per the Companies Act, 2013. The Committee reviews and recommends the amount of expenditure to be incurred on the activities to be undertaken by your Company. It monitors the CSR Policy of your Company from time to time. Details of the Policy of your Company are available at 'http://www.cumminsindia.com/investors/corporate-governance. Also, details of various CSR initiatives undertaken by your Company are provided in the Business Responsibility Report of the Company for the year 2016-17 and are also available at 'http://www.cumminsindia.com/corporate-responsibility/cummins-india-foundation'.

CSR Spend: -

(₹ in Crores)

Sr. No.	Particulars	Status
1.	Average Net Profit of the Company for Financial Years 2013-14, 2014-15 and 2015-16	808
2.	Prescribed CSR Expenditure (*i.e.*, 2% of the amount mentioned above)	16.16
3.	Details of the CSR Spent during the Financial Year 2016-17	
	a. Total amount spent for the Financial Year	12
	b. Amount unspent, if any	4.16

Your Company manages the CSR activities through the implementing agency namely, Cummins India Foundation ('the Foundation'). Incorporated in 1990, the Foundation is a Public Charitable Trust registered under the Bombay Public Trusts Act, 1950, the Income Tax Act, 1961 and the Foreign Contribution (Regulation) Act, 2010. The Foundation is dedicated towards serving the communities we live in and improving the lives of people. The Foundation does not accept donation from public at large.

Addressing the social, civic and environmental issues, Cummins India has made significant contributions in 2016-17 with projects on Cummins College of Engineering for Women, Rural Development, Water Neutrality, Afforestation, Solid Waste Management, Scholarship Program, Coach Them Young and NGO Development. In addition to the work done for the Cummins College of Engineering for Women, we have also worked on an initiative named as Technical Education for Communities which involves ITI engagement. With the potential to be replicated and sustained, these projects have witnessed a high level of leadership engagement in addition to being driven by 100% employee participation, which has resulted in touching the lives of over 6 million people across India, during the year.

During the Financial Year 2016-17, the Foundation has spent ₹ 17.66 Crores, details of which are as follows:-

CIF Spend Details for FY 2016-17

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is covered	Amount Outlay (Budget) Project or Program-wise (₹) (Annual)	Amount spent on the Projects or Programs (₹)		Cumulative Expenditure up to end of the quarter (₹)	Amount Spent (₹)	
				Direct Expenditure on Projects or Programs	Overheads		Direct	Through Implementing Agency
1	Education Assistance to Socially and Economically Weaker Sections	Higher Education	30,855,000	30,608,455	-	30,608,455	28,318,455	2,290,000
2	Vocational Education	Higher Education	12,160,000	11,887,209	-	11,887,209	9,523,209	2,364,000
3	Women Education and Employability	Higher Education	15,828,000	15,769,617	-	15,769,617	30,116	15,739,501
4	Afforestation	Energy & Environment	6,205,360	6,255,306	-	6,255,306	189,646	6,065,660
5	Solid Waste Management	Energy & Environment	10,464,011	12,739,275	-	12,739,275	2,378,500	10,360,775
6	Water Neutrality	Energy & Environment	17,469,240	15,596,290	-	15,596,290	-	15,596,290
7	Air Pollution	Energy & Environment	1,622,000	1,375,358	-	1,375,358	409,350	966,008
8	NGO Development	Local Infrastructure Development & Social Justice	7,076,761	6,923,264	-	6,923,264	488,909	6,434,355
9	Rural Development	Local Infrastructure Development & Social Justice	37,256,628	35,073,824	-	35,073,824	476,260	34,597,564
10	PWD (People with Disabilities)	Local Infrastructure Development & Social Justice	-	-	-	-	-	-
11	Women Entrepreneur Development	Local Infrastructure Development & Social Justice	500,000	254,000	-	254,000	-	254,000
12	Monsoon Independent Maharashtra	Local Infrastructure Development & Social Justice	-	517,500	-	517,500	-	517,500
13	Administrative exp. & overheads	-	38,700,000	39,605,011	-	39,605,011	39,605,011	-
		TOTAL	**178,137,000**	**176,605,108**	**-**	**176,605,108**	**81,419,456**	**95,185,653**

As we continue our involvement in these projects with active employee engagement, Six Sigma methodologies, structured processes, community need assessments and a detailed road map, we are committed to scale up our employee engagement and spend for such high-impact projects.

Spends are directed towards projects that are scalable, sustainable and which have the potential to be replicated across locations, in the larger interests of the community. As detailed in the above table, the projects worth ₹ 17.81 Crores have already been identified and reasonable and judicious spends are made as per the project requirements. In fact, we strongly believe that your Company plays a very significant role in improving the quality of the society within which it operates and the Company can flourish only if it operates in a society that is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises. Your Company is committed to spend the recommended amount over a period of time as it scales up its initiatives and the supporting infrastructure. The Company will continue to spend its resources very judiciously as it does in all areas and will focus on leader and employee engagement on high impact community improvement projects, well beyond simply donating money.

Responsibility Statement of the CSR Committee: -

In pursuance of the provisions of Section 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, it is stated on behalf of the Corporate Social Responsibility Committee of the Board of Directors of your Company that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company for the Financial Year 2016-17.

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Prakash M. Telang
Chairman of the CSR Committee
DIN : 00012562

Place: Mumbai
Date: May 18, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of Cummins India Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Cummins India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

  i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 37 to the financial statements;

  ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

  iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;

  iv. The Company has provided requisite disclosures in Note 49 to these standalone financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced by the management.

Other Matter

The comparative financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2016 and March 31, 2015 dated May 25, 2016 and May 28, 2015 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place of Signature: Mumbai
Date: May 18, 2017

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Cummins India Limited ("the Company")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.

(iii) (a) According to the information and explanations given to us, during the current year the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause (iii) (a) of the Order are not applicable to the Company and hence not commented upon.

(b) The Company has granted a loan in earlier years to one company covered in the register maintained under section 189 of the Act. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted, the payment of interest is regular and repayment of principal is not due in the current year.

(c) There are no amounts of loan granted to company listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the manufacture of engines, gensets and spare parts, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount under dispute not yet deposited (₹ in Lacs) #	Period to which the amount pertains	Forum where the dispute is pending
Finance Act, 1994	Demand for short payment of Service tax.	721	FY 2009-10 to FY 2013-14	CESTAT
Finance Act, 1994	Disallowance of CENVAT credit on input services.	112	FY 2010-11 to FY 2013-14	Commissioner (Appeals)

Name of the statute	Nature of dues	Amount under dispute not yet deposited (₹ in Lacs) #	Period to which the amount pertains	Forum where the dispute is pending
Central Excise Act, 1944	Disallowance of CENVAT credit on input services.	22	FY 2011-12 to FY 2014-15	Commissioner (Appeals)
Central Excise Act, 1944	Rejection of rebate claim.	Nil (₹ 82 recoverable from government)	FY 2007-08	CESTAT
Customs Act, 1962	Rejection of duty drawback claim.	1,296	FY 2005-06 to FY 2009-10	Commissioner Customs
Income Tax Act, 1961	Demand on account of transfer pricing adjustments and other corporate tax disallowances	12,389	FY 2006-07 to FY 2011-12	Income tax Appellate Tribunal, Pune
The Maharashtra Sales Tax on Transfer of property in goods involved in the execution of works Contract (Re-enacted) Act, 1989	Demand on account of Purchase Tax/Works contract Tax and surcharge thereon	183	FY 1999-00	High Court, Mumbai
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.) / Maharashtra Value Added Tax Act, 2002	Disallowances of sales tax declaration forms, disallowances of set off and interest thereon, taxation of sales turnover under B.S.T. Act, disallowance of claim of VAT set-off and inter-state sale u/s 3(a) of C.S.T. Act, 1956	3,928 (Net of amount paid under protest of ₹ 167 and refund amount recoverable from department of ₹ 3,471)	FY 1999-00 to FY 2012-13	Joint Commissioner of Sales Tax (Appeal)
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.)	Disallowances of set off claimed under rule 41D and 42 H and interest thereon, taxation of sales turnover under B.S.T. Act	221 (Net of amount paid under protest of ₹ 40)	FY 2001-02	Maharashtra Sales Tax Tribunal, Mumbai
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	Nil (Net of amount paid under protest of ₹ 160)	FY 2009-10 to FY 2014-15	Sales Tax Appellate Tribunal, Chennai
The West Bengal VAT Act, 2003	Levy of VAT on certain transactions	5	FY 2004-05	Joint Commissioner , Sales Tax - Asansol Circle
Jharkhand Value Added Tax Act, 2005	Demand on account of sales suppression and difference between road permit value and actual stock transfer value	98	FY 2010-11 and FY 2015-16	Joint Commissioner (Appeals) at Ranchi

Amounts disclosed above are excluding interest and penalty.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution or bank. The Company has not issued any debentures.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place of Signature: Mumbai
Date: May 18, 2017

Annexure 2 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Cummins India Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place of Signature: Mumbai
Date: May 18, 2017

Financial Statements 2016-17

Balance Sheet as at March 31, 2017

₹ Lacs

Particulars	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	2.1	**122,400**	128,184	122,460
Capital work-in-progress (including investment property in progress)		**46,313**	51,922	17,061
Investment property	3	**26,789**	-	-
Intangible assets	2.2	**822**	754	936
Investments in a subsidiary, joint ventures and an associate	4	**3,735**	3,735	3,135
Financial assets				
Investments	4	**681**	1,213	1,336
Loans	5	**12,866**	12,866	12,866
Other financial assets	6	**1,175**	681	808
Income tax assets (net)	7	**8,005**	7,318	7,005
Other non-current assets	8	**14,172**	14,800	21,345
		236,958	221,473	186,952
Current assets				
Inventories	9	**56,206**	60,026	68,226
Financial assets				
Investments	10	**66,324**	28,409	41,964
Trade receivables	11	**95,565**	93,811	92,995
Cash and cash equivalents	12	**12,376**	8,515	7,548
Other bank balances	13	**535**	458	438
Other current financial assets	14	**4,848**	4,970	4,296
Other current assets	15	**26,727**	27,628	24,710
Assets classified as held for sale	16	**4,549**	3,757	-
		267,130	227,574	240,177
	TOTAL	**504,088**	449,047	427,129
EQUITY AND LIABILITIES				
Equity				
Equity share capital	17	**5,544**	5,544	5,544
Other equity	18			
Retained earnings		**253,940**	227,985	199,616
Other reserves		**114,733**	114,601	114,601
		374,217	348,130	319,761
Non-current liabilities				
Other financial liabilities	19	**3,032**	3,044	1,616
Provisions	20	**5,571**	6,852	7,713
Deferred tax liabilities (net)	21	**239**	1,279	2,481
Other non-current liabilities	22	**270**	311	332
		9,112	11,486	12,142
Current liabilities				
Financial liabilities				
Borrowings	23	**25,078**	-	-
Trade Payables	24	**60,818**	55,658	59,583
Other current financial liabilities	25	**13,877**	16,045	16,167
Other current liabilities	26	**6,796**	6,517	6,539
Provisions	20	**14,190**	11,211	12,937
		120,759	89,431	95,226
	TOTAL	**504,088**	449,047	427,129

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Statement of Profit and Loss for the year ended March 31, 2017

₹ Lacs

Particulars	Notes	Year Ended March 31, 2017	Year Ended March 31, 2016
Revenue from operations	27	**542,875**	508,806
Other income	28	**20,798**	22,586
Total income		**563,673**	531,392
Expenses:			
Cost of materials consumed	29.1	**271,383**	279,421
Purchases of traded goods		**53,929**	16,991
Change in inventories of finished goods, work-in-progress and traded goods	29.2	**2,136**	(191)
Excise duty on sale of goods		**35,141**	37,924
Employee benefits expense	30	**43,338**	41,557
Finance costs	31	**1,678**	958
Depreciation and amortisation expense	2 & 3	**8,478**	8,101
Other expenses	32	**56,766**	55,593
Total expenses		**472,849**	440,354
Profit before tax		**90,824**	91,038
Tax expense	21		
Current tax		**17,178**	16,624
Deferred tax		**(617)**	(1,016)
Tax for earlier years		**800**	-
Total tax expense		**17,361**	15,608
Profit after tax		**73,463**	75,430
Other comprehensive income ('OCI')			
Items not to be reclassified to profit or loss in subsequent periods :			
Remeasurement gain/ (loss) on defined benefit plans		**(1,222)**	(538)
Income tax effect		**423**	186
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		**(799)**	(352)
Other comprehensive income/(expense) for the year, net of tax		**(799)**	(352)
Total comprehensive income/(expense) for the year, net of tax		**72,664**	75,078
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	33	**26.50**	27.21

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

A) Equity share capital

	₹ Lacs
As at April 1, 2015	5,544
Changes in equity share capital	-
As at March 31, 2016	5,544
Changes in equity share capital	-
As at March 31, 2017	**5,544**

B) Other equity

₹ Lacs

	Retained earnings	Other reserves: General reserve	Other reserves: Capital redemption reserve	Other reserves: Equity contribution from Cummins Inc.- Share based payments*	Total
Balance as at April 1, 2015	**199,616**	**114,202**	**70**	**329**	**314,217**
Add: Profit for the year	75,430	-	-	-	75,430
Other comprehensive Income	(352)	-	-	-	(352)
Total comprehensive income for the year	**75,078**	**-**	**-**	**-**	**75,078**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2014-2015	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2016	**227,985**	**114,202**	**70**	**329**	**342,586**
Add: Profit for the year	73,463	-	-	-	73,463
Add: Equity contribution during the year	-	-	-	132	132
Other comprehensive income	(799)	-	-	-	(799)
Total comprehensive income for the year	**72,664**	**-**	**-**	**132**	**72,796**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2015-2016	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2017	**253,940**	**114,202**	**70**	**461**	**368,673**

* Scheme managed and administered by the Holding Company.

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Statement of Cash Flow for the year ended March 31, 2017

₹ Lacs

Particulars	Year Ended March 31, 2017	Year Ended March 31, 2016
I. Cash generated from operations		
Profit before tax	**90,824**	91,038
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	**8,478**	8,101
Finance costs	**1,678**	958
Interest income	**(1,766)**	(2,028)
Dividend income	**(9,325)**	(12,446)
(Gain)/loss on assets sold, discarded etc.	**(187)**	(1)
(Gain) on redemption /sale of investments (net)	**(26)**	(1)
Equity contribution from Holding company	**132**	-
Unrealised foreign exchange fluctuation (net)	**331**	274
Mark to market ('MTM') of financial instruments	**(802)**	(306)
Provision for doubtful debts (net)	**177**	200
	(1,310)	(5,249)
b) Working capital adjustments		
Trade receivable	**(3,168)**	(1,153)
Inventories	**3,820**	8,200
Other bank balances	**(77)**	(20)
Current and non-current financial assets	**(380)**	(466)
Other current and non-current assets	**132**	357
Trade payable	**5,702**	(3,835)
Current and non-current financial liabilities	**(2,256)**	1,285
Other current and non-current liabilities	**238**	(43)
Current and non-current provisions	**(303)**	(3,997)
	3,708	328
Total adjustments (a+b)	**2,398**	(4,921)
Cash generated from operations	**93,222**	86,117
Tax paid (net of refunds)	**(18,665)**	(16,937)
Net cash used in operating activities	**74,557**	69,180
II. Cash flows used in investing activities :		
Purchase of property, plant and equipment and investment property	**(24,462)**	(49,177)
Proceeds from sale of property, plant and equipment	**1,312**	187
Interest received	**1,775**	1,947
Dividend received	**9,325**	12,446
Investments		
(Purchase)/Sale of short term investments, net	**(36,554)**	13,985
In subsidiary	**-**	(600)
Net cash used in investing activities	**(48,604)**	(21,212)

Statement of Cash Flow for the year ended March 31, 2017 (Contd.)

₹ Lacs

	Particulars	Year Ended March 31, 2017	Year Ended March 31, 2016
III.	**Cash flows from financing activities :**		
	Proceeds from borrowings	**25,078**	-
	Finance costs	**(899)**	(86)
	Dividend paid (including tax on dividend)	**(46,632)**	(46,688)
	Net cash used in financing activities	**(22,453)**	(46,774)
IV.	**Net change in cash and cash equivalents (I+II+III)**	**3,500**	1,194
V.	**Net foreign exchange difference**	**361**	(227)
VI.	**Cash and cash equivalents at the beginning of the year**	**8,515**	7,548
VII.	**Cash and cash equivalents at the end of the year (IV+V+VI)**	**12,376**	8,515
	Components of cash and cash equivalents		
	Cash on hand	**2**	3
	Bank Balances		
	In current accounts	**12,374**	8,512
	Total cash and cash equivalents (refer note 12)	**12,376**	8,515

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
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Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Notes to Standalone Financial Statements for the year ended March 31, 2017

1. Summary of Significant accounting policies

a) Corporate information:

Cummins India Limited ('CIL' or 'the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Cummins India Office Campus, Balewadi, Pune. The Company is principally engaged in the business of manufacturing, trading and selling of Engines and allied activities. (CIN : L29112PN1962PLC012276)

The separate financial statements for the year ended March 31, 2017 were authorised for issue in accordance with the resolution of the directors on May 18, 2017.

b) Basis of preparation:

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended thereafter.

For all the periods up to and including the year ended March 31, 2016 the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements are the first, the Company has prepared in accordance with Ind AS. Refer to note no 48 for information on first time adoption of Ind AS.

The financial statements are prepared on a historical cost basis, except for the following assets and liabilities:

- certain financial assets and financial liabilities (including derivative instruments) which have been measured at fair value,
- assets held for sale are measured at lower of carrying amount or fair value less cost to sell
- defined benefit plans- Plan assets are measured at fair value

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurements

The Company measures financial instruments at fair value on initial recognition and at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability or

ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

Disclosures for valuation methods, significant estimates and assumptions (refer note 36)

Financial instruments (including those carried at amortised cost)

Investment Property (refer note 3)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarcy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) Property, plant and equipment and Investment property

Property, plant and equipment, capital work in progress and investment property are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss (if any). All significant costs relating to the acquisition and installation of property, plant and equipment/ investment property are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred.

On transition to Ind AS, the Company has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition.

Depreciation is computed on straight line method based on useful lives, determined based on internal technical evaluation as follows:

Asset	**Useful life**
Roads	10 years
Office building and Investment property	60 years
Factory Building	30 Years
Plant and Machinery	3 to 15 years
Furniture and fittings	5 to 10 years
Vehicles	8 to 9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold land is amortised on the straight line basis over period of the lease. Freehold land is carried at cost.

Losses arising from the retirement of, and gains and losses arising from disposal of property, plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

Notes to Standalone Financial Statements for the year ended March 31, 2017

e) **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible finite assets are amortized over their respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Softwares are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use (3 years to 5 years), being the estimated useful life as per the management estimate or license term whichever is less.

Losses arising from the retirement of, and gains and losses arising from disposal of intangible assets which are carried at cost are recognised in the Statement of Profit and Loss.

f) **Assets held for sale**

Items of property plant and equipment/ intangible assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value less cost to sell; and are disclosed as assets held for disposals in financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

g) **Inventories**

Inventories are stated at lower of cost and net realisable value after providing for obsolescence. The material costs are determined on weighted average basis and the valuation of finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads (based on normal operating capacity). Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

h) **Foreign currency transactions**

The Company's financial statements are presented in INR (₹), which is also the functional currency of the Company.

Transactions in foreign currencies are accounted at the functional currency spot rates prevailing on the date of transactions. Monetary foreign currency financial assets and liabilities are translated at functional currency spot rates of exchange at the reporting date. The resulting exchange differences are appropriately recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non- monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

i) **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable inclusive of excise duty, taking into account contractually defined terms of payment excluding taxes or duties collected on behalf of the government.

i) Sales are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract. Revenue is measured at fair value of the consideration received or receivable, inclusive of excise duty and net off sales tax/ value added tax, trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The Company bases its estimates on historical results taking into consideration type of customer, type of transaction and terms of each arrangement.

ii) Revenue from long term service contracts is recognized using the proportionate completion method, and recognised net of service tax. Completion is determined as a proportion of cost incurred till date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Unearned Revenue' under 'Other liabilities' in the Balance Sheet. In case of contracts where payments have been received in advance, revenue is deferred until the related subscription period is complete as per the terms of the agreement with the customers.

In case of other service contracts, revenue is recognized when services are rendered and on receipt of confirmation from customers, as the case may be.

iii) Interest income is recognised using effective interest method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross amount of the financial asset or to the amortised cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but doesn't consider the expected credit losses. Interest income is included in the other income in the Statement of Profit and Loss.

iv) Rental income is recognised on a straight-line basis over the lease term, other than escalations on account of inflation.

v) Dividend income from investments is recognised when the right to receive payment is established.

j) Lease charges under operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Company as a lessee: Lease charges under operating leases are recognised as an expense on straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for lessors expected inflationary cost increase.

Company as a lessor: Rental income is recognised on a straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate expected inflationary cost increase. Initial direct cost incurred in negotiating and arranging an operating lease are amortised over the leased term.

k) Employee benefits

The Company operates following post-employment schemes, including both defined benefit and defined contribution plans.

A) **Post-employment benefits**

i) **Defined contribution plans:**

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company has defined contribution plans for post employment benefits in the form of superannuation fund for management employees and provident fund for non management employees which is administered by Life Insurance Corporation of India/Regional Provident Fund Commissioner. In case of superannuation fund for management employees and provident fund for non management employees, the Company has no further obligation beyond making the contributions. The contributions are accounted for as employee benefit expense when they are due. Prepaid contribution is recognised as an asset to the extent cash refund or reduction in future contribution is available.

ii) **Defined benefit plans:**

Funded Plan: The Company has defined benefit plans for post-employment benefits in the form of gratuity for all employees, pension for non management employees and provident fund for management

Notes to Standalone Financial Statements for the year ended March 31, 2017

employees which are administered through Company managed trust/Life Insurance Corporation of India.

Unfunded plan: The Company has unfunded defined benefit plans in the form of post retirement medical benefits (PRMB) and ex-gratia benefits as per the policy of the Company.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method. In case of Provident Fund for management employees, the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company's contributions and such shortfall are charged to the Statement of Profit and Loss as and when incurred.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

B) **Other long-term employee benefit (unfunded)**

Liability for compensated absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Unit Credit method. Under this method, projected accrued benefit is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for active members of the plan. The "projected accrued benefit" is based on the plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The plan liability is the actuarial present value of the "projected accrued benefits" as of the beginning of the year for active members.

Termination benefits are recognized as an expense as and when incurred.

The present value of defined benefit obligation denominated in INR is determined by discounting the estimated future cash flows by reference to the market yield at the end of the reporting period on the government bonds that has terms approximately the terms of the related obligation.

l) Research and development costs

Revenue expenditure incurred for research activities is expensed off in the year in which it is incurred.

m) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases in the financial statements. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961, no deferred tax (asset or liability) is recognised in respect of temporary differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognised in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

Minimum alternate tax ('MAT') credit is recognized as a deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

n) Provisions and contingent liabilities

A provision is recognised when there is a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation arising out of past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

o) Impairment of non financial assets

The Company tests for impairments at the close of the accounting period if and only if there are indications that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of an asset, i.e. the net realizable value or the economic value in use of a cash generating unit, is lower than the carrying amount of the asset the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value, the provision to the extent of the then difference is reversed, but not higher than the amount provided for.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less which is subject to insignificant risk of change in value.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

r) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.

When the Company receives non-monetary grants, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided

Notes to Standalone Financial Statements for the year ended March 31, 2017

by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

s) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. For all subsequent measurements financial assets are classified in following categories:

A) **Debt instruments**

i) Debt instruments at amortised cost: The debt instrument is at amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is most relevant to the Company. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees for cost that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. This category generally applies to loans and trade and other receivables.

ii) Debt instruments fair value through OCI (FVOCI): A debt instrument is classified as FVOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has not classified any financial assets under this category.

iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or FVOCI are classified as FVTPL. The Company has not classified any debt under this category.

B) **Equity instruments**

Equity instruments held for trading are classified as FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in OCI the subsequent changes in fair value. The Company makes such election on an instrument by instrument basis. If the Company decides to classify an equity instrument as FVOCI, then all fair value changes on the instrument, excluding dividends are recognized in OCI. There is no recycling of the amount from OCI to Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity.

The Company has elected to present all equity instruments, other than those in subsidiary, joint ventures and associate, through FVTPL and all subsequent changes are recognized in Statement of Profit and Loss.

C) **De- recognition**

A financial asset (or wherever applicable, a part of the financial asset or part of a group of similar financial assets) is primarily derecognized when the rights to receive cash flow from the assets have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full to a third party under a pass through arrangement and either a) the Company has transferred substantially all risks and rewards of the asset or b) has transferred control of the asset.

D) **Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs eg loans, deposits, trade receivables, lease receivable and bank balances.

The Company follows simplified approach for recognition of impairment loss allowance on trade receivables and lease receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather it recognizes impairment loss allowance based on lifetime ECL's at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period the credit risk reduces since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The Company has presumed that default doesn't occur later than when a financial asset is 90 days past due.

Impairment loss allowance including ECL or reversal recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The impairment loss is presented as an allowance in the Balance Sheet as a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

Financial Liability

All financial liabilities are initially recognised at fair value. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdraft and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through Profit and loss or at amortized cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the Statement of Profit and Loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part of the EIR. The EIR amortization is included as finance cost in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of the new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

Derivatives

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently re measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to Statement of Profit and Loss.

Notes to Standalone Financial Statements for the year ended March 31, 2017

Embedded derivatives: An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Statement of Profit or Loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial instruments

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Company reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

t) Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

Notes to Standalone Financial Statements for the year ended March 31, 2017

2.1 Property, plant and equipment

₹ Lacs

Particulars	Gross block				Depreciation and Amortisation				Net block
	As at April 1, 2016	Additions	Deductions / Write-off	As at March 31, 2017	As at April 1, 2016	For the year	Deductions / Write-off	As at March 31, 2017	As at March 31, 2017
Land									
- Freehold @	5,032	-	11	5,021	-	-	-	-	5,021
- Leasehold **	1,564	-	-	1,564	71	16	-	87	1,477
Leasehold Improvements *	612	2	-	614	27	6	0	33	581
Roads	2,204	10	-	2,214	777	285	-	1,062	1,152
Buildings #	93,514	924	210	94,228	6,755	1,910	60	8,605	85,623
Plant and machinery	87,355	2,306	2,141	87,520	57,709	5,309	1,340	61,678	25,842
Furniture and fittings	4,248	5	339	3,914	1,231	387	179	1,439	2,475
Vehicles	445	51	78	418	220	44	75	189	229
	194,974	3,298	2,779	195,493	66,790	7,957	1,654	73,093	122,400

2.2 Intangible assets

Particulars	As at April 1, 2016	Additions	Deductions / Write-off	As at March 31, 2017	As at April 1, 2016	For the year	Deductions / Write-off	As at March 31, 2017	As at March 31, 2017
Software	2,133	322	19	2,436	1,379	254	19	1,614	822
Technical knowhow	2,060	-	-	2,060	2,060	-	-	2,060	-
	4,193	322	19	4,496	3,439	254	19	3,674	822

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.

2) Includes undivided share of land, on purchase of office premises.

** Includes land for which lease deed is pending finalisation with MIDC.

* Amount is below the rounding off norm adopted by the Company.

Includes certain assets given on cancellable/ non-cancellable operating lease. (Refer note 38 for lease details).

The Company has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition and has carried forward gross block and accumulated depreciation only for disclosure purposes.

Notes to Standalone Financial Statements for the year ended March 31, 2017

2.1 Property, plant and equipment (Contd.)

₹ Lacs

Particulars	Gross block				Depreciation and Amortisation				Net block	
	As at April 1, 2015	Additions	Deductions / Write-off	**As at March 31, 2016**	As at April 1, 2015	For the year	Deductions / Write-off	**As at March 31, 2016**	**As at March 31, 2016**	As at April 1, 2015
Land										
- Freehold @	4,925	117	10	**5,032**	—	—	—	**—**	**5,032**	4,925
- Leasehold **	1,564	—	—	**1,564**	55	16	—	**71**	**1,493**	1,509
Leasehold Improvements	612	—	—	**612**	21	6	—	**27**	**585**	591
Roads	2,194	10	—	**2,204**	491	286	—	**777**	**1,427**	1,703
Buildings * #	83,357	10,161	4	**93,514**	4,930	1,825	0	**6,755**	**86,759**	78,427
Plant and machinery	86,937	3,129	2,711	**87,355**	55,029	5,273	2,593	**57,709**	**29,646**	31,908
Furniture and fittings	4,126	275	153	**4,248**	920	415	104	**1,231**	**3,017**	3,206
Vehicles	444	86	85	**445**	253	47	80	**220**	**225**	191
	184,159	13,778	2,963	**194,974**	61,699	7,868	2,777	**66,790**	**128,184**	122,460
2.2 Intangible assets										
Software	2,082	51	—	**2,133**	1,146	233	—	**1,379**	**754**	936
Technical Knowhow	2,060	—	—	**2,060**	2,060	—	—	**2,060**	**—**	—
	4,142	51	—	**4,193**	3,206	233	—	**3,439**	**754**	936

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.

2) Includes undivided share of land, on purchase of office premises.

** Includes land for which lease deed is pending finalisation with MIDC.

* Amount is below the rounding off norm adopted by the Company.

Includes certain assets given on cancellable/ non-cancellable operating lease (Refer note 38 for lease details).

The Company has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition and has carried forward gross block and accumulated depreciation only for disclosure purposes.

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs	Year ended April 1, 2015 ₹ Lacs
3 Investment property			
Gross block			
Opening balance	-	-	-
Additions	27,056	-	-
Closing balance	27,056	-	-
Depreciation			
Opening balance	-	-	-
Depreciation	267	-	-
Closing balance	267	-	-
Net block	26,789	-	-

For investment property existing as on April 1, 2015, i.e. the date of transition to Ind AS, the Company has used Indian GAAP carrying value as deemed cost. The investment property was in progress as at March 31, 2016 and April 1, 2015.

Information regarding income and expenditure of investment property

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
Rental income derived from investment properties	1,532	-
Direct operating expenses (including repairs and maintenance) generating rental income	89	-
Profit arising from investment properties before depreciation and indirect expenses	1,443	-
Less: Depreciation	267	-
Profit arising from investment properties before indirect expenses	1,176	-

The investment property consists of office building in India. As at March 31, 2017 the fair values of the property is ₹ 27,126 lacs. The valuation is based on valuations performed by an accredited independent valuer, who are specialists in valuing these types of investment properties. A valuation model in accordance with that recommended by International Valuation Standards Committee has been applied.

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 47.

Description of valuation techniques used and key inputs to valuation on investment property

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2017
Income approach	Estimated rental	
(Discounted Cashflow (DCF) method)	value per sq per month	₹ 60
	Rent growth p.a.	15% every 3 years
	Discount rate	13%

As per the DCF method, value is defined as the present value of future cash flows that can be withdrawn from the Company. To estimate the cash flows available, projected cash flows of the Company are considered for certain future years (explicit forecast period). Based on the projected cash flow statement, the free cash flows from subject property are estimated. The Company has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject property will continue to generate cash. In DCF method, therefore, perpetuity value / capitalized value / terminal value is also considered to arrive at the value of the subject property.

Notes to Financial Statements for the year ended March 31, 2017

4. Non-current investments

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Investment in subsidiary, joint-ventures and associate			
				Unquoted equity instruments (at cost)			
				Investment in subsidary (fully paid up)			
12,000,000	12,000,000	-	10	Cummins Sales & Service Private Limited (% Holding: 100%) (Incorporated in India)	**1,200**	1,200	-
				Investments in joint ventures (fully paid up)			
9,500,000	9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	**804**	804	804
114,600	114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	**11**	11	11
-	-	6,000,000	10	Cummins Sales & Service Private Limited (% Holding: 50% upto September 30, 2015) (Incorporated in India)	**-**	-	600
				Investment in associate (fully paid up)			
779,997	779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	**1,720**	1,720	1,720
					3,735	3,735	3,135
				Other investments (fully paid up)			
				Unquoted equity instruments (Fair value through profit and loss)			
1,000	1,000	1,000	25	Shamrao Vithal Co-operative Bank Limited *	**0**	0	0
1,000	1,000	1,000	10	Saraswat Co-operative Bank Limited *	**0**	0	0
				Aggregate value of unquoted investments *	**0**	0	0

Notes to Financial Statements for the year ended March 31, 2017

4. Non-current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	**Face value per unit ₹**		**As at March 31, 2017 ₹ Lacs**	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Valued at amortised cost			
				a) Quoted Government of India Bonds			
50,000,000	50,000,000	50,000,000	1	8.35% Government of India 2022	**533**	516	631
-	55,000,000	55,000,000	1	7.49% Government of India 2017	**-**	552	553
					533	1,068	1,184
				b) Quoted Corporate Bonds			
1,250,000	1,250,000	1,250,000	12	6.68% Power Grid Corporation of India 2019	**148**	145	152
					148	145	152
				Aggregate book value / market value of quoted investments	**681**	1,213	1,336
				Total	**681**	1,213	1,336

* Amount is below the rounding off norm adopted by the Company

Notes to Standalone Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
5	**Non-current financial assets - Loans**			
	Unsecured, considered good;			
	Loan to related party (Refer note 38 and 43)	**12,866**	12,866	12,866
	Total	**12,866**	12,866	12,866
	Loans given to related party is at an interest rate based on SBI lending rate.			
6	**Other non-current financial assets**			
	Unsecured, considered good;			
	Security deposits	**1,175**	681	668
	Pension assets *	**-**	0	140
	Total	**1,175**	681	808
	* Amount is below the rounding off norm adopted by the Company			
7	**Income tax asset (net)**			
	Advance income-tax (net of provision for taxation)	**8,005**	7,318	7,005
	Total	**8,005**	7,318	7,005
8	**Other non-current assets**			
	Unsecured, considered good;			
	Capital advances	**2,505**	3,902	7,172
	Balances with statutory/government authorities	**11,667**	10,898	14,173
	Total	**14,172**	14,800	21,345

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
9 Inventories			
Raw materials and components (includes goods in transit)	**27,294**	29,202	37,645
Work-in-progress (includes lying with third party)	**10,465**	9,816	11,883
Finished goods (includes goods in transit and lying with third party) *	**14,118**	17,469	15,183
Traded goods (includes goods in transit)	**3,333**	2,767	2,795
Stores and spares	**587**	376	367
Loose tools	**409**	396	353
Total	**56,206**	60,026	68,226

* During the year ended March 31, 2017 ₹ **265 lacs** (March 31, 2016: ₹ (28) lacs was recognised as an expense / (reversal) for inventories carried at net realisable value)

Notes to Financial Statements for the year ended March 31, 2017

10. Current investments

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Current portion of long term investments			
				a) Quoted Government of India Bonds (amortised cost)			
-	-	50,000,000	1	7.38% Government of India 2015	-	-	499
55,000,000	-	-	1	7.49% Government of India 2017	553	-	-
					553	-	499
				b) Quoted equity instrument (fair value through profit and loss)			
9,811	9,811	9,811	2	Kirloskar Oil Engines Limited	38	20	27
913	913	913	10	Kirloskar Industries Limited	10	6	5
					48	26	32
				Aggregate book value / market value of quoted investments	601	26	531
				Current investments			
				Unquoted mutual funds valued at fair value through profit and loss			
-	200,404	150,207	1000	Axis Banking Debt Fund - Daily Dividend Option	-	2,014	1,510
-	52,102	-	1000	Axis Liquid Fund - Direct Plan - Daily Dividend Option	-	521	-
-	51,890	-	1000	Axis Liquid Fund - Daily Dividend Option	-	519	-
14,957,526	-	-	10	Axis Short Term Fund - Weekly Dividend Reinvestment	1,535	-	-
-	1,507,281	-	100	Birla Sun Life cash plus - Daily dividend Regular Plan	-	1,510	-
-	1,028,961	-	100	Birla Sun Life cash plus - Daily dividend Direct Plan	-	1,031	-
-	-	3,915,027	100	Birla Sun Life Floating Rate - Short Term - Daily Dividend	-	-	3,916
2,499,760	-	-	100	Birla Sun Life Savings Fund - Daily Dividend - Regular Plan	2,511	-	-
				Carried forward	4,046	5,595	5,426

Notes to Financial Statements for the year ended March 31, 2017

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	4,046	5,595	5,426
70,340,363	-	-	10	Birla Sun Life Short Term Fund - Monthly Dividend - Direct Plan - Reinvestment	8,300	-	-
-	-	155,986	1000	DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend	-	-	1,560
-	-	100,501	1000	DSP Blackrock Liquidity Fund - Institutional Plan - Daily Dividend	-	-	1,005
-	-	3,077,462	100	DWS Insta Cash Plus Fund - Daily Dividend	-	-	3,087
-	-	37,726,305	10	HDFC Cash Management Fund - Savings Plan - Daily Dividend Option	-	-	4,013
-	-	128,097	10	HDFC Cash Management Savings -Direct Plan - Daily Dividend Option	-	-	14
9,977,871	-	-	10	HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Dividend - Daily	1,006	-	-
-	49,837	-	1000	HDFC liquid fund - Regular Plan Dividend - Daily Reinvestment	-	508	-
-	280,261	-	1000	HDFC liquid fund - Direct Plan Dividend - Daily Reinvestment	-	2,858	-
69,154,004	-	-	10	HDFC Short Term Opportunities Fund - Direct Plan - Fortnightly Dividend	7,118	-	-
19,988,213	-	-	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	2,045	-	-
951,203	-	2,403,395	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	1,006	-	2,541
-	1,006,158	-	100	ICICI Prudential Liquid - Direct Plan - Daily Dividend	-	1,007	-
-	2,055,018	3,014,380	100	ICICI Prudential Liquid - Regular Plan - Daily Dividend	-	2,057	3,017
72,056,249	-	-	10	ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend	7,282	-	-
10,006,927	-	-	10	ICICI Prudential Ultra Short Term - Regular Plan - Daily Dividend	1,018	-	-
-	-	879	1000	IDFC Cash Fund - Direct Plan - Daily Dividend	-	-	9
				Carried forward	31,821	12,025	20,672

Notes to Financial Statements for the year ended March 31, 2017

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	**31,821**	12,025	20,672
-	-	353,660	1000	IDFC Cash Fund - Regular Plan - Daily Dividend	-	-	3,538
10,008,132	-	-	10	IDFC Corporate Bond Fund Direct Plan - Monthly Dividend	**1,027**	-	-
23,880,615	-	-	10	IDFC Corporate Bond Fund Regular Plan - Monthly Dividend	**2,513**	-	-
-	-	19,986,533	10	IDFC Money Manager Fund - Treasury Plan - Regular Plan - Daily Dividend	-	-	2,013
-	-	10,030,502	10	Kotak Banking and PSU Debt - Daily Dividend Reinvestment	-	-	1,006
-	-	5,502,780	10	Kotak Banking and PSU Debt - Direct Daily Dividend Reinvestment	-	-	554
19,790,768	-	-	10	Kotak Bond Short Term - Monthly Dividend - Regular Plan	**2,009**	-	-
-	43,041	248,840	1000	Kotak Liquid-Plan A - Daily Dividend	-	526	3,043
-	43,235	-	1000	Kotak Liquid-Plan A - Daily Dividend - Direct	-	529	-
9,920,832	-	-	10	Kotak Treasury Advantage Fund - Daily Dividend - Regular Plan	**1,000**	-	-
19,911,197	25,007,667	-	10	Kotak Treasury Advantage Fund - Daily Dividend	**2,007**	2,522	-
-	101,294	100,924	1000	L&T Liquid Fund - Daily Dividend Reinvestment	-	1,025	1,021
-	249,031	49,856	1000	L&T Liquid Fund - Direct Plan - Daily Dividend Reinvestment	-	2,522	505
11,010,257	10,368,817	-	10	Reliance Banking & PSU Debt Fund - Weekly Dividend	**1,116**	1,050	-
-	-	50,576	1000	Reliance Liquidity Fund - Direct Plan Daily Dividend Reinvestment Option	-	-	506
6,422,140	6,050,647	-	10	Reliance Medium Term Fund-Direct Plan - Daily Dividend Reinvestment	**1,098**	1,034	-
17,636,101	-	-	10	Reliance Medium Term Fund-Regular Plan - Daily Dividend Reinvestment	**3,015**	-	-
-	-	199,160	1000	SBI Magnum Insta Cash Fund - Liquid Floater - Direct Plan - Daily Dividend	-	-	2,011
				Carried forward	**45,606**	21,233	34,869

Notes to Financial Statements for the year ended March 31, 2017

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	45,606	21,233	34,869
-	-	99,541	1000	SBI Magnum Insta Cash Fund - Liquid Floater - Regular Plan - Daily Dividend	-	-	1,005
-	51,754	-	1000	SBI Premier Liquid Fund - Direct Plan - Daily Dividend	-	519	-
-	-	199,548	1000	SBI Premier Liquid Fund - Regular Plan - Daily Dividend	-	-	2,002
19,426,394	-	-	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	2,009	-	-
198,833	-	-	1000	SBI Ultra Short Term Debt Fund - Regular Plan - Daily Dividend	2,001	-	-
-	-	101,139	1000	Tata Floater Fund- Plan A - Daily Dividend	-	-	1,015
-	205,040	-	1000	Tata Money Market Fund - Direct Plan - Daily dividend	-	2,054	-
14,053,351	-	-	10	Tata Short Term Bond Fund Direct Plan - Fortnightly Dividend	2,146	-	-
31,387,096	-	-	10	Tata Short Term Bond Fund Regular Plan - Fortnightly Dividend	4,651	-	-
-	50,474	-	1000	UTI- Liquid Fund-Cash Plan - Institutional Daily Dividend - Direct	-	515	-
-	299,663	-	1000	UTI- Liquid Fund-Cash Plan - Institutional Daily Dividend reinvestment option	-	3,055	-
57,395,167	-	-	10	UTI - Short Term Income Fund - Quarterly Dividend Option - Direct	7,306	-	-
199,687	-	151,857	1000	UTI - Treasury Advantage Fund - Institutional - Daily Dividend	2,004	-	1,522
-	-	101,718	1000	UTI - Treasury Advantage Fund - Institutional - Daily Dividend - Direct	-	-	1,020
-	100,343	-	1000	UTI money market fund - Institutional Plan - Daily Dividend reinvestment	-	1,007	-
				Aggregate value of unquoted investments	65,723	28,383	41,433
				Total	66,324	28,409	41,964

Notes to Standalone Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
11	**Trade receivables (carried at amortised cost)**			
	Trade receivables	**64,120**	57,019	60,567
	Receivables from related parties (Refer note 43)	**31,445**	36,792	32,428
	Total	**95,565**	93,811	92,995
	Break up for security details			
	Secured, considered good	**2,989**	3,101	3,139
	Unsecured, considered good	**92,576**	90,710	89,856
	Unsecured, considered doubtful	**415**	581	764
		95,980	94,392	93,759
	Impairment allowance (allowance for bad and doubtful debts)			
	Less: Provision for doubtful debts	**(415)**	(581)	(764)
	Total	**95,565**	93,811	92,995

No trade receivable or advances are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member amounts to ₹ **4,655 lacs** (March 31, 2016: ₹ 5,307 lacs, April 1 2015: ₹ 2,635 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
12	**Cash and cash equivalents (carried at amortised cost)**			
	Cash on hand	**2**	3	2
	Bank balances			
	In current accounts	**12,374**	8,512	7,546
	Total	**12,376**	8,515	7,548
13	**Other bank balances (carried at amortised cost)**			
	Unpaid dividend account (restricted)	**535**	458	438
	Total	**535**	458	438

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
14 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)			
Unsecured, considered good:			
Security deposits	**762**	702	459
Unbilled revenue	**2,393**	2,549	2,662
Foreign exchange forward contracts #	**802**	306	101
Others *	**780**	1,292	1,035
Interest accrued on investments	**111**	120	39
Total	**4,848**	4,970	4,296

Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.

* Others primarily include royalty receivable from dealers, cross charge, etc.

Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to ₹ **2,191 lacs** (March 31, 2016: ₹ 1,201 lacs, April 1, 2015: ₹ 2,030 lacs). Refer note 43 for related party transactions.

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
15 Other current assets			
Unsecured, considered good:			
Balances with statutory/government authorities	**22,633**	23,597	22,418
Others *	**4,094**	4,031	2,292
Total	**26,727**	27,628	24,710

* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
16 Assets classified as held for sale			
Assets held for sale (at lower of cost or fair value less cost to sell) *	**4,549**	3,757	-
	4,549	3,757	-

* Primarily includes land and building held for sale where the Company is in the process of disposal.

Notes to Standalone Financial Statements for the year ended March 31, 2017

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
17 Equity share capital			
400,000,000 equity shares of ₹ 2 each	**8,000**	8,000	8,000
Issued, subscribed and fully paid-up shares:			
277,200,000 equity shares of ₹ 2 each	**5,544**	5,544	5,544
Total	**5,544**	5,544	5,544

a. **Reconciliation of number of shares**

Equity shares:	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	**277,200,000**	**5,544**	277,200,000	5,544	277,200,000	5,544

b. **Rights, preferences and restrictions attached to shares**

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c. **Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

Of the above equity shares, 141,372,000 (March 31, 2016 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

d. **Details of shareholders holding more than 5% of the aggregate shares in the Company**

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Nos.	%	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid						
Cummins Inc., the holding company	**141,372,000**	**51.00%**	141,372,000	51.00%	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	**16,157,738**	**5.83%**	13,410,065	4.84%	15,128,435	5.46%

e. **Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2017):**

Equity shares allotted as fully paid up bonus shares by capitalization of free reserves

Year	No. of Shares
March 31, 2016	-
March 31, 2015	-
March 31, 2014	-
March 31, 2013	-
March 31, 2012	79,200,000

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
18 Other equity			
Retained earnings	**253,940**	227,985	199,616
	253,940	227,985	199,616
Other reserves			
Capital redemption reserve	**70**	70	70
General reserve	**114,202**	114,202	114,202
Equity contribution from Holding Company	**461**	329	329
Total	**114,733**	114,601	114,601

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
a) Retained earnings		
Opening balance	**227,985**	199,616
Add: Profit for the year	**73,463**	75,430
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurments of post employment benefit obligations, net of tax	**(799)**	(352)
	300,649	274,694
Less:		
Interim dividends paid	**13,860**	13,860
Tax on interim dividends	**2,822**	2,822
Final dividends paid for FY 2014-2015	**-**	24,948
Tax on dividends for FY 2014-2015	**-**	5,079
Final dividends paid for FY 2015-2016	**24,948**	-
Tax on dividends for FY 2015-2016	**5,079**	-
	46,709	46,709
Closing balance as at March 31	**253,940**	227,985

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended the payment of final dividend of ₹ **30,027 lacs** (March 31, 2016: ₹ 30,027 lacs and April 1, 2015: ₹ 30,027 lacs) which is ₹ 9 per fully paid up share (March 31, 2016: ₹ 9 per share; April 1, 2015: ₹ 9 per share). This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

Notes to Standalone Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
b)	**Capital redemption reserve**		
	Opening balance as at April 1	70	70
	Add: Movement during the year	-	-
	Closing balance as at March 31	70	70
c)	**General reserve**		
	General reserves denote the amounts transferred from Retained earnings on declaration of dividends as per the requirements of erstwhile Companies Act, 1956.		
	Opening balance as at April 1	114,202	114,202
	Add: Movement during the year	-	-
	Closing balance as at March 31	114,202	114,202
d)	**Equity contribution from the Holding company**		
	Certain employees are directly paid by the Holding company through stock options.		
	Opening balance as at April 1	329	329
	Add: Movement during the year	132	-
	Closing balance as at March 31	461	329

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
19	**Other non-current financial liabilities**			
	Non current financial liabilities carried at amortised cost			
	Dealer deposit	1,565	1,341	1,154
	Retention money	1,279	1,114	243
	Others	188	589	219
	Total	3,032	3,044	1,616

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
20 Provisions			
Provision for post retirement benefit and leave entitlement (Refer note 42)	**7,837**	6,403	6,698
Warranties (Refer note 41(i))	**8,529**	8,686	11,044
Statutory matters (Refer note 41(ii))	**1,821**	1,689	1,533
New Engine Performance Inspection (NEPI) (Refer note 41(iii))	**1,574**	1,305	1,375
	19,761	18,083	20,650
Current provisions	**14,190**	11,211	12,937
Non-current provisions	**5,571**	6,852	7,713
Total	**19,761**	18,063	20,650

21 Income taxes

A Deferred tax liabilities (net)

	Balance Sheet			Statement of profit and loss	
	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs	**As at March 31, 2017 ₹ Lacs**	As at March 31, 2016 ₹ Lacs
Deferred tax assets					
MAT credit entitlement	**7,255**	7,230	4,201	**25**	3,029
Provision for employee benefits	**2,644**	1,908	1,267	**736**	641
Other timing differences	**144**	200	1,027	**(56)**	(827)
Items in other comprehensive income	**609**	186	-	**423**	186
On capital loss	**132**	132	132	**-**	-
Total deferred tax assets	**10,784**	9,656	6,627	**1,128**	3,029
Deferred tax liability					
Depreciation	**10,973**	10,032	8,602	**941**	1,430
Other timing differences	**50**	903	506	**(853)**	397
Total deferred tax liabilities	**11,023**	10,935	9,108	**88**	1,827
Deferred tax income				**1,040**	1,202
Net deferred tax liability	**239**	1,279	2,481		

Notes to Standalone Financial Statements for the year ended March 31, 2017

21 Income taxes (Contd.)

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
B	The major components of income tax expenses for the years ended March 31, 2017 and March 31, 2016 are:		
	Statement of Profit and Loss		
	Profit and loss section		
	Current income tax:		
	Current income tax charge (under MAT)	17,178	16,624
	Adjustments in respect of current income tax of previous year	800	-
	Deferred tax:		
	Relating to origination and reversal of temporary differences	(617)	(1,016)
	Adjustment relating to previous year	-	-
	Income tax expenses reported in the Statement of Profit and Loss	17,361	15,608
	OCI section		
	Deferred tax related to items recognised in OCI during the year:	(423)	(186)
	Net loss/ (gain) on remeasurements of defined benefit plans	(423)	(186)
c)	Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2016		
	Accounting profit before tax	90,824	91,038
	At India's statutory Income tax rate	34.61%	34.61%
	Tax at Full Rate	31,434	31,508
	Adjustments:		
	Research and development expenses allowance	(1,335)	(883)
	Income of SEZ unit (not subject to tax)	(8,777)	(11,111)
	Dividend income (not subject to tax)	(3,227)	(4,307)
	Depreciation	(849)	(1,358)
	14A disallowance	10	17
	Donations - CSR expenditure	208	208
	Tax for earlier years	800	-
	Other (deductible, non-deductible items, net)	(903)	1,534
		(14,073)	(15,900)
	Total	17,361	15,608
	Income tax expenses reported in the Statement of Profit and Loss for the current year	17,361	15,608

21 Income taxes (Contd.)

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
Deferred tax		
Reconciliation of deferred tax liabilities (net):		
Opening balances as at April 1	**1,279**	2,481
Tax income during the year recognised in Statement of Profit and Loss	**(617)**	(1,016)
Tax income during the year recognised in OCI	**(423)**	(186)
Closing balance as at March 31	**239**	1,279

The Company offsets the tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

During the year March 31, 2017 and March 31, 2016, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend distribution tax (‘DDT’) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity.

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
22 Other non-current liabilities			
Unearned revenue	**270**	311	332
Total	**270**	311	332
23 Borrowings			
Working capital loan from bank	**25,078**	-	-
Total	**25,078**	-	-

The loan is unsecured and repayable within one year. Interest is payable @ 7% - 8.5%. The Company has availed the benefit of interest equalisation scheme of the Reserve Bank of India as per circular DBR.DIR.BC.No.62/04.02.001/2015-16. Interest on borrowings is accounted for on net basis.

Notes to Standalone Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
24	**Trade payables**			
	Trade payables of micro and small enterprises (Refer note 35)	1,414	1,832	3,128
	Trade payables other than micro and small enterprises	37,692	33,622	32,681
	Trade payables of related parties (Refer note 43)	21,712	20,204	23,774
	Total	60,818	55,658	59,583
	Trade payables are non interest bearing and are normally settled in 30 to 60 days terms.			
	For terms and conditions and transactions with related parties refer note 43.			
25	**Other current financial liabilities**			
	Unpaid dividend	535	458	438
	Royalty and cess thereon (Refer note 43)	4,351	4,778	5,806
	Support services payable (Refer note 43)	1,923	5,150	2,826
	Retention money	1,107	1,116	1,162
	Others including salaries, wages, bonus payable	5,961	4,543	5,935
	Total	13,877	16,045	16,167
	Other current financial liabilities are non interest bearing and have an average term of 6 months.			
26	**Other current liabilities**			
	Statutory dues including tax deducted at source	5,283	5,161	5,684
	Unearned revenue	330	345	416
	Advances from customers	1,183	1,011	439
	Total	6,796	6,517	6,539

Notes to Standalone Financial Statements for the year ended March 31, 2017

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
27	**Revenue from operations**		
	Sale of products (including excise duty)	519,701	473,076
	Sale of services	11,251	23,606
		530,952	496,682
	Other operating revenue		
	Scrap sales	711	639
	Export incentives	5,434	5,284
	Others *	5,778	6,201
		11,923	12,124
	Total	542,875	508,806

* Others primarily includes testing income, engineering income and royalty income from dealers, etc.

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
28	**Other income**		
	Income from investments:		
	Interest income from financial assets at amortised cost		
	- On bonds (non - current investments)	93	109
		93	109
	Dividend Income		
	- On current investments designated at fair value through profit and loss	2,600	1,394
	- On investments in associate and joint ventures carried at cost	6,725	11,052
		9,325	12,446
	Gain on sale/redemption of investments		
	- On current investments designated at fair value through profit and loss	26	1
		26	1
	Interest on deposits and others	1,674	1,920
	Exchange gain (net)	1,413	1,857
	Net gain on fixed assets sold or discarded	187	1
	Miscellaneous income (including rent income)	8,080	6,252
		11,354	10,030
	Total	20,798	22,586

Notes to Standalone Financial Statements for the year ended March 31, 2017

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
29.1 Cost of raw material consumed		
Inventory at the beginning of the year	29,202	37,645
Add : Purchases	269,475	270,978
Less : Inventory at the end of the year	27,294	29,202
Total	271,383	279,421
29.2 Changes in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 9)		
Work-in-progress	10,465	9,816
Finished goods	14,118	17,469
Traded goods	3,333	2,767
Subtotal (A)	27,916	30,052
Inventories at the beginning of the year (Refer note 9)		
Work-in-progress	9,816	11,883
Finished goods	17,469	15,183
Traded goods	2,767	2,795
Subtotal (B)	30,052	29,861
Decrease / (increase) (B-A)	2,136	(191)
30 Employee benefits expense		
Salaries, wages and bonus	36,863	34,515
Contribution to provident and other funds (Refer note 42)	3,845	4,049
Staff welfare expenses	2,630	2,993
Total	43,338	41,557
31 Finance costs		
Interest on borrowings and others	899	86
Unwinding of discount and effect of changes in discount rate on provisions and liabilities	779	872
Total	1,678	958

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
32	**Other expenses**		
	Commission on sales	2,461	1,876
	Consumption of stores and spare parts	5,266	4,761
	Warranty expenses	7,474	6,807
	Consumption of tools and gauges	618	489
	Repairs to buildings	2,341	1,943
	Repairs to machinery	648	560
	Other repairs	372	440
	Power and fuel	2,905	3,305
	Rent (Refer note 39)	356	401
	Rates and taxes	1,479	1,811
	Insurance	570	660
	Outside processing charges	2,035	1,931
	Donations - expenditure towards corporate social responsibility (CSR) activities (refer note 45)	1,200	1,200
	Royalties (Refer note 43)	5,127	4,451
	Support services (Refer note 43)	6,987	7,356
	Computer and other services (Refer note 39)	6,197	6,480
	Payment to auditors (Refer details below)	118	162
	Bad Debts		
	Bad debts written off	343	383
	Provision for bad and doubtful debts	177	200
	Amount withdrawn from provisions	(343)	(383)
		177	200
	Other expenses (net of expenses recovered) (Refer note 43)	10,435	10,760
	Total	56,766	55,593
	Payment to Auditors:		
	Statutory audit (including limited reviews)	90	121
	Other services	22	35
	Reimbursement of expenses	6	6
	Total	118	162

Notes to Standalone Financial Statements for the year ended March 31, 2017

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
33	**Earning per share (EPS)**		
	Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
	(a) Profit for the year after taxation (₹ Lacs)	73,463	75,430
	(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
	(c) Earnings per share (Basic and Diluted) (₹)	26.50	27.21
	Face value per share (₹ 2 per share)	2	2

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
34	**Capital and other commitments**			
	Estimated amount of contracts in capital account remaining to be executed (net of capital advances). For other commitments also refer Note 39	**21,015**	16,633	19,651
	Total	**21,015**	16,633	19,651
35	**Trade payables include:**			
	Total outstanding dues of micro and small enterprises	1,414	1,832	3,128
	Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:			
	1 Principal Amount	1,414	1,832	3,128
	2 Interest accrued	-	-	-
	3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	408	2,762	1,696
	4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-	-
	5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	6	5	6
	6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-	-
	7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-	-

The Company has compiled this information based on intimations received from the suppliers of their status as Micro or Small Enterprises and / or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

36 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments – Company as lessor

The Company has leased out one of the commercial property (investment property) on operating lease. The Company had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimation on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Defined benefit plans:

The cost of the defined benefit gratuity plan and other post – employment medical benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the parameter most subject to change. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for India. Mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 42.

Fair value measurements of financial instruments:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets if available, otherwise, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument. Refer note 47 for further disclosures.

Taxes

MAT credit entitlement is recognised to the extent it is probable that taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has a MAT credit entitlement of **₹ 7,255 lacs** as at March 31, 2017 (March 31, 2016: ₹ 7,230 lacs). The Company can utilise the MAT credit for a period of 15 years.

Warranty, statutory matters and New Engine Performance Inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI refer note 41

Notes to Standalone Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
37	**Contingent liabilities**			
a.	Bills discounted not matured	**-**	-	1,465
b.	Income tax matters*	**8,574**	16,689	14,927
c.	Central excise duty/service tax matters*	**962**	1,132	1,023
d.	Duty drawback matters*	**2,604**	2,604	2,604
e.	Sales Tax matters*	**7,748**	8,889	8,380
f.	Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	**9**	9	9
g.	Civil liability / secondary civil liability in respect of suits filed against the Company	**151**	115	51
	Total	**20,048**	29,438	28,459

* Excludes interest and penalties if any.

The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process. No expense has been recorded in the financial statements for the above demands raised.

38 Loans to related party includes an amount of **₹ 12,866 lacs** (March, 31 2016: ₹ 12,866 Lacs; April 1, 2015: ₹ 12,866 lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary. Maximum amount due during the year **₹ 12,866 lacs** (March 31, 2016: ₹ 12,866 lacs).

39 Operating Leases

Lease commitments as a Lessee

The Company has entered into non-cancellable operating leases for warehouse, office and residential premises. These lease arrangements range for a period between 12 months and 60 months with lock in period between 3 months and 24 months, which include both renewal and non-renewal leases. These leases also include escalation clauses.

The minimum lease payments recognised in the Statement of Profit and Loss (included under 'Rent' and 'Computer and other services' in note 32) for the year amount to **₹ 6,138 Lacs** (March 31, 2016: ₹ 6,437 lacs).

Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Within one year	**23**	107	58
After one year but not more than five years	**-**	105	19
More than five years	**-**	-	-
Total	**23**	212	77

Operating lease commitments as a lessor

The Company has entered into operating leases on its investment property consisting of building. These leases have term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 36 months on the basis of prevailing market conditions.

Future minimum lease rentals receivable under non cancellable operating leases are as follows:

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Within one year	2,246	-	-
After one year but not more than five years	8,679	-	-
More than five years	7,942	-	-
Total	18,867	-	-

The Company during the year has not entered into sub - leases.

40 The total research and development expenses incurred by the Company are as under :

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
On capital account	395	1
On revenue account	3,067	2,510
Total	3,462	2,511

41 Disclosure on provisions made, utilised and reversed during the year

i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Company. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	8,686
Additions	7,474
Utilisation	8,120
Unwinding of discount and changes in the discount rate	489
Balance as at the end of the year	8,529
Classified as non-current:	2,542
Classified as current:	5,987

Notes to Standalone Financial Statements for the year ended March 31, 2017

ii) Provision for statutory matters

Provisions for statutory matters are on account of legal matters where the Company anticipates probable outflow. The amount of provision is based on estimates made by the Company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	1,689
Additions	43
Utilisation	33
Unwinding of discount and changes in the discount rate	122
Balance as at the end of the year	**1,821**
Classified as non-current:	-
Classified as current:	1,821

iii) Provision for New Engine Performance Inspection (NEPI)

Provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Company at specified intervals. The amount of provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	1,305
Additions	1,113
Utilisation	924
Unwinding of discount and changes in the discount rate	80
Balance as at the end of the year	**1,574**
Classified as non-current:	784
Classified as current:	790

42 Employee benefit plans

1. Defined contribution plans - The Company has recognised the following amounts in Statement of Profit and Loss for the year:

	₹ Lacs
	Total
Contribution to employees provident fund	**1,590** (930)
Contribution to management superannuation fund	**1,363** (1,337)

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary. The figures in brackets are in respect of previous year.

a. Net Balance Sheet position

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	**11,845** (10,030)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)
ii)	Fair value of Plan assets	**9,965** (8,689)	**1,556** (1,606)	- -	- -	**17,631** (15,185)
iii)	Funded status surplus/ -deficit	**-1,880** -(1,341)	**-194** (1)	**-53** -(54)	**-49** -(50)	**-7** -(6)
iv)	Effect of asset ceiling	- -	**-329** (223)	- -	- -	- -
	Net defined benefit asset / -liability	**-1,880** -(1,341)	**-523** -(222)	**-53** -(54)	**-49** -(50)	**-7** -(6)

b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening defined benefit obligation	**10,030** (8,929)	**1,605** (1,451)	**54** (53)	**50** (51)	**15,191** (13,189)
i)	Current service cost	**848** (770)	**69** (61)	**2** (2)	**2** (2)	**766** (2,784)
ii)	Interest cost	**752** (659)	**120** (108)	**4** (4)	**4** (4)	**1,324** (1,162)
iii)	Actuarial -gains / losses- experience	**248** (592)	**-91** (7)	**-1** (2)	**-3** -(1)	- -
iv)	Actuarial -gains / losses- demographic changes	**13** (0)	- -	**0** -	**0** (0)	- (391)
v)	Actuarial -gains / losses- financial assumptions	**779** -	**191** -	**0** -	- -	- -
vi)	Benefits paid	**-549** -(917)	**-144** -(135)	**-6** -(7)	**-4** -(6)	**-1,658** -(2,335)
vii)	Past service cost	- -	- (113)	- -	- -	**-169** -
vii)	Acquisitions / Transfer out	**-276** -(3)	- -	- -	- -	**753** -
viii)	Contributions by employees	- -	- -	- -	- -	**1,431** -
	Closing defined benefit obligation	**11,845** (10,030)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)

Notes to Standalone Financial Statements for the year ended March 31, 2017

c. Reconciliation of opening and closing balances of the fair value of plan assets

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening fair value of plan assets	**8,689**	**1,606**	**-**	**-**	**15,185**
		(6,585)	(1,610)	-	-	(13,183)
i)	Interest income on plan assets	**700**	**118**	**-**	**-**	**1,340**
		(571)	(120)	-	-	(1,162)
ii)	Return on plan asset greater / -lesser than discount rate	**18**	**2**	**-**	**-**	**-**
		(51)	(11)	-	-	-
iii)	Actuarial gains / -losses	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	(391)
iv)	Contribution by the employer	**1,342**	**1**	**-**	**-**	**766**
		(2,344)	(0)	-	-	(2,784)
v)	Benefits paid	**-549**	**-144**	**-**	**-**	**-1,658**
		-(917)	-(135)	-	-	-(2,335)
vi)	Acquisition / transfer out	**-235**	**-27**	**-**	**-**	**753**
		(55)	-	-	-	-
vii)	Contribution by employee	**-**	**-**	**-**	**-**	**1,431**
		-	-	-	-	-
viii)	Other adjustments	**-**	**-**	**-**	**-**	**-186**
		-	-	-	-	-
	Closing fair value of plan assets	**9,965**	**1,556**	**-**	**-**	**17,631**
		(8,689)	(1,606)	-	-	(15,185)

d. Total defined benefit cost

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**848**	**69**	**2**	**2**	**766**
		(770)	(174)	(2)	(2)	(2,784)
ii)	Net interest cost	**52**	**2**	**4**	**4**	**-16**
		(88)	-(12)	(4)	(4)	-
iii)	Actuarial -gains / losses recognised in OCI	**1,022**	**204**	**-1**	**-3**	**-**
		(541)	-(4)	(2)	-(1)	-
	Total defined benefit cost	**1,922**	**275**	**5**	**3**	**750**
		(1,399)	(158)	(8)	(5)	(2,784)

e. Statement of Profit and Loss

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**848**	**69**	**2**	**2**	**766**
		(770)	(174)	(2)	(2)	(2,784)
ii)	Net interest cost	**52**	**2**	**4**	**4**	**-16**
		(88)	-(12)	(4)	(4)	-
	Cost recognised in profit and loss	**900**	**71**	**6**	**6**	**750**
		(858)	(162)	(6)	(6)	(2,784)

All of the above have been included in the line 'Company's contribution to provident and other funds', in note 30 of the Statement of Profit and Loss.

Notes to Standalone Financial Statements for the year ended March 31, 2017

f. **Other comprehensive income**

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	**248** (592)	**-91** (7)	**-1** (2)	**-3** -(1)	**-** -
ii)	Actuarial -gain / loss due to assumption change	**792** -	**191** -	**0** -	**0** -	**-** -
iii)	Return on plan assets -greater / less than discount rate	**-18** -(51)	**-2** -(11)	**-** -	**-** -	**-** -
	Actuarial -gain/ loss recognised in OCI	**1,022** (541)	**98** -(4)	**-1** (2)	**-3** -(1)	**-** -
	Adjustment for limit of net asset	**-**	**106**	**-**	**-**	**-**

g. **For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets**

Sr. No.	Particulars	Gratuity		Pension		PF	
		Current Year	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
i)	Government of India securities	**0.00%**	0.00%	**0.00%**	0.00%	**51.24%**	44.05%
ii)	Corporate bonds	**0.00%**	0.00%	**0.00%**	0.00%	**45.88%**	44.89%
iii)	Special deposit scheme	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	11.06%
iv)	Insurer managed funds	**100.00%**	100.00%	**100.00%**	100.00%	**0.00%**	0.00%
v)	Cash and others	**0.00%**	0.00%	**0.00%**	0.00%	**2.88%**	0.00%
	Total	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

h. **Supplementary information as per Ind AS 19**

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB
i)	Expected employer contribution for next year	**1,881** (1,341)	**528** (245)	**NA** NA	**NA** NA

Notes to Standalone Financial Statements for the year ended March 31, 2017

i. **Following are the principal actuarial assumption used as at the balance sheet date**

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
	Discount rate - March 31, 2017 March 31, 2016	**7.00%** 7.80%	**7.00%** 7.80%	**7.00%** 7.80%	**7.00%** 7.80%	**7.00%** 7.80%
	Expected rate of return on plan assets	**8.50%** 8.50%	**8.50%** 8.50%	**NA** NA	**NA** NA	**NA** NA
	Expected return on assets for exempt PF fund					
	2015-16	**NA** NA	**NA** NA	**NA** NA	**NA** NA	**8.75%** 8.60%
	2016-17	**NA** NA	**NA** NA	**NA** NA	**NA** NA	**8.60%** 8.60%
	2017 and thereafter	**NA** NA	**NA** NA	**NA** NA	**NA** NA	**8.60%** 8.60%
	Salary escalation rate - management staff	**10%** 10%	**NA** NA	**NA** NA	**NA** NA	**NA** NA
	Salary escalation rate - non-management staff	**7%** 7%	**NA** NA	**NA** NA	**NA** NA	**NA** NA
	Annual increase in healthcare costs - upto year 2020	**NA** NA	**NA** NA	**NA** NA	**10%** 10%	**NA** NA
	Annual increase in healthcare costs - year 2020- 2025	**NA** NA	**NA** NA	**NA** NA	**8 %** 8 %	**NA** NA
	Annual increase in healthcare costs - thereafter	**NA** NA	**NA** NA	**NA** NA	**6 %** 6 %	**NA** NA
	Long term EPFO rate					
	2015-16	**NA** NA	**NA** NA	**NA** NA	**NA** NA	**8.75%** 8.60%
	2016 and thereafter	**NA** NA	**NA** NA	**NA** NA	**NA** NA	**8.60%** 8.60%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

j. **Expected benefit payment for the next years**

₹ Lacs

Particulars	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	2023-2027
Gratuity	715	1,130	838	1,117	1,346	7,230
Pension	132	164	129	114	175	1,072
Ex gratia	5	6	5	5	6	34
PRMB	3	3	3	4	3	27
PF	77	77	76	76	75	362

k. **A quantitative sensitivity analysis for significant assumption is as shown below:**

₹ Lacs

Assumptions	Discount Rate		Future salary increase		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2017	-497	535	522	-490	-661	1,070
March 31, 2016	(413)	444	437	(411)	(397)	582
Pension						
March 31, 2017	-62	66	NA	NA	-30	34
March 31, 2016	(55)	58	NA	NA	(27)	30
Ex Gratia						
March 31, 2017	-2	2	NA	NA	-15	19
March 31, 2016	(2)	2	NA	NA	(14)	16
PF						
March 31, 2017	-12	13	-	-	-	-
March 31, 2016	-	-	-	-	-	-

Assumptions	Discount Rate		Medical Inflation		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2017	-2	2	4	-4	-14	19
March 31, 2016	(2)	2	4	(4)	(14)	17

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Notes to Standalone Financial Statements for the year ended March 31, 2017

43. Related Party Disclosures

a) Name of the related party and nature of relationship where control exists

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited (w.e.f. October 1, 2015)	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2017

₹ Lacs

Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	**21,013** (15,846)
	Tata Cummins Private Limited	**78,159** (56,839)
	Cummins Technologies India Private Limited	**17,992** (6,694)
	Others	**35,709** (34,341)
Sale of goods	Cummins Limited	**60,812** (58,294)
	Others	**80,406** (67,954)
Services rendered	Cummins Inc.	**3,201** (3,656)
	Valvoline Cummins Private Limited	**2,713** (921)
	Cummins Technologies India Private Limited	**6,313** (5,091)
	Tata Cummins Private Limited	**1,645** (1,849)
	Others	**642** (606)
Remuneration paid	Anant J. Talaulicar	**440** (30)
	Sandeep Sinha	**151** (151)
Services received	Cummins Sales & Services Private Limited	**978** (1,046)
	Cummins Technologies India Private Limited	**1,157** (2,655)
	Others	**367** (1,531)

43. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Support services	Cummins Inc.	**6,987** (7,356)
Reimbursements paid	Cummins Technologies India Private Limited	**8,518** (6,041)
	Cummins Inc.	**2,060** (1,450)
	Others	**787** (1,716)
Reimbursements received	Cummins Technologies India Private Limited	**4,192** (3,352)
	Cummins Generator Technologies India Private Limited	**760** (855)
	Others	**(1,143)** (1,213)
Royalty	Cummins Inc.	**5,127** (4,451)
Sale of assets	Tata Cummins Private Limited	**321** -
	Cummins Technologies India Private Limited	**38** -
Transfer of export benefits	Cummins Technologies India Private Limited	**420** (43)
Interest on inter corporate deposit	Cummins Technologies India Private Limited	**1,187** (1,288)
Dividend received	Cummins Generator Technologies India Private Limited	**1,560** (2,301)
	Cummins Research and Technology India Private Limited	**415** (200)
	Valvoline Cummins Private Limited	**4,750** (8,551)
Purchase of asset	Cummins Inc.	**43** -
	Cummins Technologies India Private Limited	**67** -
	Others	**1** (41)
Dividend paid	Cummins Inc.	**19,791** (19,791)
Donations paid	Cummins India Foundation	**1,200** (1,200)

Notes to Standalone Financial Statements for the year ended March 31, 2017

43. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Contributions paid	Cummins India Limited Officers Provident Fund	**1,590** (930)
	Cummins Group Employees Superannuation Scheme	**1,363** (1,337)
	Cummins Group Officers Gratuity Scheme	**1,342** (2,344)
Sitting fees and commission to independent directors	Nasser Munjee	**21** (21)
	Prakash Telang	**21** (21)
	Priya Dasgupta	**19** (19)
	Rajeev Bakshi	**21** (21)
	Venu Srinivasan	**18** (18)
Equity contribution - share based payments	Cummins Inc.	**132** -

c) **Amounts outstanding as at March 31, 2017**

₹ Lacs

Particulars	Name of the Party	Total
Trade payables	Cummins Asia Pacific Pte Ltd March 31, 2016 April 1, 2015	**3,706** (126) -
	Cummins Inc. March 31, 2016 April 1, 2015	**3,816** (5,268) (6,844)
	Cummins Limited March 31, 2016 April 1, 2015	**2,361** (3,446) (4,962)
	Cummins Technologies India Private Limited March 31, 2016 April 1, 2015	**4,902** (4,053) (6,313)
	Tata Cummins Private Limited March 31, 2016 April 1, 2015	**4,934** (2,956) (889)
	Others March 31, 2016 April 1, 2015	**1,993** (4,355) (4,766)

43. Related Party Disclosures (Contd.)

₹ Lacs

Particulars	Name of the Party	Total
Other current liabilities	Cummins Inc.	**5,970**
	March 31, 2016	(9,748)
	April 1, 2015	(8,349)
	Cummins Technologies India Private Limited	**2,052**
	March 31, 2016	(247)
	April 1, 2015	-
	Others	**178**
	March 31, 2016	(188)
	April 1, 2015	(220)
Trade receivables	Cummins Angola Limited	**5,068**
	March 31, 2016	(738)
	April 1, 2015	-
	Cummins Limited	**4,652**
	March 31, 2016	(15,783)
	April 1, 2015	(11,418)
	Cummins Technologies India Private Limited	**3,670**
	March 31, 2016	(3,631)
	April 1, 2015	(2,243)
	Cummins West Africa Limited	**4,261**
	March 31, 2016	(3,010)
	April 1, 2015	(3,555)
	Others	**13,794**
	March 31, 2016	(13,630)
	April 1, 2015	(15,212)
Other current assets	Cummins Technologies India Private Limited	**410**
	March 31, 2016	(514)
	April 1, 2015	(455)
	Valvoline Cummins Private Limited	**861**
	March 31, 2016	-
	April 1, 2015	-
	Tata Cummins Private Limited	**1,064**
	March 31, 2016	(1,088)
	April 1, 2015	(772)
	Others	**596**
	March 31, 2016	(1,009)
	April 1, 2015	(2,286)
Inter corporate deposit	Cummins Technologies India Private Limited	**12,866**
	March 31, 2016	(12,866)
	April 1, 2015	(12,866)

Notes to Standalone Financial Statements for the year ended March 31, 2017

43. Related Party Disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 43(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Fellow subsidiaries	Beijing Foton Cummins Engine Co., Ltd.
(with which there are transactions during the year)	Chongqing Cummins Engine Co. Ltd.
	Consolidated Diesel Company
	Cummins (China) Investment Co. Ltd.
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Ltd
	Cummins Atlantic LLC
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Cal Pacific LLC
	Cummins Caribbean LLC
	Cummins Commercializadora S.De R.L
	Cummins CZECH Republic SRO
	Cummins De Oriente, S.A. De Cv
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Ltd
	Cummins DKSH (Thailand) Limited
	Cummins DKSH Vietnam LLC
	Cummins East Asia Research & Development Co. Ltd.
	Cummins Eastern Canada LP
	Cummins Emission Solutions Inc.
	Cummins Engine (Shanghai) Trading & Services Co. Ltd.
	Cummins Filtration SARL
	Cummins Fuel Systems Wuhan Co. Ltd.
	Cummins Generator Technologies Australia Pty Ltd.
	Cummins Generator Technologies India Private Ltd.
	Cummins Ghana Ltd.
	Cummins Hong Kong Ltd.
	Cummins Italia SPA
	Cummins Japan Ltd.
	Cummins Ltd.
	Cummins Makina Sanayi Ve Ticaret Ltd.
	Cummins Middle East FZE
	Cummins Natural Gas Engines Inc.
	Cummins Npower LLC
	Cummins NV
	Cummins Power Generation (China) Co. Ltd.
	Cummins Power Generation (S) Pte. Ltd.
	Cummins Power Generation Inc.
	Cummins Power Generation Ltd.

43. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins Power Systems LLC
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Ltd.
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Singapore Pte Ltd.
	Cummins Scott + English Malaysia SDN BHD
	Cummins South Africa Pty Ltd.
	Cummins South Pacific Pty Ltd.
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Ltd.
	Cummins Turbo Technologies B.V.
	Cummins West Africa Limited
	Cummins Westport Inc.
	Distribuidora Cummins Centroamerica Costa Rica, S.De R.L.
	Distribuidora Cummins Centroamerica El Salvador, S.De R.L.
	Distribuidora Cummins Centroamerica Honduras, S.De R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins Paraguay SRL
	Distribuidora Cummins SA
	OOO Cummins
	Shanghai Cummins Trade Co. Ltd.
	Wuxi Cummins Turbo Technologies Co. Ltd.
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director
	Mahesh Narang (upto December 31, 2014) - Chief Operating Officer
	Sandeep Sinha (w.e.f. January 1, 2015) - Chief Operating Officer
	Antonio Leitao
	Edward Pence
	Mark Smith
	Suzanne Wells
	J.M. Barrowman
	Nicole Mc Donald
	Pradeep Bhargava
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan

Notes to Standalone Financial Statements for the year ended March 31, 2017

43. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited
	Cummins Sales & Services Private Limited (upto September 30, 2015)
	Cummins Reseach and Technology India Private Limited
Enterprise with common key management personnel	Tata Cummins Private Limited
	Cummins India Foundation
	New Delhi Law Offices Private Limited
	Ascot Infrastructure Private Limited
	Tata Hitachi Construction Machinery Company Private Limited
Employees benefit plans where there is significant influence	Cummins India Limited Officers Provident Fund
	Cummins Group Employees Superannuation Scheme
	Cummins Group Officers Gratuity Scheme

ii) **Terms and conditions of transactions with related parties:**

The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owned by related parties (March 31, 2016: Nil; April 1, 2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.

iv) Figures in brackets are in respect of the previous year.

44 Disclosure relating to specified bank notes held (SBN) and transacted during the period from November 8, 2016 to December 30, 2016 as provided in the table below:

₹ Lacs

	SBN	Other denomination Notes *	Total
Closing cash in hand as on November 8, 2016 **	1	0	1
Add: Permitted receipts	-	7	7
Less: Permitted payments **	0	5	5
Less: Amount deposited in Banks	1	-	1
Closing cash in hand as on December 30, 2016	**-**	**2**	**2**

* Permitted receipts and payments of other denomination notes disclosed above should not be construed as permitted receipts and payments as permitted by RBI from time to time pursuant to the introduction of the demonetisation scheme by the Government vide RBI circular - RBI/2016-17/112 dated November 08, 2016.

** Amount is below the rounding off norm adopted by the Company.

45 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute **₹ 1,616 lacs** (March, 31 2016: ₹ 1,602 lacs) towards Corporate Social Responsibility activities, as calculated basis 2 % of its average net profits of the last three financial years. Accordingly, during the current year, the Company has contributed **₹ 1,200 lacs** (March, 31 2016: ₹ 1,200 Lacs) to Cummins India Foundation towards the eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

46 Financial risk management objectives and policies

Financial risk factors:

The Company has well written policies covering specific areas, such as foreign exchange risk and investments which seeks to minimise potential adverse effects on the Company's financial performance due to external factors. The Company uses derivatives to hedge foreign exchange risk exposures. The Company's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that have appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the entity's functional currency.

Management has set up a policy to which the Company to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from recognised assets and liabilities, the Company uses forward contracts to cover export sales, transacted by the treasury team.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

₹ Lacs

Currency	% change	March 31, 2017	March 31, 2016
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	(40)	(25)
Euro	1%	16	19
Others	1%	1	(3)
Total		**(23)**	**(9)**

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and financial assets and liabilities denominated in various currencies. Although the derivatives have not been designated in a hedge relationship, they act as economic hedge and offset the under lying transactions when they occur.

Notes to Standalone Financial Statements for the year ended March 31, 2017

ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Company's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

The Company is not exposed to significant interest rate risk as at the respective reporting dates.

iii) Price risk

The Company invests its surplus funds in mutual funds which are linked to debt markets. The Company is exposed to price risk for investments in mutual funds that are classified as fair value through profit or loss. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio. Diversification and investment in the portfolio is done in accordance with the limits set by the Board of Directors. Reports on investment portfolio are submitted to the Company's senior management on a regular basis.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

₹ Lacs

	% change	March 31, 2017	March 31, 2016
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.5%	328	33

Post-tax profit for the year would increase / decrease as a result of gains / losses on mutual funds classified as fair value through profit or loss.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily from trade receivables, other receivables, deposits with banks and loans given.

Trade receivable

Senior management is responsible for managing and analysing the credit risk for each of their new clients before standard payment, delivery terms and conditions are offered. The Company assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 11.

Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Company's treasury department in accordance with Company's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5,14 and 15.

c) **Liquidity risk**

Cash flow forecasting is performed by Treasury function. Treasury team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet the operational needs. Such forecasting takes into consideration the compliance with internal cash management policy.

As per the Company's policy, treasury team invests surplus cash in marketable securities and time deposits with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Company held mutual funds of **₹ 65,723 lacs** (March 31, 2016: ₹ 28,383 lacs and April 01, 2015: ₹ 41,433 lacs) and other liquid assets of **₹ 12,376 lacs** (March 31, 2016: ₹ 8,515 lacs and April 01, 2015: ₹ 7,548 lacs) that are expected to readily generate cash inflows for managing liquidity risk.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

₹ Lacs

As at March 31, 2017	**On demand**	**Less than 12 months**	**1-5 years**
Borrowings	-	25,078	-
Trade payables	-	60,818	-
Royalty and support services	-	6,274	-
Unpaid dividend	535	-	-
Retention money	-	1,107	1,279
Dealer deposits	-	-	1,565
Others	-	5,961	188

As at March 31, 2016	**On demand**	**Less than 12 months**	**1-5 years**
Trade payables	-	55,658	-
Royalty and support services	-	9,928	-
Unpaid dividend	458	-	-
Retention money	-	1,116	1,114
Dealer deposits	-	-	1,341
Others	-	4,543	589

As at March 31, 2015	**On demand**	**Less than 12 months**	**1-5 years**
Trade payables	-	59,583	-
Royalty and support services	-	8,632	-
Unpaid dividend	438	-	-
Retention money	-	1,162	243
Dealer deposits	-	-	1,154
Others	-	5,935	219

Notes to Standalone Financial Statements for the year ended March 31, 2017

d) Capital management

The Company's objectives when managing capital is to provide maximum returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments in light of changes in economic conditions.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus all other equity reserves attributable to equity holders of the Holding Company. There are no borrowings as on March 31, 2016 and April 1, 2015, therefore, no gearing ratio is calculated.

₹ Lacs

	March 31, 2017
Borrowings	25,078
Less: Cash and cash equivalents	12,376
Net debt	12,702
Equity	374,217
Gearing Ratio (times)	0.03

47 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Company's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value			Fair value		
	March 31, 2017 ₹ Lacs	March 31, 2016 ₹ Lacs	April 1, 2015 ₹ Lacs	March 31, 2017 ₹ Lacs	March 31, 2016 ₹ Lacs	April 1, 2015 ₹ Lacs
Financial assets						
FVTPL of investments in mutual funds	65,723	28,383	41,433	65,723	28,383	41,433
FVTPL of investments in equity	49	27	32	49	27	32
FVTPL of Foreign exchange forward contracts	802	306	101	802	306	101
Financial liabilities						
Borrowings	25,078	-	-	25,078	-	-
Non-current assets						
Investment property	26,789	-	-	27,126	-	-

The Management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds are based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity are based on the price quotation at the reporting date derived from quoted market prices in active market.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1c.

₹ Lacs

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets at FVTPL				
Investments in mutual funds				
March 31, 2017	**-**	**65,723**	**-**	**65,723**
March 31, 2016	-	28,383	-	28,383
April 1, 2015	-	41,433	-	41,433
Forward contracts				
March 31, 2017	**-**	**802**	**-**	**802**
March 31, 2016	-	306	-	306
April 1, 2015	-	101	-	101
Investments in equity				
March 31, 2017	**49**	**-**	**-**	**49**
March 31, 2016	27	-	-	27
April 1, 2015	32	-	-	32
Non-current assets				
Investment property				
March 31, 2017	**-**	**-**	**27,126**	**27,126**
March 31, 2016	-	-	-	-
April 1, 2015	-	-	-	-

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment property, refer note 3.

Notes to Standalone Financial Statements for the year ended March 31, 2017

48 First time adoption of Ind AS

These financial statements, for the year ended March 31, 2017, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements that comply with Ind AS applicable for the year ending March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in accounting policy 1(b). In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Ind AS 101 allows first-time adopters certain exemptions/ exceptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

i) Ind AS 102: Share-based payment has not been applied to equity instruments in share-based payment transactions that were vested or settled on or before April 1, 2015.

ii) Ind AS 17: Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangement based for embedded leases based on conditions in place as at the date of transition.

iii) Ind AS 16: Deemed Cost: The Company has elected to continue with the carrying value of property, plant and equipment as recognized in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition.

iv) Estimates: The estimates as at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP except impairment of financial assets based on expected credit loss model.

v) Ind AS 109: Designation of previously recognized financial instruments: Financial assets and financial liabilities are classified as fair value through profit and loss or fair value through other comprehensive income based on facts and circumstances as at the date of transition to Ind AS i.e. April 1, 2015. Financial assets and liabilities are recognized at fair value as at the date of transition to Ind AS i.e. April 1, 2015 and not from the date of initial recognition.

48 First time adoption of Ind AS (Contd.)

Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS)

Balance Sheet	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Assets				
Non-current assets				
Property, plant and equipment		122,460	-	122,460
Capital work-in-progress (including investment property in progress)		17,061	-	17,061
Intangible assets		936	-	936
Investments in joint ventures and an associate		3,135	-	3,135
Financial assets				
Investments	a	1,437	(101)	1,336
Loans		12,866	-	12,866
Other financial assets		808	-	808
Income tax assets (net)		7,005	-	7,005
Other non-current assets		21,345	-	21,345
		187,053	**(101)**	**186,952**
Current assets				
Inventories		68,226	-	68,226
Financial assets				
Investments	a	41,931	33	41,964
Trade receivables		92,995	-	92,995
Cash and cash equivalent		7,548	-	7,548
Other bank balances		438	-	438
Others current financial assets	b	4,510	(214)	4,296
Other current assets		24,710	-	24,710
		240,358	**(181)**	**240,177**
	TOTAL	**427,411**	**(282)**	**427,129**
Equity and liabilities				
Equity				
Equity share capital		5,544	-	5,544
Other equity				
Retained earnings	f	168,836	30,780	199,616
Other reserves	h	114,272	329	114,601
		288,652	**31,109**	**319,761**
Non-current liabilities				
Other financial liabilities	d	1,741	(125)	1,616
Long term provisions	d	9,058	(1,345)	7,713
Deferred tax liabilities (net)	c	2,107	374	2,481
Other non-current liabilities		332	-	332
		13,238	**(1,096)**	**12,142**
Current liabilities				
Financial liabilities				
Trade payables		59,583	-	59,583
Other current financial liabilities		16,167	-	16,167
Other current liabilities	b	6,807	(268)	6,539
Provisions	f	42,964	(30,027)	12,937
		125,521	**(30,295)**	**95,226**
	TOTAL	**427,411**	**(282)**	**427,129**

Notes to Standalone Financial Statements for the year ended March 31, 2017

48 First time adoption of Ind AS (Contd.)

Reconciliation of Profit and Loss for the year ended March 31, 2016

	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Revenue from operations	k	510,805	(1,999)	508,806
Other income	b	22,633	(47)	22,586
Total income		**533,438**	**(2,046)**	**531,392**
Expenses:				
Cost of materials consumed	k	279,427	(6)	279,421
Purchases of traded goods		16,991	-	16,991
Change in inventories of finished goods, work-in-progress and traded goods		(191)	-	(191)
Excise duty on sale of goods	e	37,924	-	37,924
Employee benefits expense	g	42,095	(538)	41,557
Finance costs	d	86	872	958
Depreciation and amortisation expense		8,101	-	8,101
Other expenses	a, d, k	58,361	(2,768)	55,593
Total expenses		**442,794**	**(2,440)**	**440,354**
Profit before tax		**90,644**	**394**	**91,038**
Tax expense				
Current tax		16,624	-	16,624
Deferred tax	c	(1,165)	149	(1,016)
Total tax expense		**15,459**	**149**	**15,608**
Profit after Tax		**75,185**	**245**	**75,430**
Other comprehensive income				
Actuarial gain/ (loss) on employee benefit	g	-	(538)	(538)
Income tax effect	c	-	186	186
Other comprehensive income for the year, net of tax		**-**	**(352)**	**(352)**
Total comprehensive income		**75,185**	**(107)**	**75,078**

48 First time adoption of Ind AS (Contd.)

Reconciliation of equity as at March 31, 2016

Balance Sheet	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Assets				
Non-current assets				
Property, plant and equipment		128,184	-	128,184
Capital work-in-progress (including investment property in progress)		51,922	-	51,922
Intangible assets		754	-	754
Investments in joint venture and an associate		3,735	-	3,735
Financial assets				
Investments	a	1,437	(224)	1,213
Loans		12,866	-	12,866
Other financial assets		681	-	681
Income tax assets (net)		7,318	-	7,318
Other non-current assets		14,800	-	14,800
		221,697	**(224)**	**221,473**
Current assets				
Inventories		60,026	-	60,026
Financial assets				
Investments	a	28,373	36	28,409
Trade receivables		93,811	-	93,811
Cash and cash equivalent		8,515	-	8,515
Other bank balances		458	-	458
Others current financial assets	b	4,878	92	4,970
Other current assets		27,628	-	27,628
Assets classified as held for sale		3,757	-	3,757
		227,446	**128**	**227,574**
	TOTAL	**449,143**	**(96)**	**449,047**
Equity and liabilities				
Equity				
Equity share capital		5,544	-	5,544
Other equity				
Retained earnings	a,b,f,h	197,313	30,672	227,985
Other reserves	h	114,272	329	114,601
		317,129	**31,001**	**348,130**
Non-current liabilities				
Other financial liabilities	d	3,162	(118)	3,044
Provisionsd	8,228	(1,376)	6,852	
Deferred tax liabilities (net)		940	339	1,279
Other non-current liabilities		311	-	311
		12,641	**(1,155)**	**11,486**
Current liabilities				
Financial liabilities				
Trade Payables		55,658	-	55,658
Other current financial liabilities	b	15,960	85	16,045
Other current liabilities		6,517	-	6,517
Provisions	f	41,238	(30,027)	11,211
		119,373	**(29,942)**	**89,431**
	TOTAL	**449,143**	**(96)**	**449,047**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

Notes to Standalone Financial Statements for the year ended March 31, 2017

48 First time adoption of Ind AS (Contd.)

Impact of Ind AS adoption on Cash flow statement for the year ended March 31, 2016

	Indian GAAP ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Net cash flow from operating activities	65,556	3,397	68,953
Net cash flow from investing activities	(17,795)	(3,417)	(21,212)
Net cash flow from financing activities	(46,794)	20	(46,774)
Net increase/(decrease) in cash and cash equivalents	**967**	-	**967**

Notes to first time adoption

a) **Fair valuation of investments**

Under Indian GAAP, investments in equity instruments, mutual funds, bonds were classified as long term investments or current investments based on the intended holding period and realisability. Long term investments were carried at cost other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value.

Under Ind AS these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in Statement of Profit and Loss for the year ended March 31, 2016. This resulted in a reduction in retained earnings by ₹ 188 lacs as at March 31, 2016 (April 1, 2015: ₹ 68 lacs).

b) **Forward contracts**

Under Indian GAAP, the Company applied the requirements of AS 11 - The effects of changes in foreign exchange rates to account for forward contracts and the related underlying receivable/ payable. At the inception of the forward contract the forward premium was separated and amortised as an expenses over the tenure of the forward contract. The underlying receivable/ payable and the forward contracts were restated at the closing spot exchange rate.

Under Ind AS, derivatives that are not designated as hedging instruments are fair valued with resulting changes being recognised in the Statement of Profit and Loss. The fair valuation of forward contracts resulting in increase/ (decrease) in retained earnings by ₹ (47) lacs as at March 31, 2016 (April 1, 2015: ₹ 54 lacs).

c) **Deferred tax**

Deferred tax have been recognised on the adjustments made on transition to Ind AS.

d) **Provisions**

Under Indian GAAP, discounting of provisions was not allowed. Under Ind AS, provisions are measured at discounted amounts, if the effect of time value is material, accordingly, provisions have been discounted to their present values. Ind AS also provides that where discounting is used the carrying amount of the provision increases in each period to reflect the passage of time. This has resulted in a reduction of provisions by ₹ 1,494 lacs as at March 31, 2016 (April 1, 2015: ₹ 1,470 lacs).

Consequently, profit for the year and equity as at March 31, 2016 increased proportionately.

48 First time adoption of Ind AS (Contd.)

e) Excise duty

Under Indian GAAP, revenue from sale of products was presented excluding excise duty. Under Ind AS, revenue from sale of products is presented inclusive of excise duty. Excise duty paid is presented on the face of the Statement of Profit and Loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by ₹ 37,924 lacs. There is no impact on total equity and profits.

f) Proposed dividend and dividend distribution thereon

Under Indian GAAP, dividends proposed by the Board of Directors after the balance sheet date but before the approval of financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS such dividends are recognised when the same are approved by the shareholders in the general meeting, accordingly, liability for proposed dividend for ₹ 30,027 lacs as at March 31, 2016 (April 1, 2015: ₹ 30,027 lacs) included under provisions has been reversed with corresponding adjustment to retained earnings. Correspondingly, total equity increased by this amount.

g) Remeasurements of post - employment benefits obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of Statement of Profit and Loss. Under Indian GAAP, these Remeasurements were forming part of the Statement of Profit and Loss for the year. As a result of this change, the profit for the year ended March 31, 2016 has increased by ₹ 538 lacs. There is no impact on total equity.

h) Employee stock option expense

Under Ind AS equity settled share based payment transactions between the employees of an entity and its parent company need to be recognised as an employee cost in the Statement of Profit and Loss with a corresponding impact in other equity as equity contribution from the Holding Company. Under Indian GAAP, equity settled transactions between employees of an entity and the Holding Company were not required to be accounted for. This change has resulted in an increase in other reserves by ₹ 329 lacs and decrease in retained earnings as at April 1, 2015.

i) Retained earnings

Retained earnings as at April 1, 2015 have been adjusted consequent to the above Ind AS transition adjustments.

j) Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the Statement of Profit and Loss as ‘other comprehensive income’ includes remeasurements of defined benefit plans.

The concept of other comprehensive income did not exists under Indian GAAP.

k) Revenue

Under Indian GAAP, discounts and certain customer incentives are reported as a separate expenditure in the Statement of Profit and Loss Under Ind AS, revenue is measured at fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates allowed by the entity. Accordingly, revenue for the year ended March 31, 2016 has reduced by ₹ 1,999 lacs and correspondingly expenses have reduced. This change has no impact on the profits and total equity for the year.

Notes to Standalone Financial Statements for the year ended March 31, 2017

49 Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the Company from April 1, 2017.

Ind AS 7- Cash flow statements

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after April 1, 2017. Application of the amendments will result in additional disclosures provided by the Company.

Amendment to Ind AS 102: Share-based Payment

The amendment to Ind AS 102 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual periods beginning on or after April 1, 2017.

These amendments are not expected to have any impact on the Company.

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Consolidated Financial Statements 2016-17

INDEPENDENT AUDITORS' REPORT

To the Members of Cummins India Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Cummins India Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), its associate and joint ventures, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated Ind AS financial statements').

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position,consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its Associate and Joint Ventures in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associate and joint ventures and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit inaccordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements.The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary, associate and joint ventures, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, its associate and joint ventures as at March 31, 2017, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary, associate and joint ventures, as noted in the 'Other Matter' paragraph we report, to the extent applicable, that:

(a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the Ind AS financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, associate company and joint ventures incorporated in India, none of the directors of the Group's companies, its associate and joint ventures incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary company, associate company and joint ventures incorporated in India, refer to our separate report in "Annexure 1" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary, associate and joint ventures, as noted in the 'Other Matter' paragraph:

   i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associate and joint ventures – Refer Note 36 to the consolidated Ind AS financial statements;

   ii. The Group, its associate and joint ventures did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2017;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary, associate and joint ventures incorporated in India during the year ended March 31, 2017;

   iv. The Holding Company, subsidiary, its associate and joint ventures incorporated in India, have provided requisite disclosures in Note 51 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group including its associates and jointly controlled entities and as produced to us by the management of the Holding Company.

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of one subsidiary whose Ind AS financial statements include total assets of ₹ 2,470 lacs and net assets of ₹ 1,203 lacs as at March 31, 2017 and total revenues of ₹ 7,946 lacs and net cash outflows of ₹ 4 lacs for the year ended on that date. These financial statement and other financial information have been audited by another auditor, whose financial statements, other financial information and auditor's report has been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 8,110 lacs for the year ended March 31, 2017, as considered in the consolidated Ind AS financial statements, in respect of one associate and two joint ventures, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, associate and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, associate and joint ventures, is based solely on the reports of such other auditors.

(b) The comparative financial information of the Group including its associate and joint ventures for the year ended March 31, 2016 and the transition date opening balance sheet as at April 01, 2015 included in these consolidated Ind AS financial statements, are based on the previously issued consolidated financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2016 and March 31, 2015 dated May 25, 2016 and May 28, 2015 respectively expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Group on transition to the Ind AS, which have been audited by us.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the management.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place of Signature: Mumbai
Date: May 18, 2017

Annexure 1 referred to in paragraph (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Cummins India Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Cummins India Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, its associate company and joint venture companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary company, its associate company and joint venture companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary company, its associate company and joint ventures, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, insofar as it relates to this one subsidiary company, one associate company and two joint venture companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, associate and joint venture companies incorporated in India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place of Signature: Mumbai
Date: May 18, 2017

Consolidated Balance Sheet as at March 31, 2017

₹ Lacs

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	2.1	**122,543**	128,321	122,460
Capital work-in-progress (including investment property in progress)		**46,325**	51,922	17,061
Investment property	3	**26,789**	-	-
Intangible assets	2.2	**837**	776	936
Investments in joint ventures and an associate	4	**19,209**	19,239	23,618
Financial assets				
Investments	4	**681**	1,213	1,336
Loans	5	**12,866**	12,866	12,866
Other financial assets	6	**1,221**	707	808
Income tax assets (net)	7	**7,975**	7,332	7,005
Other non-current assets	8	**14,172**	14,800	21,345
		252,618	237,176	207,435
Current assets				
Inventories	9	**56,979**	60,664	68,226
Financial assets				
Investments	10	**66,324**	28,409	41,964
Trade receivables	11	**96,367**	94,575	92,995
Cash and cash equivalents	12	**12,395**	8,537	7,548
Other bank balances	13	**535**	458	438
Other current financial assets	14	**4,898**	5,016	4,296
Other current assets	15	**26,769**	27,657	24,710
Assets classified as held for sale	16	**4,549**	3,757	-
		268,816	229,073	240,177
	TOTAL	**521,434**	466,249	447,612
EQUITY AND LIABILITIES				
Equity				
Equity share capital	17	**5,544**	5,544	5,544
Other equity	18			
Retained earnings		**266,833**	240,745	215,669
Other reserves		**114,733**	114,601	114,601
		387,110	360,890	335,814
Non-current liabilities				
Other financial liabilities	19	**3,033**	3,044	1,616
Provisions	20	**5,710**	6,972	7,713
Deferred tax liabilities (net)	21	**3,719**	4,789	6,911
Other non-current liabilities	22	**270**	311	332
		12,732	15,116	16,572
Current liabilities				
Financial liabilities				
Borrowings	23	**25,214**	300	-
Trade payables	24	**60,867**	55,636	59,583
Other current financial liabilities	25	**13,981**	16,129	16,167
Other current liabilities	26	**7,304**	6,937	6,539
Provisions	20	**14,226**	11,241	12,937
		121,592	90,243	95,226
	TOTAL	**521,434**	466,249	447,612

The accompanying notes are an integral part of these financial statements.

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Consolidated Statement of Profit and Loss for the year ended March 31, 2017

₹ Lacs

Particulars	Note No.	Year Ended March 31, 2017	Year Ended March 31, 2016
Revenue from operations	27	545,779	509,940
Other income	28	14,095	11,560
Total income		559,874	521,500
Expenses:			
Cost of materials consumed	29.1	270,017	278,501
Purchases of traded goods		56,139	17,900
Change in inventories of finished goods, work-in-progress and traded goods	29.2	2,001	(102)
Excise duty on sale of goods		35,141	37,924
Employee benefits expense	30	44,528	42,108
Finance costs	31	1,707	980
Depreciation and amortisation expense	2 & 3	8,547	8,136
Other expenses	32	57,493	56,116
Total expenses		475,573	441,563
Profit before tax		84,301	79,937
Tax expense	21		
Current tax		18,637	18,949
Deferred tax		(653)	(1,849)
Tax for earlier years		800	-
Total tax expense		18,784	17,100
Profit for the year before share of profit of joint ventures and associate		65,517	62,837
Share of profit of joint ventures and associate		8,110	9,295
Profit after tax		73,627	72,132
Other comprehensive income ('OCI')			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain/ (loss) on defined benefit plans		(1,202)	(524)
Income tax effect		417	181
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		(785)	(343)
Share in joint ventures and associate's OCI after tax (net)		(45)	(4)
Other comprehensive income/ (expense) for the year, net of tax		(830)	(347)
Total comprehensive income/ (expense) for the year, net of tax		72,797	71,785
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	33	26.56	26.02

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

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PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Consolidated Statement of Changes in Equity for the year ended March 31, 2017

A) Equity share capital

	₹ Lacs
As at April 1, 2015	5,544
Changes in equity share capital	-
As at March 31, 2016	5,544
Changes in equity share capital	-
As at March 31, 2017	**5,544**

B) Other equity

₹ Lacs

	Retained earnings	Other reserves			Total
		General reserve	Capital redemption reserve	Equity contribution from Cummins Inc.- Share based payments*	
Balance as at April 1, 2015	**215,669**	**114,202**	**70**	**329**	**330,270**
Add: Profit for the year	72,132	-	-	-	72,132
Other comprehensive income	(347)	-	-	-	(347)
Total comprehensive income for the year	**71,785**	**-**	**-**	**-**	**71,785**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2014-2015	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2016	**240,745**	**114,202**	**70**	**329**	**355,346**
Add: Profit for the year	73,627	-	-	-	73,627
Other comprehensive income	(830)	-	-	-	(830)
Equity Contribution during the year	-	-	-	132	132
Total comprehensive income for the year	**72,797**	**-**	**-**	**132**	**72,929**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2015-2016	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2017	**266,833**	**114,202**	**70**	**461**	**381,566**

* Scheme managed and administered by the Holding Company.

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
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Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Consolidated Statement of Cash Flow for the year ended March 31, 2017

₹ Lacs

Particulars	Year Ended March 31, 2017	Year Ended March 31, 2016
I. Cash generated from operations		
Profit before tax	84,301	79,937
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	8,547	8,136
Finance costs	1,707	980
Interest income	(1,790)	(2,033)
Dividend income	(2,600)	(1,394)
(Gain)/loss on assets sold, discarded etc.	(186)	5
(Gain) on redemption/sale of investments (net)	(26)	(1)
Equity contribution from Holding company	132	-
Unrealised foreign exchange fluctuation (net)	333	275
Mark to market ('MTM') of financial instruments	(802)	(300)
Provision for doubtful debts (net)	214	262
Impairment of goodwill	-	42
	5,529	5,972
b) Working capital adjustments		
Trade receivables	(3,225)	(1,376)
Inventories	3,684	8,289
Other bank balances	(77)	(20)
Current and non-current financial assets	(401)	180
Other current and non-current assets	116	153
Trade payables	5,772	(4,128)
Current and non-current financial liabilities	(2,236)	1,285
Other current and non-current liabilities	326	133
Current and non-current provisions	(254)	(3,958)
	3,705	558
Total adjustments (a+b)	9,234	6,530
Cash generated from operations	93,535	86,467
Tax paid (net of refunds)	(18,715)	(16,913)
Net cash from operating activities	74,820	69,554
II. Cash flows used in investing activities		
Purchase of property, plant and equipment and investment property	(24,544)	(49,211)
Proceeds from sale of property, plant and equipment	1,313	188
Interest received	1,782	1,956
Dividend received	9,325	12,446
Investments		
(Purchase)/sale of short term investments (net)	(36,554)	13,979
Acquisition of a subsidiary, net of cash acquired	-	(598)
Net cash used in investing activities	(48,678)	(21,240)

Consolidated Statement of Cash Flow for the year ended March 31, 2017 (Contd.)

₹ Lacs

Particulars		Year Ended March 31, 2017	Year Ended March 31, 2016
III.	**Cash flows from financing activities**		
	Proceeds from borrowings	24,913	(300)
	Finance costs	(928)	(109)
	Dividend paid (including tax on dividend)	(46,631)	(46,689)
	Net cash used in financing activities	(22,646)	(47,098)
IV.	**Net change in cash and cash equivalents (I+II+III)**	3,496	1,216
V.	**Net foreign exchange difference**	362	(227)
VI.	**Cash and cash equivalents at the beginning of the year**	8,537	7,548
	Cash and cash equivalents at the end of the year (IV+V+VI)	12,395	8,537
	Components of cash and cash equivalents		
	Cash on hand	4	5
	Bank balances		
	In current accounts	12,376	8,522
	Cheque in hand	15	10
	Total cash and cash equivalents (Refer note 12)	12,395	8,537

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Notes to Consolidated Financial Statements for the year ended March 31, 2017

1. Summary of Significant accounting policies

a) Corporate information

The consolidated financial statements comprise the financial statements of Cummins India Limited ('CIL' or 'the Company') and its subsidiary (together referred to as 'the Group') for the year ended March 31, 2017. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Cummins India Office Campus, Balewadi, Pune. The Group is principally engaged in the business of manufacturing, trading and selling of engines and allied activities.

The consolidated financial statements of the Group for the year ended March 31, 2017 were authorised for issue in accordance with the resolution of the directors on May 18, 2017.

b) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended thereafter.

For all the periods up to and including the year ended March 31, 2016 the Group prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements are the first, the Group has prepared in accordance with Ind AS. Refer to Note No 50 for information on first time adoption of Ind AS.

The consolidated financial statements are prepared on a historical cost basis, except for the following assets and liabilities:

- certain financial assets and financial liabilities (including derivative instruments) have been measured at fair value;
- assets held for sale are measured at lower of carrying amount or fair value less cost to sell;
- defined benefit plans - plan assets are measured at fair value.

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Principles of consolidation

i) Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation procedure: The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions and resulting unrealised profits/ losses have been eliminated. Ind AS 12, Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions. Profit or loss on each component of OCI is attributed to the equity holders of parent of the Group and the non- controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year end on March 31.

ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values. For this purpose the liabilities assumed include contingent liabilities representing the present obligation and they are measured at their acquisition fair values irrespective of the fact that the outflow of resources embodying economic benefits is not probable.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the Statement of Profit and Loss.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in such cases where clear evidence of bargain purchase is available, the difference is recognised in OCI and accumulated in equity as capital reserve, else the difference is recognized directly in equity as capital reserve. The goodwill arising on acquisition is tested for impairment annually.

iii) Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint venture companies have been accounted for by using the equity method of accounting whereby the investment is initially recorded at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition changes in the investor's share of net assets of the associate or joint venture.

The Statement of Profit and Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. If an entities share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable

Notes to Consolidated Financial Statements for the year ended March 31, 2017

amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the Statement of Profit and Loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in the Statement of Profit and Loss.

The list of entities included in consolidation, relationship with CIL and CIL's shareholding therein is as under:

Name of the company	As on March 31, 2017		As on March 31, 2016	
	Relationship	Shareholding	Relationship	Shareholding
Cummins Sales & Service Private Limited (Formerly known as "Cummins SVAM Sales & Service Private Limited")	Subsidiary	100%	Subsidiary *	100%
Cummins Research and Technology India Private Limited	Joint Venture	50%	Joint Venture	50%
Valvoline Cummins Private Limited	Joint Venture	50%	Joint Venture	50%
Cummins Generator Technologies India Private Limited	Associate	48.54%	Associate	48.54%

* CIL acquired balance 50% stake in Cummins Sales & Service Private Limited from its JV partner for ₹ 600 Lacs on October 1, 2015. With effect from the said date, Cummins Sales & Service Private Limited is a 100% subsidiary of CIL.

All the above entities are incorporated in India.

d) Fair Value Measurements

The Group measures financial instruments at fair value on initial recognition and at each Balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability or

ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

Disclosures for valuation methods, significant estimates and assumptions	Note no 35 and 49
Financial instruments (including those carried at amortised cost)	Note no 35 and 49
Investment Property	Note no 3 and 49

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarcy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

e) Property, plant and equipment and Investment property

Property, plant and equipment, capital work in progress and investment property are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss (if any). All significant costs relating to the acquisition and installation of property, plant and equipment/investment property are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred.

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per Indian GAAP and regard that carrying value as the deemed cost of the plant, property and equipment.

Depreciation is computed on straight line method based on useful lives, determined based on internal technical evaluation as follows:

Assets	Useful life
Roads	10 years
Office building and investment property	60 years
Factory building	30 years
Plant and machinery	3 to 15 years
Furniture and fittings	5 to 10 years
Vehicles	4 to 9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold land is amortised on the straight line basis over period of the lease. Freehold land is carried at cost.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible finite assets are amortised over their respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Softwares are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use (3-5 years), being the estimated useful life as per the management estimate or license term whichever is less.

Losses arising from the retirement of, and gains and losses arising from disposal of property, plant and equipment/ intangible assets which are carried at cost are recognised in the Statement of Profit and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

g) Assets held for sale

Items of property, plant and equipment/intangible assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value less cost to sell; and are disclosed as assets held for disposals in financial statements.

h) Inventories

Inventories are stated at lower of cost and net realisable value after providing for obsolescence. The material costs are determined on weighted average basis and the valuation of finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads (based on normal operating capacity). Cost of inventories also include other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

i) Foreign currency transactions

The Group's consolidated financial statements are presented in INR (₹), which is also the CIL and subsidiary's functional currency.

Transactions in foreign currencies are accounted at the functional currency spot rates prevailing on the date of transactions. However, for practical reasons, the Group uses an average rate if the average approximates the actual rates at the date of the transaction. Monetary foreign currency financial assets and liabilities are translated at functional currency spot rates of exchange at the reporting date. The resulting exchange differences are appropriately recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non- monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duties collected on behalf of the government.

i) Sales are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract. Revenue is measured at fair value of the consideration received or receivable inclusive of excise duty, net off sales tax/ value added tax, trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The Group bases its estimates on historical results taking into consideration type of customer, type of transaction and terms of each agreement.

ii) Revenue from long term service contracts is recognized using the proportionate completion method, and recognised net of service tax. Completion is determined as a proportion of cost incurred till date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Unearned Revenue' under ' Other liabilities' in the Balance Sheet. In case of contracts where payments have been received in advance, revenue is deferred until the related subscription period is complete as per the terms of the agreement with the customers.

In case of other Service contracts, revenue is recognized when services are rendered and on receipt of confirmation from customers, as the case may be.

iii) Interest income is recognised using effective interest method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross amount of the financial asset or to the amortised cost of a financial liability. When calculating the EIR the Group, estimates the expected cash flows by considering all the contractual terms of the financial instrument but doesn't consider the expected credit losses. Interest income is included in the other income in the Statement of Profit and Loss.

iv) Rental income is recognised on a straight-line basis over the lease term , other than escalations on account of inflation.

v) Dividend income from investments is recognised when the right to receive payment is established.

k) Lease charges under operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease charges under operating leases are recognised as an expense on straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for lessor expected inflationary cost increase.

As a lessor: Rental income is recognised on a straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate expected inflationary cost increase. Initial direct cost incurred in negotiating and arranging an operating lease are amortised over the leased term.

l) Employee benefits

The Group operates following post-employment schemes, including both defined benefit and defined contribution plans.

A) Post-employment benefits

i) Defined contribution plans:

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for management employees and Provident Fund for non management employees which is administered by Life Insurance Corporation of India / Regional Provident Fund Commissioner. In case of Superannuation Fund for management employees and Provident Fund for non management employees, the Group has no further obligation beyond making the contributions. The contributions are accounted for as employee benefit expense when they are due. Prepaid contribution is recognised as an asset to the extent cash refund or reduction in future contribution is available.

ii) Defined benefit plans

Funded Plan: The Group has defined benefit plans for Post-employment benefits in the form of Gratuity for all employees, pension for non management employees and Provident Fund for management employees which are administered through Group managed Trust / Life Insurance Corporation of India

Unfunded Plan: The Group has unfunded Defined Benefit plans in the form of Post Retirement Medical Benefits (PRMB) and Ex-gratia benefits as per the policy of the Group.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method. In case of Provident Fund for management employees, the Group has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Group's contributions and such shortfall are charged to the Statement of Profit and Loss as and when incurred.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets

Notes to Consolidated Financial Statements for the year ended March 31, 2017

(excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the Statement of Profit and Loss in subsequent periods.

B) Other long-term employee benefit (unfunded)

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Unit Credit method. Under this method, projected accrued benefit is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for active members of the Plan. The "projected accrued benefit " is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan liability is the actuarial present value of the " projected accrued benefits " as of the beginning of the year for active members.

Termination benefits are recognized as an expense as and when incurred.

The present value of defined benefit obligation denominated in INR (₹) is determined by discounting the estimated future cash flows by reference to the market yield at the end of the reporting period on the government bonds that has terms approximately the terms of the related obligation.

m) Research and development costs

Revenue expenditure incurred for research activities is expensed off in the year in which it is incurred.

n) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases in the consolidated financial statements. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961, no deferred tax (asset or liability) is recognised in respect of temporary differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognised in the year in which the temporary differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

Minimum Alternate Tax ('MAT') credit is recognized as a deferred tax asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. Such asset is reviewed at each Balance sheet date and the carrying amount of MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Group will pay normal income tax during the specified period.

o) Provisions and contingent liabilities

A provision is recognised when there is a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation arising out of past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

p) Impairment of non financial assets

The Group tests for impairments at the close of the accounting period if and only if there are indications that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of an Asset, i.e. the net realizable value or the economic value in use of a cash generating unit, is lower than the carrying amount of the asset the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value, the provision to the extent of the difference is reversed, but not higher than the amount provided for.

q) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less, which is subject to insignificant risk of change in value.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

s) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

t) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. For all subsequent measurements financial assets are classified in following categories:

A) Debt instruments

i) Debt instruments at amortised cost: The debt instrument is at amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is most relevant to the Group. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees for cost that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. This category generally applies to loans, trade and other receivables.

ii) Debt instruments fair value through OCI (FVTOCI): A debt instrument is classified as FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group has not classified any financial assets under this category.

iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or FVTOCI are classified as FVTPL. The Group has not classified any debt under this category.

B) Equity instruments

Equity instruments held for trading are classified as FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in OCI the subsequent changes in fair value. The Group makes such election on an instrument by instrument basis. If the Group decides to classify an equity instrument as FVTOCI, then all fair value changes on the instrument, excluding dividends are recognized in OCI. There is no recycling of the amount from OCI to Statement of Profit and Loss. However, the Group may transfer the cumulative gain or loss within equity.

The Group has elected to present all equity instruments, other than those in joint ventures and associate, through FVTPL and all subsequent changes are recognized in Statement of Profit and Loss.

C) De-recognition

A financial asset (or wherever applicable, a part of the financial asset or part of a Group of similar financial assets) is primarily derecognized when the rights to receive cash flow from the assets have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full to a third party under a pass through arrangement and either a) the Group has transferred substantially all risks and rewards of the asset or b) has transferred control of the asset.

D) Impairment of financial assets

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs eg loans, deposits, trade receivables, lease receivable and bank balances.

The Group follows simplified approach for recognition of impairment loss allowance on trade receivables and lease receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather it recognizes impairment loss allowance based on lifetime ECL's at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period the credit risk reduces since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

As a practical expedient, the Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The Group has presumed that default doesn't occur later than when a financial asset is 90 days past due.

Impairment loss allowance including ECL or reversal recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The impairment loss is presented as an allowance in the balance sheet as a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

Financial liabilities

All financial liabilities are initially recognised at fair value. The Group's financial liabilities include trade and other payables, other financial liabilities, loans and borrowings including bank overdraft and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through Statement of Profit and Loss or at amortised cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the Statement of Profit and Loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part of the EIR. The EIR amortisation is included as finance cost in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of the new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

Derivatives

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Embedded derivatives: An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Statement of profit or loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial instruments

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

u) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

2.1 Property, plant and equipment

₹ Lacs

Particulars	Gross block				Depreciation and Amortisation				Net block
	As at April 1, 2016	Additions	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Land									
- Freehold @	5,032	-	11	**5,021**	-	-	-	**-**	**5,021**
- Leasehold **	1,564	-	-	**1,564**	71	16	-	**87**	**1,477**
Leasehold improvements *	696	15	-	**711**	87	18	0	**105**	**606**
Roads	2,204	10	-	**2,214**	777	285	-	**1,062**	**1,152**
Buildings #	93,514	924	210	**94,228**	6,755	1,910	60	**8,605**	**85,623**
Plant and machinery	87,507	2,359	2,143	**87,723**	57,816	5,338	1,340	**61,814**	**25,909**
Furniture and fittings	4,309	5	339	**3,975**	1,250	396	179	**1,467**	**2,508**
Vehicles	477	51	82	**446**	226	50	77	**199**	**247**
	195,303	3,364	2,785	**195,882**	66,982	8,013	1,656	**73,339**	**122,543**

2.2 Intangible assets

Particulars	As at April 1, 2016	Additions	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Software	2,200	328	19	**2,509**	1,424	267	19	**1,672**	**837**
Technical knowhow	2,060	-	-	**2,060**	2,060	-	-	**2,060**	**-**
	4,260	328	19	**4,569**	3,484	267	19	**3,732**	**837**

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.

2) Includes undivided share of land, on purchase of office premises

** Includes land for which lease deed is pending finalisation with MIDC.

* Amount is below the rounding off norm adopted by the Group.

Includes certain assets given on cancellable/ non- cancellable operating lease. (Refer note 38 for lease commitment details).

The Group has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition and has carried forward gross block and accumulated depreciation only for disclosure purposes.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

2.1 Property, plant and equipment (Contd.)

₹ Lacs

Particulars	Gross block					Depreciation and Amortisation					Net block	
	As at April 1, 2015	Additions	Note 1 below	Deductions/ Write-off	As at March 31, 2016	As at April 1, 2015	For the year	Note 1 below	Deductions/ Write-off	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
Land												
- Freehold @	4,925	117		10	5,032	-	-		-	-	5,032	4,925
- Leasehold **	1,564	-		-	1,564	55	16		-	71	1,493	1,509
Leasehold Improvements	612	6	78	-	696	21	15	51	-	87	609	591
Roads	2,194	10		-	2,204	491	286	-	-	777	1,427	1,703
Buildings *#	83,357	10,161		4	93,514	4,930	1,825	-	0	6,755	86,759	78,427
Plant and machinery	86,937	3,146	142	2,718	87,507	55,029	5,284	95	2,592	57,816	29,691	31,908
Furniture and fittings	4,126	276	60	153	4,309	920	418	16	104	1,250	3,059	3,206
Vehicles	444	95	33	95	477	253	51	6	84	226	251	191
	184,159	13,811	313	2,980	195,303	61,699	7,895	168	2,780	66,982	128,321	122,460

2.2 Intangible assets

Particulars	As at April 1, 2015	Additions	Note 1 below	Deductions/ Write-off	As at March 31, 2016	As at April 1, 2015	For the year	Note 1 below	Deductions/ Write-off	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
Software	2,082	53	66	1	2,200	1,146	241	37	-	1,424	776	936
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-	-
	4,142	53	66	1	4,260	3,206	241	37	-	3,484	776	936

NOTES:

Note 1 : Refer note 41 for assets added on acquisition as on October 1, 2015

@ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.

2) Includes undivided share of land, on purchase of office premises

** Includes land for which lease deed is pending finalisation with MIDC.

* Amount is below the rounding off norm adopted by the Group.

\# Includes certain assets given on cancellable/ non- cancellable operating lease. (Refer note 38 for lease commitment details).

The Group has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition and has carried forward gross block and accumulated depreciation only for disclosure purposes.

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs	Year ended April 1, 2015 ₹ Lacs
3 Investment property			
Gross block			
Opening balance	-	-	-
Additions	27,056	-	-
Closing balance	27,056	-	-
Depreciation			
Opening balance	-	-	-
Depreciation	267	-	-
Closing balance	267	-	-
Net block	26,789	-	-

For investment property existing as on April 1, 2015, i.e. the date of transition to Ind AS, the Group has used Indian GAAP carrying value as deemed cost. The investment property was in progress as at March 31, 2016 and April 1, 2015.

Information regarding income and expenditure of investment property

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
Rental income derived from investment properties	1,532	-
Direct operating expenses (including repairs and maintenance) generating rental income	89	-
Profit arising from investment properties before depreciation and indirect expenses	1,443	-
Less: Depreciation	267	-
Profit arising from investment properties before indirect expenses	1,176	-

The investment property consists of office building in India. As at March 31, 2017 the fair values of the property is ₹ 27,126 lacs. The valuation is based on valuations performed by an accredited independent valuer, who are specialists in valuing these types of investment properties. A valuation model in accordance with that recommended by International Valuation Standards Committee has been applied.

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 49.

Description of valuation techniques used and key inputs to valuation on investment property

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2017
Income approach (Discounted Cashflow (DCF) method)	Estimated rental value per sq per month	₹ 60
	Rent growth p.a.	15% every 3 years
	Discount rate	13%

As per the DCF method, value is defined as the present value of future cash flows that can be withdrawn from the Group. To estimate the cash flows available, projected cash flows of the Group are considered for certain future years (explicit forecast period). Based on the projected cash flow statement, the free cash flows from subject property are estimated. The Group has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject property will continue to generate cash. In DCF method, therefore, perpetuity value / capitalized value / terminal value is also considered to arrive at the value of the subject property.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

4. Non-current investments

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Non - current investments			
				Unquoted equity instruments			
				Investments in joint ventures (fully paid up)			
9,500,000	9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%)	**10,569**	10,092	13,099
114,600	114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%)	**277**	800	1,129
				Cummins Sales & Services Private Limited (% holding- 50% upto September 30, 2015)	**-**	-	324
				Investment in associate (fully paid up)			
779,997	779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%)	**8,363**	8,347	9,066
					19,209	19,239	23,618
				Other investments (fully paid up)			
				Unquoted equity instruments (Fair value through Profit and loss account)			
1,000	1,000	1,000	25	Shamrao Vithal Co-operative Bank Limited *	**0**	0	0
1,000	1,000	1,000	10	Saraswat Co-operative Bank Limited *	**0**	0	0
				Aggregate value of unquoted investments *	**0**	0	0

Notes to Consolidated Financial Statements for the year ended March 31, 2017

4. Non-current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Valued at amortised cost			
				a) Quoted Government of India Bonds			
50,000,000	50,000,000	50,000,000	1	8.35% Government of India 2022	**533**	516	631
-	55,000,000	55,000,000	1	7.49% Government of India 2017	**-**	553	553
					533	1,069	1,184
				b) Quoted Corporate Bonds			
1,250,000	1,250,000	1,250,000	12	6.68% Power Grid Corporation of India 2019	**148**	144	152
					148	144	152
				Aggregate book value / market value of quoted investments	**681**	1,213	1,336
				Total	**681**	1,213	1,336

* Amount is below the rounding off norm adopted by the Group

Notes to Consolidated Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
5	**Non-current financial assets - Loans**			
	Unsecured, considered good;			
	Loan to related party (Refer note 37 and 45)	12,866	12,866	12,866
	Total	12,866	12,866	12,866
	Loans given to related party is at an interest rate based on SBI lending rate.			
6	**Other non-current financial assets**			
	Unsecured, considered good;			
	Security deposits	1,221	707	668
	Pension assets *	-	0	140
	Total	1,221	707	808
	* Amount is below the rounding off norm adopted by the Group			
7	**Income tax assets (net)**			
	Advance income-tax (net of provision for taxation)	7,975	7,332	7,005
	Total	7,975	7,332	7,005
8	**Other non-current assets**			
	Unsecured, considered good;			
	Capital advances	2,505	3,902	7,172
	Balances with statutory/government authorities	11,667	10,898	14,173
	Total	14,172	14,800	21,345

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
9	**Inventories**			
	Raw materials and components (includes goods in transit)	**27,295**	29,202	37,644
	Work-in-progress (includes lying with third party)	**10,465**	9,816	11,883
	Finished goods (includes goods in transit and lying with third party) *	**14,118**	17,469	15,183
	Traded goods (includes goods in transit)	**4,106**	3,405	2,795
	Stores and spares	**586**	376	368
	Loose tools	**409**	396	353
	Total	**56,979**	60,664	68,226

* During the year ended March 31, 2017 ₹ **265 lacs** (March 31, 2016: ₹ (28) lacs was recognised as an expense / (reversal) for inventories carried at net realisable value)

Notes to Consolidated Financial Statements for the year ended March 31, 2017

10. Current investments

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Current portion of long term investments			
				a) Quoted Government of India Bonds (amortised cost)			
-	-	50,000,000	1	7.38% Government of India 2015	-	-	499
55,000,000	-	-	1	7.49% Government of India 2017	553	-	-
					553	-	499
				b) Quoted equity instrument (fair value through profit and loss)			
9,811	9,811	9,811	2	Kirloskar Oil Engines Limited	38	20	27
913	913	913	10	Kirloskar Industries Limited	10	6	5
					48	26	32
				Aggregate book value / market value of quoted investments	601	26	531
				Current investments			
				Unquoted mutual funds valued at fair value through profit and loss			
-	200,404	150,207	1000	Axis Banking Debt Fund - Daily Dividend Option	-	2,014	1,510
-	52,102	-	1000	Axis Liquid Fund - Direct Plan - Daily Dividend Option	-	521	-
-	51,890	-	1000	Axis Liquid Fund - Daily Dividend Option	-	519	-
14,957,526	-	-	10	Axis Short Term Fund - Weekly Dividend Reinvestment	1,535	-	-
-	1,507,281	-	100	Birla Sun Life cash plus - Daily dividend Regular Plan	-	1,510	-
-	1,028,961	-	100	Birla Sun Life cash plus - Daily dividend Direct Plan	-	1,031	-
-	-	3,915,027	100	Birla Sun Life Floating Rate - Short Term - Daily Dividend	-	-	3,916
2,499,760	-	-	100	Birla Sun Life Savings Fund - Daily Dividend - Regular Plan	2,511	-	-
				Carried forward	4,046	5,595	5,426

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	**4,046**	5,595	5,426
70,340,363	-	-	10	Birla Sun Life Short Term Fund - Monthly Dividend - Direct Plan - Reinvestment	**8,300**	-	-
-	-	155,986	1000	DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend	-	-	1,560
-	-	100,501	1000	DSP Blackrock Liquidity Fund - Institutional Plan - Daily Dividend	-	-	1,005
-	-	3,077,462	100	DWS Insta Cash Plus Fund - Daily Dividend	-	-	3,087
-	-	37,726,305	10	HDFC Cash Management Fund - Savings Plan - Daily Dividend Option	-	-	4,013
-	-	128,097	10	HDFC Cash Management Savings -Direct Plan - Daily Dividend Option	-	-	14
9,977,871	-	-	10	HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Dividend - Daily	**1,006**	-	-
-	49,837	-	1000	HDFC liquid fund - Regular Plan Dividend - Daily Reinvestment	-	508	-
-	280,261	-	1000	HDFC liquid fund - Direct Plan Dividend - Daily Reinvestment	-	2,858	-
69,154,004	-	-	10	HDFC Short Term Opportunities Fund - Direct Plan - Fortnightly Dividend	**7,118**	-	-
19,988,213	-	-	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	**2,045**	-	-
951,203	-	2,403,395	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	**1,006**	-	2,541
-	1,006,158	-	100	ICICI Prudential Liquid - Direct Plan - Daily Dividend	-	1,007	-
-	2,055,018	3,014,380	100	ICICI Prudential Liquid - Regular Plan - Daily Dividend	-	2,057	3,017
72,056,249	-	-	10	ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend	**7,282**	-	-
10,006,927	-	-	10	ICICI Prudential Ultra Short Term - Regular Plan - Daily Dividend	**1,018**	-	-
-	-	879	1000	IDFC Cash Fund - Direct Plan - Daily Dividend	-	-	9
				Carried forward	**31,821**	12,025	20,672

Notes to Consolidated Financial Statements for the year ended March 31, 2017

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	**Face value per unit ₹**		**As at March 31, 2017 ₹ Lacs**	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	**31,821**	12,025	20,672
-	-	353,660	1000	IDFC Cash Fund - Regular Plan - Daily Dividend	**-**	-	3,538
10,008,132	-	-	10	IDFC Corporate Bond Fund Direct Plan - Monthly Dividend	**1,027**	-	-
23,880,615	-	-	10	IDFC Corporate Bond Fund Regular Plan - Monthly Dividend	**2,513**	-	-
-	-	19,986,533	10	IDFC Money Manager Fund - Treasury Plan - Regular Plan - Daily Dividend	**-**	-	2,013
-	-	10,030,502	10	Kotak Banking and PSU Debt - Daily Dividend Reinvestment	**-**	-	1,006
-	-	5,502,780	10	Kotak Banking and PSU Debt - Direct Daily Dividend Reinvestment	**-**	-	554
19,790,768	-	-	10	Kotak Bond Short Term - Monthly Dividend - Regular Plan	**2,009**	-	-
-	43,041	248,840	1000	Kotak Liquid-Plan A - Daily Dividend	**-**	526	3,043
-	43,235	-	1000	Kotak Liquid-Plan A - Daily Dividend - Direct	**-**	529	-
9,920,832	-	-	10	Kotak Treasury Advantage Fund - Daily Dividend - Regular Plan	**1,000**	-	-
19,911,197	25,007,667	-	10	Kotak Treasury Advantage Fund - Daily Dividend	**2,007**	2,522	-
-	101,294	100,924	1000	L&T Liquid Fund - Daily Dividend Reinvestment	**-**	1,025	1,021
-	249,031	49,856	1000	L&T Liquid Fund - Direct Plan - Daily Dividend Reinvestment	**-**	2,522	505
11,010,257	10,368,817	-	10	Reliance Banking & PSU Debt Fund - Weekly Dividend	**1,116**	1,050	-
-	-	50,576	1000	Reliance Liquidity Fund - Direct Plan Daily Dividend Reinvestment Option	**-**	-	506
6,422,140	6,050,647	-	10	Reliance Medium Term Fund-Direct Plan - Daily Dividend Reinvestment	**1,098**	1,034	-
17,636,101	-	-	10	Reliance Medium Term Fund-Regular Plan - Daily Dividend Reinvestment	**3,015**	-	-
-	-	199,160	1000	SBI Magnum Insta Cash Fund - Liquid Floater - Direct Plan - Daily Dividend	**-**	-	2,011
				Carried forward	**45,606**	21,233	34,869

Notes to Consolidated Financial Statements for the year ended March 31, 2017

10. Current investments (Contd.)

March 31, 2017 Units	March 31, 2016 Units	April 1, 2015 Units	Face value per unit ₹		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
				Brought forward	45,606	21,233	34,869
-	-	99,541	1000	SBI Magnum Insta Cash Fund - Liquid Floater - Regular Plan - Daily Dividend	-	-	1,005
-	51,754	-	1000	SBI Premier Liquid Fund - Direct Plan - Daily Dividend	-	519	-
-	-	199,548	1000	SBI Premier Liquid Fund - Regular Plan - Daily Dividend	-	-	2,002
19,426,394	-	-	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	2,009	-	-
198,833	-	-	1000	SBI Ultra Short Term Debt Fund - Regular Plan - Daily Dividend	2,001	-	-
-	-	101,139	1000	Tata Floater Fund- Plan A - Daily Dividend	-	-	1,015
-	205,040	-	1000	Tata Money Market Fund - Direct Plan - Daily dividend	-	2,054	-
14,053,351	-	-	10	Tata Short Term Bond Fund Direct Plan - Fortnightly Dividend	2,146	-	-
31,387,096	-	-	10	Tata Short Term Bond Fund Regular Plan - Fortnightly Dividend	4,651	-	-
-	50,474	-	1000	UTI- Liquid Fund-Cash Plan - Institutional Daily Dividend - Direct	-	515	-
-	299,663	-	1000	UTI- Liquid Fund-Cash Plan - Institutional Daily Dividend reinvestment option	-	3,055	-
57,395,167	-	-	10	UTI - Short Term Income Fund - Quarterly Dividend Option - Direct	7,306	-	-
199,687	-	151,857	1000	UTI - Treasury Advantage Fund - Institutional - Daily Dividend	2,004	-	1,522
-	-	101,718	1000	UTI - Treasury Advantage Fund - Institutional - Daily Dividend - Direct	-	-	1,020
-	100,343	-	1000	UTI money market fund - Institutional Plan - Daily Dividend reinvestment	-	1,007	-
				Aggregate value of unquoted investments	65,723	28,383	41,433
				Total	66,324	28,409	41,964

Notes to Consolidated Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
11	**Trade receivables (carried at amortised cost)**			
	Trade receivables	**64,997**	57,895	60,567
	Receivables from related parties (Refer note 45)	**31,370**	36,680	32,428
	Total	**96,367**	94,575	92,995
	Break up for security details			
	Secured, considered good	**2,989**	3,101	3,139
	Unsecured, considered good	**93,378**	91,474	89,856
	Unsecured, considered doubtful	**415**	581	764
		96,782	95,156	93,759
	Impairment allowance (allowance for bad and doubtful debts)			
	Less: Provision for doubtful debts	**(415)**	(581)	(764)
	Total	**96,367**	94,575	92,995

No trade receivable or advances are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member amounts to ₹ **4,655 lacs** (March 31, 2016: ₹ 5,307 lacs, April 1 2015: ₹ 2,635 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
12	**Cash and cash equivalents (carried at amortised cost)**			
	Cash on hand	**4**	5	2
	Bank balances			
	In current accounts	**12,376**	8,522	7,546
	Cheque in hand	**15**	10	-
	Total	**12,395**	8,537	7,548
13	**Other bank balances (carried at amortised cost)**			
	Unpaid dividend account (restricted)	**535**	458	438
	Total	**535**	458	438

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
14	**Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)**			
	Unsecured, considered good:			
	Security deposits	807	746	459
	Unbilled receivable	2,393	2,549	2,662
	Foreign exchange forward contracts #	806	308	101
	Others *	780	1,292	1,035
	Interest accrued on investments	112	121	39
	Total	4,898	5,016	4,296

Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.

* Others primarily include royalty receivable from dealers, cross charge to related parties, etc.

Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to **₹ 2,191 lacs** (March 31, 2016: ₹ 1,201 lacs, April 1, 2015: ₹ 2,030 lacs). Refer note 45 for related party transactions.

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
15	**Other current assets**			
	Unsecured, considered good:			
	Balances with statutory/government authorities	22,652	23,603	22,418
	Others *	4,117	4,054	2,292
	Total	26,769	27,657	24,710

* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
16	**Assets classified as held for sale**			
	Assets held for sale (at lower of cost or fair value less cost to sell) *	4,549	3,757	-
	Total	4,549	3,757	-

* Primarily includes land and building held for sale where the Group is in the process of disposal.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
17	**Equity share capital**			
	400,000,000 equity shares of ₹ 2 each	**8,000**	8,000	8,000
	Issued, subscribed and fully paid-up shares:			
	277,200,000 equity shares of ₹ 2 each	**5,544**	5,544	5,544
	Total	**5,544**	5,544	5,544

a. **Reconciliation of number of shares**

Equity shares:	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	**277,200,000**	**5,544**	277,200,000	5,544	277,200,000	5,544

b. **Rights, preferences and restrictions attached to shares**

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c. **Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

Of the above equity shares, 141,372,000 (March 31, 2016 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

d. **Details of shareholders holding more than 5% of the aggregate shares in the Company**

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Nos.	%	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid						
Cummins Inc., the holding company	**141,372,000**	**51.00%**	141,372,000	51.00%	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	**16,157,738**	**5.83%**	13,410,065	4.84%	15,128,435	5.46%

e. **Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2017):**

Equity shares allotted as fully paid up bonus shares by capitalization of free reserves

Year	No. of Shares
March 31, 2016	-
March 31, 2015	-
March 31, 2014	-
March 31, 2013	-
March 31, 2012	79,200,000

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
18 Other equity			
Retained earnings	**266,833**	240,745	215,669
	266,833	240,745	215,669
Other reserves			
Capital redemption reserve	**70**	70	70
General reserve	**114,202**	114,202	114,202
Equity contribution from Holding company	**461**	329	329
Total	**114,733**	114,601	114,601

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
a) Retained earnings		
Opening balance as at April 1	**240,745**	215,669
Add: Profit for the year	**73,627**	72,132
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	**(830)**	(347)
	313,542	287,454
Less:		
Interim dividends paid	**13,860**	13,860
Tax on interim dividends	**2,822**	2,822
Final dividends paid for FY 2014-2015		24,948
Tax on dividends for FY 2014-2015		5,079
Final dividends paid for FY 2015-2016	**24,948**	-
Tax on dividends for FY 2015-2016	**5,079**	-
	46,709	46,709
Closing balance as at March 31	**266,833**	240,745

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended the payment of final dividend of ₹ **30,027 lacs** (March 31, 2016: ₹ 30,027 lacs and April 1, 2015 ₹ 30,027 lacs) which is ₹ 9 per fully paid up share (March 31, 2016: ₹ 9 per share; April 1, 2015: ₹ 9 per share). This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
b)	**Capital redemption reserve**		
	Opening balance as at April 1	70	70
	Add: Movement during the year	-	-
	Closing balance as at March 31	70	70
c)	**General reserve**		
	General reserves denote the amounts transferred from Retained earnings on declaration of dividends as per the requirements of the erstwhile Companies Act, 1956.		
	Opening balance as at April 1	114,202	114,202
	Add: Movement during the year	-	-
	Closing balance as at March 31	114,202	114,202
d)	**Equity contribution from the Holding Company**		
	Certain employees are directly paid by the Holding company through stock options		
	Opening balance as at April 1	329	329
	Add: Movement during the year	132	-
	Closing balance as at March 31	461	329

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
19	Other non-current financial liabilities			
	Non current financial liabilities carried at amortised cost			
	Dealer deposit	1,565	1,341	1,154
	Retention money	1,279	1,114	243
	Others	189	589	219
	Total	3,033	3,044	1,616

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
20 Provisions			
Provision for post retirement benefit and leave entitlement (Refer note 44)	**8,013**	6,532	6,698
Warranties (Refer note 40 (i))	**8,529**	8,686	11,044
Statutory matters (Refer note 40 (ii))	**1,820**	1,689	1,533
New Engine Performance Inspection (NEPI) (Refer note 40 (iii))	**1,574**	1,306	1,375
	19,936	18,213	20,650
Current provisions	**14,226**	11,241	12,937
Non - current provisions	**5,710**	6,972	7,713
Total	**19,936**	18,213	20,650

21 Income taxes

A Deferred tax liabilities (net)

	Balance Sheet			Statement of profit and loss	
	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs	**As at March 31, 2017 ₹ Lacs**	As at March 31, 2016 ₹ Lacs
Deferred tax assets					
MAT credit entitlement	**7,255**	7,230	4,201	**25**	3,029
Provision for employee benefits	**2,691**	1,908	1,267	**783**	641
Items in other comprehensive income	**598**	181	-	**417**	181
Deferred tax on acquisition of CSSPL	**-**	92	-	**(92)**	-
Other timing differences	**340**	326	1,178	**14**	(852)
On capital loss	**132**	132	132	**-**	-
Total deferred tax asset	**11,016**	9,869	6,778	**1,147**	2,999
Deferred tax liability					
Depreciation	**10,949**	10,032	8,602	**917**	1,430
Deferred tax on share in reserves of joint ventures and associate	**3,736**	3,724	4,581	**12**	(857)
Other timing differences	**50**	902	506	**(852)**	396
Total deferred tax liability	**14,735**	14,658	13,689	**77**	969
Deferred tax income				**1,070**	2,030
Net deferred tax liability	**3,719**	4,789	6,911		

Notes to Consolidated Financial Statements for the year ended March 31, 2017

21 Income taxes (Contd.)

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
B	The major components of income tax expenses for the years ended March 31, 2017 and March 31, 2016 are:		
	Statement of Profit and Loss		
	Profit and loss section		
	Current income tax:		
	Current income tax charge	18,637	18,949
	Adjustments in respect of current income tax of previous year	800	-
	Deferred tax:		
	Relating to origination and reversal of temporary differences	(653)	(1,849)
	Income tax expenses reported in the Statement of profit and loss	18,784	17,100
	OCI section		
	Deferred tax related to items recognised in OCI during the year	(417)	(181)
	Net loss/ (gain) on remeasurments of defined benefit plans	(417)	(181)
c)	Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2016		
	Accounting profit before tax	84,301	79,937
	At India's statutory income tax rate	34.61%	34.61%
	Tax at full rate	29,177	27,666
	Adjustments:		
	i. Research and development expenses allowance	(1,335)	(883)
	ii. Income of SEZ unit (not subject to tax)	(8,777)	(11,111)
	iii. Dividend income (not subject to tax)	(913)	(482)
	iv. Depreciation	(849)	(1,358)
	v. 14A disallowance	10	17
	vi. Donations - CSR expenditure	208	208
	vii. Deferred tax on share in reserves of joint ventures and associates	12	(857)
	viii. Dividend distribution tax paid on dividends distributed by joint ventures and associate	1,369	2,250
	ix. Other (deductible, non-deductible items, net)	(918)	1,650
	x. Tax for earlier years	800	-
		18,784	17,100
	Income tax expenses reported in the Statement of Profit and Loss for the current year	18,784	17,100

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
Deferred tax		
Reconciliation of deferred tax liabilities (net)		
Opening balances as at April 1	**4,789**	6,911
On acquisition of CSSPL	**-**	(92)
Tax (income) / expense during the year recognised in Statement of profit and loss	**(653)**	(1,849)
Tax (income) / expense during the year recognised in OCI	**(417)**	(181)
Closing balance as at March 31	**3,719**	4,789

The Group offsets the tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

During the year March 31, 2017 and March 31, 2016 the Group has paid dividend to its shareholders. This has resulted in payment of Dividend distribution tax ('DDT') to the taxation authorities. The Group believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity.

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
22 Other non-current liabilities			
Unearned revenue	**270**	311	332
Total	**270**	311	332
23 Borrowings			
Working capital loan from bank *	**25,078**	-	-
Cash credit and demand loan #	**136**	300	-
Total	**25,214**	300	-

* The loan is unsecured and repayable within one year. Interest is payable @ 7- 8.5%. The Group has availed the benefit of interest equalisation scheme of the Reserve Bank of India as per circular DBR.DIR.BC.No.62/04.02.001/2015-16. Interest on borrowings is accounted for on net basis.

\# Cash credit and demand loan availed from bank for working capital financing, being repayable on demand, against hypothecation of stocks and book debts. Rate of interest is calculated on 365 days basis and ranges between 8% to 10% per annum.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
24 Trade payables			
Trade payables	**39,155**	35,528	35,809
Trade payables to related parties (Refer note 45)	**21,712**	20,108	23,774
Total	**60,867**	55,636	59,583

Trade payables are non interest bearing and are normally settled in 30 to 60 days terms.

For terms and conditions and transactions with related party refer note 45.

The Micro Small and Medium Enterprise Development Act ('MSMED') Act, 2006 requires specific disclosures to be made in Annual financial statements of the buyer wherever such financial statements are required to be audited under any Act. Ind AS compliant Schedule III is slient on MSMED disclosures. These financial statements being consolidated financial statements do not contain disclosures required under the MSMED Act.

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
25 Other current financial liabilities			
Unpaid dividend	**535**	458	438
Royalty and cess thereon (Refer note 45)	**4,351**	4,778	5,806
Support services payable (Refer note 45)	**1,923**	5,150	2,826
Retention money	**1,107**	1,116	1,162
Others including salaries, wages, bonus payable	**6,065**	4,627	5,935
Total	**13,981**	16,129	16,167

Other current financial liabilities are non interest bearing and have an average term of 6 months

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
26 Other current liabilities			
Statutory dues including tax deducted at source	**5,346**	5,225	5,684
Unearned revenue	**575**	562	416
Advances from customers	**1,383**	1,150	439
Total	**7,304**	6,937	6,539

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
27	**Revenue from operations**		
	Sale of products (including excise duty)	522,099	473,498
	Sale of services	11,798	24,341
		533,897	497,839
	Other operating revenue		
	Scrap sales	711	639
	Export incentives	5,434	5,284
	Others *	5,737	6,178
		11,882	12,101
	Total	545,779	509,940
	* Others primarily includes testing income, engineering income and royalty income from dealers, etc.		
28	**Other income**		
	Income from investments:		
	Interest income from financial assets at amortised cost		
	- On bonds (non - current investments)	93	109
	- Others	-	4
		93	113
	Dividend income		
	- On current investments designated at fair value through profit and loss	2,600	1,394
		2,600	1,394
	Gain on sale/redemption of investments		
	- On current investments designated at fair value through profit and loss	26	1
		26	1
	Interest on loan given and others	1,674	1,920
	Exchange gain (net)	1,413	1,857
	Net gain on fixed assets sold or discarded	186	-
	Miscellaneous income (including rent income)	8,103	6,275
		11,376	10,052
	Total	14,095	11,560

Notes to Consolidated Financial Statements for the year ended March 31, 2017

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
29.1 Cost of raw materials consumed		
Inventory at the beginning of the year	29,202	37,644
Add: Purchases	268,110	270,059
Less: Inventory at the end of the year	27,295	29,202
Total	270,017	278,501
29.2 Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 9)		
Work-in-progress	10,465	9,816
Finished goods	14,118	17,469
Traded goods	4,106	3,405
Subtotal (A)	28,689	30,690
Inventories at the beginning of the year (Refer note 9)		
Work-in-progress	9,816	11,883
Finished goods	17,469	15,183
Traded goods	3,405	2,795
Subtotal (B)	30,690	29,861
Addition on acquisition of inventory		727
Decrease/ (increase) (B-A)	2,001	(102)
30 Employee benefits expense		
Salaries, wages and bonus	37,934	35,019
Contribution to provident and other funds (Refer note 44)	3,928	4,085
Staff welfare expenses	2,666	3,004
Total	44,528	42,108
31 Finance costs		
Interest on borrowings and others	928	108
Unwinding of discount and effect of changes in discount rate on provisions	779	872
Total	1,707	980

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
32	**Other expenses**		
	Commission on sales	2,443	1,876
	Consumption of stores and spare parts	5,266	4,761
	Warranty expenses (Refer note 40)	7,474	6,807
	Consumption of tools and gauges	618	489
	Repairs to buildings	2,344	1,947
	Repairs to machinery	648	560
	Other repairs	393	447
	Power and fuel consumed	2,927	3,313
	Rent (Refer note 38)	472	457
	Rates and taxes	1,479	1,811
	Insurance	590	670
	Outside processing charges	2,035	1,931
	Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 45 and 47)	1,200	1,200
	Royalties (Refer note 45)	5,127	4,451
	Support services (Refer note 45)	6,987	7,356
	Computer and other services (Refer note 38)	6,197	6,480
	Payment to auditors (Refer details below)	128	166
	Net loss on fixed assets sold / discarded	-	6
	Bad debts		
	Bad debts written off	349	480
	Provision for bad and doubtful debts	184	298
	Amount withdrawn from provisions	(349)	(480)
	Other expenses (net of expenses recovered)	10,981	11,090
	Total	57,493	56,116
	Payment to auditors:		
	Statutory Audit (including limited reviews)	98	125
	Other services (including tax audit)	23	35
	Reimbursement of expenses	7	6
	Total	128	166

Notes to Consolidated Financial Statements for the year ended March 31, 2017

		Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
33	**Earning per share (EPS)**		
	Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a)	Profit for the year after taxation (₹ Lacs)	**73,627**	72,132
(b)	Weighted average number of shares outstanding during the year	**277,200,000**	277,200,000
(c)	Earnings per share (basic and diluted) (₹)	**26.56**	26.02
	Face value per share (₹)	**2**	2

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
34	**Capital and other commitments**			
	Estimated amount of contracts in capital account remaining to be executed (net of capital advances). For other commitments also refer Note 38	**21,015**	16,633	19,651
	Total	**21,015**	16,633	19,651

35 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has leased out one of the commercial property (investment property) on operating lease. The Group had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimation on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Defined benefit plans:

The cost of the defined benefit gratuity plan and other post – employment medical benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the parameter most subject to change. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for India. Mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 44.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

Fair value measurements of financial instruments:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets if available, otherwise, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument. Refer note 49 for further disclosures.

Taxes

MAT credit entitlement is recognised to the extent it is probable that taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has a MAT credit entitlement of **₹ 7,255 lacs** as at March 31, 2017 (March 31, 2016: ₹ 7,230 lacs). The Group can utilise the MAT credit for a period of 15 years.

Warranty, statutory matters and new engine performance inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI refer note 40

		As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
36	**Contingent liabilities**			
a.	Bills discounted not matured	**-**	-	1,465
b.	Income tax matters*	**8,574**	16,689	14,927
c.	Central excise duty/service tax matters*	**965**	1,132	1,023
d.	Duty drawback matters*	**2,604**	2,604	2,604
e.	Sales tax matters*	**7,748**	8,889	8,380
f.	Claims against the Group not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	**9**	9	9
g.	Civil liability / secondary civil liability in respect of suits filed against the Group *	**151**	115	51
h.	Bank guarantees	**37**	-	-
	Total	**20,088**	29,438	28,459

* Excludes interest and penalties if any.

The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process. No expense has been recorded in the financial statements for the above demands raised.

37 Loan to related party includes an amount of ₹ **12,866 lacs** (March, 31 2016: ₹ 12,866 Lacs; April 1, 2015: ₹ 12,866 lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary. Maximum amount due during the year ₹ **12,866 lacs** (March 31, 2016: ₹ 12,866 lacs).

38 Operating leases

Lease commitments as a lessee

The Group has entered into non-cancellable operating leases for warehouse, office and residential premises. These lease arrangements range for a period between 12 months and 60 months with lock in period between 3 months and 24 months, which include both renewable and non-renewable leases. These leases also include escalation clauses.

The minimum lease payments recognised in the Statement of Profit and Loss (included under 'Rent' and 'Computer and other services' in note 32) for the year amount to ₹ **6,253 Lacs** (March 31, 2016: ₹ 6,493 lacs).

Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Within one year	**23**	107	58
After one year but not more than five years	**-**	105	19
More than five years	**-**	-	-
Total	**23**	212	77

Operating lease commitments as a lessor

The Group has entered into operating leases on its investment property consisting of building. These leases have term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 36 months on the basis of prevailing market conditions.

Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Within one year	**2,246**	-	-
After one year but not more than five years	**8,679**	-	-
More than five years	**7,942**	-	-
Total	**18,867**	-	-

The Group during the year has not entered into sub - leases.

39 The total research and development expenses incurred by the Group are as under :

	Year ended March 31, 2017 ₹ Lacs	Year ended March 31, 2016 ₹ Lacs
On capital account	**395**	1
On revenue account	**3,067**	2,510
Total	**3,462**	2,511

Notes to Consolidated Financial Statements for the year ended March 31, 2017

40 Disclosure on provisions made, utilised and reversed during the year

i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Group. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	8,686
Additions	7,474
Utilisation	8,120
Unwinding of discount and changes in the discount rate	489
Balance as at the end of the year	8,529
Classified as non-current	2,542
Classified as current	5,987

ii) Provision for statutory matters

Provisions for statutory matters are on account of legal matters where the Group anticipates probable outflow. The amount of provision is based on estimates made by the Group considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	1,689
Additions	43
Utilisation	34
Unwinding of discount and changes in the discount rate	122
Balance as at the end of the year	1,820
Classified as non-current	-
Classified as current	1,820

iii) Provision for New Engine Performance Inspection (NEPI)

Provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Group at specified intervals. The amount of provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	1,306
Additions	1,113
Utilisation	925
Unwinding of discount and changes in the discount rate	80
Balance as at the end of the year	1,574
Classified as non-current	784
Classified as current	790

41 Business combinations

Acquisition of additional interest:

i) The Group acquired balance 50% stake in Cummins SVAM Sales & Service Private Limited ('Cummins SVAM') from its joint venture partner for ₹ 600 Lacs on October 1, 2015. With effect from the said date, Cummins SVAM is a 100% subsidiary [renamed 'Cummins Sales & Service Private Limited' (CSSPL)] of the Group.

ii) **Assets acquired and liabilities assumed:**

The fair value of the identifiable assets and liabilities of CSSPL as at the date of acquisition were:

	₹ Lacs
Assets:	
Property, plant and equipment	174
Cash and cash equivalents	5
Trade receivables	1094
Inventories	928
Others	255
	2,456
Liabilities:	
Trade payables	273
Borrowings	603
Provisions	124
Others	298
	1,298
Total identifiable net assets at fair value	1,158
Goodwill arising on acquisition	42
Purchase consideration paid	1,200

Notes to Consolidated Financial Statements for the year ended March 31, 2017

Based on the internal assessment, the fair values at the date of acquisition approximate the book values of the assets acquired and are not materially different from the fair values. Goodwill arising on acquisition of additional interest has been written off and is not deductible for income tax purposes.

Summarised balance sheet - CSSPL

	As at April 1, 2015 ₹ Lacs
Current assets	2,112
Non-current assets	426
Current liabilities	1,396
Non-current liabilities	96
Proportion of Group's ownership	50%
Equity - attributable to the parent company	523

42 Investment in joint ventures

The Group has 50% interest in joint ventures namely Cummins Research and Technologies India Private Limited and Valvoline Cummins Private Limited incorporated in India. The Group's interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Summarised balance sheet

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Valvoline Cummins Private Limited			
Current assets	**29,875**	24,649	24,286
Non current assets	**15,220**	15,024	16,114
Current liabilities	**22,697**	18,274	13,263
Non current liabilities	**1,167**	1,119	818
Equity	**21,231**	20,280	26,319
Proportion of the Group's ownership	**50%**	50%	50%
Carrying amount of the investment	**10,569**	10,092	13,099
Capital commitments	**155**	156	160
Contingent liabilities	**3,499**	3,508	4,280
Cummins Research and Technologies India Private Limited *			
Current assets	**261**	2,101	3,137
Non current assets	**301**	318	80
Current liabilities	**7**	818	855
Non current liabilities	**-**	-	104
Equity	**555**	1,601	2,258
Proportion of the Group's ownership	**50%**	50%	50%
Carrying amount of the investment	**277**	800	1,129

Notes to Consolidated Financial Statements for the year ended March 31, 2017

Summarised Statement of Profit and Loss

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
Valvoline Cummins Private Limited		
Revenue	125,715	117,259
Cost of raw material and components	75,545	69,895
Depreciation and amortisation	1,476	1,418
Finance costs	29	87
Employee benefits	5,857	4,867
Other expenses	23,901	18,740
Profit before tax	18,907	22,252
Income tax expense	6,495	7,705
Profit for the year	12,412	14,547
Other comprehensive income	(28)	(5)
Total comprehensive income for the year	12,384	14,542

Cummins Research and Technologies India Private Limited *

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
Revenue	51	3,149
Depreciation and amortisation	-	7
Employee benefits	8	1,392
Other expenses	88	1,881
Loss before tax	(45)	(131)
Income tax expense	-	(38)
Loss for the year	(45)	(169)
Other comprehensive income	-	(7)
Total comprehensive income for the year	(45)	(176)

* In view of the Management's decision taken at the meeting held on March 21, 2016 CRTI has discontinued operations effective April 1, 2016.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

43 Investment in an associate

The Group has a 48.54% interest in Cummins Generator Technologies India Private Limited (CGT), which is involved in the manufacture of alternators used in a wide range of generators. It caters to both domestic and international markets. The Group's interest is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in CGT.

Summarised balance sheet

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs	As at April 1, 2015 ₹ Lacs
Current assets	20,869	18,781	20,900
Non current assets	9,176	6,567	7,518
Current liabilities	11,380	7,026	8,283
Non current liabilities	1,098	982	1,071
Equity	17,567	17,340	19,064
Proportion of the Group's ownership	48.54%	48.54%	48.54%
Carrying amount of the investment	8,363	8,347	9,066
Capital commitments	319	436	120
Contingent liabilities	1,015	379	347

Summarised Statement of Profit and Loss

	As at March 31, 2017 ₹ Lacs	As at March 31, 2016 ₹ Lacs
Revenue	60,387	54,168
Cost of raw material and components	41,900	37,222
Depreciation and amortisation	692	688
Finance costs	42	42
Employee benefits	4,174	3,639
Other expenses	7,248	6,497
Profit before tax	6,331	6,080
Income tax expense	2,172	2,101
Profit for the year	4,159	3,979
Other comprehensive income	(64)	3
Total comprehensive income for the year	4,095	3,982

44 Employee benefit plans

1. **Defined contribution plans - The Group has recognised the following amounts in Statement of Profit and Loss for the year:**

	₹ Lacs Total
Contribution to employees provident fund	**1,649** (983)
Contribution to management superannuation fund	**1,363** (1,337)

2. **Defined benefit plans -**

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary. The figures in brackets are in respect of previous year.

a. **Net balance sheet position**

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	**11,954** (10,120)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)
ii)	Fair value of plan assets	**9,965** (8,689)	**1,556** (1,606)	- -	- -	**17,631** (15,185)
iii)	Funded status (surplus/ -deficit)	**-1,989** -(1,431)	**-194** (1)	**-53** -(54)	**-49** -(50)	**-7** -(6)
iv)	Effect of asset ceiling	- -	**-329** (223)	- -	- -	- -
	Net defined benefit asset /-liability	**-1,989** -(1,431)	**-523** -(222)	**-53** -(54)	**-49** -(50)	**-7** -(6)

b. **Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)**

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening defined benefit obligation	**10,120** (8,999)	**1,605** (1,451)	**54** (53)	**50** (51)	**15,191** (13,189)
i)	Current service cost	**879** (801)	**69** (61)	**2** (2)	**2** (2)	**766** (2,784)
ii)	Interest cost	**759** (664)	**120** (108)	**4** (4)	**4** (4)	**1,324** (1,162)
iii)	Actuarial -gains / losses - experience	**228** (578)	**-91** (7)	**-1** (2)	**-3** -(1)	- -
iv)	Actuarial -gains / losses - demographic changes	**13** -	- -	**(0)** -	**0** (0)	- (391)
v)	Actuarial -gains / losses - financial assumptions	**779** -	**191** -	**0** -	- -	- -
vi)	Benefits paid	**-549** -(917)	**-144** -(135)	**-6** -(7)	**-4** -(6)	**-1,658** -(2,335)
vii)	Past service cost	- -	- (113)	- -	- -	**-169** -
vii)	Acquisitions / transfer out	**-275** -(5)	- -	- -	- -	**753** -
viii)	Contributions by employees	- -	- -	- -	- -	**1,431** -
	Closing defined benefit obligation	**11,954** (10,120)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)

Notes to Consolidated Financial Statements for the year ended March 31, 2017

c. Reconciliation of opening and closing balances of the fair value of plan assets

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening fair value of plan assets	**8,689**	**1,606**	**-**	**-**	**15,185**
		(6,585)	(1,610)	-	-	(13,183)
i)	Interest income on plan assets	**700**	**118**	**-**	**-**	**1,340**
		(571)	(120)	-	-	(1,162)
ii)	Return on plan asset greater / -lesser than discount rate	**18**	**2**	**-**	**-**	**-**
		(51)	(11)	-	-	-
iii)	Actuarial gains / -losses	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	(391)
iv)	Contribution by the employer	**1,342**	**1**	**-**	**-**	**766**
		(2,344)	(0)	-	-	(2,784)
v)	Benefits paid	**-549**	**-144**	**-**	**-**	**-1,658**
		-(917)	-(135)	-	-	-(2,335)
vi)	Acquisition / transfer out	**-235**	**-27**	**-**	**-**	**753**
		(55)	-	-	-	-
vii)	Contribution by employee	**-**	**-**	**-**	**-**	**1,431**
		-	-	-	-	-
viii)	Other adjustments	**-**	**-**	**-**	**-**	**-186**
		-	-	-	-	-
	Closing fair value of plan assets	**9,965**	**1,556**	**-**	**-**	**17,631**
		(8,689)	(1,606)	-	-	(15,185)

d. Total defined benefit cost

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**879**	**69**	**2**	**2**	**766**
		(801)	(174)	(2)	(2)	(2,784)
ii)	Interest cost	**59**	**2**	**4**	**4**	**-16**
		(93)	-(12)	(4)	(4)	-
iii)	Actuarial -gains / losses recognised in OCI	**1,002**	**204**	**-1**	**-3**	**-**
		(527)	-(4)	(2)	-(1)	-
	Total defined benefit cost	**1,940**	**275**	**5**	**3**	**750**
		(1,421)	(158)	(8)	(5)	(2,784)

e. Statement of Profit and Loss

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**879**	**69**	**2**	**2**	**766**
		(801)	(174)	(2)	(2)	(2,784)
ii)	Net interest cost	**59**	**2**	**4**	**4**	**-16**
		(93)	-(12)	(4)	(4)	-
	Cost recognised in profit and loss	**938**	**71**	**6**	**6**	**750**
		(894)	(162)	(6)	(6)	(2,784)

All of the above have been included in the line 'Group's contribution to provident and other funds', in note 30 of the Statement of Profit and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

f. Other comprehensive income

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	**228**	**-91**	**-1**	**-3**	**-**
		(578)	(7)	(2)	-(1)	-
ii)	Actuarial -gain / loss due to assumption change	**792**	**191**	**0**	**0**	**-**
		-	-	-	-	-
iv)	Return on plan assets -greater / less than discount rate	**-18**	**-2**	**-**	**-**	**-**
		-(51)	-(11)	-	-	-
	Actuarial -gain/ loss recognised in OCI	**1,002**	**98**	**-1**	**-3**	**-**
		(527)	-(4)	(2)	-(1)	-
	Adjustment for limit of net asset	-	106	-	-	-

g. For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets

Sr. No.	Particulars	Gratuity		Pension		PF	
		March 31, 2017	March 31, 2016	**March 31, 2017**	March 31, 2016	**March 31, 2017**	March 31, 2016
i)	Government of India securities	**0.00%**	0.00%	**0.00%**	0.00%	**51.24%**	44.05%
ii)	Corporate bonds	**0.00%**	0.00%	**0.00%**	0.00%	**45.88%**	44.89%
iii)	Special deposit scheme	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	11.06%
iv)	Insurer managed funds	**100.00%**	100.00%	**100.00%**	100.00%	**0.00%**	0.00%
v)	Cash and others	**0.00%**	0.00%	**0.00%**	0.00%	**2.88%**	0.00%
	Total	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

h. Supplementary information as per Ind AS 19

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB
i)	Expected employer contribution for next year	**1,881**	**528**	**NA**	**NA**
		(1,341)	(245)	NA	NA

Notes to Consolidated Financial Statements for the year ended March 31, 2017

i. **Following are the principal actuarial assumption used as at the balance sheet date**

Sr. No. Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2017	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**
March 31, 2016	7.80%	7.80%	7.80%	7.80%	7.80%
Expected return on assets for exempt PF fund					
2015-16	**NA**	**NA**	**NA**	**NA**	**8.75%**
	NA	NA	NA	NA	8.60%
2016-17	**NA**	**NA**	**NA**	**NA**	**8.60%**
	NA	NA	NA	NA	8.60%
2017 and thereafter	**NA**	**NA**	**NA**	**NA**	**8.60%**
	NA	NA	NA	NA	8.60%
Salary escalation rate - management staff	**10%**	**NA**	**NA**	**NA**	**NA**
	10%	NA	NA	NA	NA
Salary escalation rate - non-management staff	**7%**	**NA**	**NA**	**NA**	**NA**
	7%	NA	NA	NA	NA
Annual increase in healthcare costs - upto year 2020	**NA**	**NA**	**NA**	**10%**	**NA**
	NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2020- 2025	**NA**	**NA**	**NA**	**8%**	**NA**
	NA	NA	NA	8 %	NA
Annual increase in healthcare costs - thereafter	NA	NA	NA	6%	NA
	NA	NA	NA	6%	NA
Long term EPFO rate					
2015-16	**NA**	**NA**	**NA**	**NA**	**8.75%**
	NA	NA	NA	NA	8.60%
2016 and thereafter	**NA**	**NA**	**NA**	**NA**	**8.60%**
	NA	NA	NA	NA	8.60%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

j. **Expected benefit payment for the next years**

₹ Lacs

Particulars	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	2023-2027
Gratuity	715	1,130	838	1,117	1,346	7,230
Pension	132	164	129	114	175	1,072
Ex-gratia	5	6	5	5	6	34
PRMB	3	3	3	4	3	27
PF	77	77	76	76	75	362

k. Quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs

Assumptions	Discount Rate		Future salary increase		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2017	-502	541	527	-495	-669	1,084
March 31, 2016	-413	444	437	-411	-397	582
Pension						
March 31, 2017	-62	66	NA	NA	-30	34
March 31, 2016	-55	58	NA	NA	-27	30
Ex Gratia						
March 31, 2017	-2	2	NA	NA	-15	19
March 31, 2016	-2	2	NA	NA	-14	16
PF						
March 31, 2017	-12	13	-	-	-	-
March 31, 2016	-	-	-	-	-	-

Assumptions	Discount Rate		Medical Inflation		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2017	-2	2	4	-4	-14	19
March 31, 2016	-2	2	4	-4	-14	17

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

45. Related Party Disclosures

a) Name of the related party and nature of relationship where control exists

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited (w.e.f. October 1, 2015)	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2017

₹ Lacs

Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	**21,013** (15,846)
	Tata Cummins Private Limited	**78,159** (56,839)
	Cummins Technologies India Private Limited	**17,992** (6,694)
	Others	**36,956** (34,341)
Sale of goods	Cummins Limited	**60,812** (58,294)
	Others	**76,932** (66,428)
Services rendered	Cummins Inc.	**3,201** (3,656)
	Valvoline Cummins Private Limited	**2,722** (921)
	Cummins Technologies India Private Limited	**6,313** (5,091)
	Tata Cummins Private Limited	**1,645** (1,849)
	Others	**598** (593)
Remuneration paid	Anant J. Talaulicar	**440** (30)
	Sandeep Sinha	**151** (151)
Services received	Cummins Technologies India Private Limited	**1,160** (2,655)
	Others	**368** (2,211)
Support services	Cummins Inc.	**6,987** (7,356)

45. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Reimbursements paid	Cummins Technologies India Private Limited	**8,518** (6,041)
	Cummins Inc.	**2,060** (1,450)
	Others	**379** (1,412)
Reimbursements received	Cummins Technologies India Private Limited	**4,192** (3,352)
	Cummins Generator Technologies India Private Limited	**760** (855)
	Others	**950** (1,135)
Royalty	Cummins Inc.	**5,127** (4,451)
Sale of assets	Tata Cummins Private Limited	**321** -
	Cummins Technologies India Private Limited	**38** -
Transfer of export benefits	Cummins Technologies India Private Limited	**420** (43)
Interest on loan given	Cummins Technologies India Private Limited	**1,187** (1,288)
Purchase of asset	Cummins Inc.	**43** -
	Cummins Technologies India Private Limited	**67** -
	Others	**1** (41)
Dividend paid	Cummins Inc.	**19,791** (19,791)
Donations paid	Cummins India Foundation	**1,200** (1,200)
Contributions paid	Cummins India Limited Officers Provident Fund	**1,590** (930)
	Cummins Group Employees Superannuation Scheme	**1,363** (1,337)
	Cummins Group Officers Gratuity Scheme	**1,342** (2,344)

Notes to Consolidated Financial Statements for the year ended March 31, 2017

45. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Sitting fees and commission to independent directors	Nasser Munjee	**21** (21)
	Prakash Telang	**21** (21)
	Priya Dasgupta	**19** (19)
	Rajeev Bakshi	**21** (21)
	Venu Srinivasan	**18** (18)
Equity contribution - share based payments	Cummins Inc.	**132** -

c) Amounts outstanding as at March 31, 2017

₹ Lacs

Particulars	Name of the Party	Total
Trade payables	Cummins Asia Pacific Pte Ltd March 31, 2016 April 1, 2015	**3,706** (126) -
	Cummins Inc. March 31, 2016 April 1, 2015	**3,816** (5,268) (6,844)
	Cummins Limited March 31, 2016 April 1, 2015	**2,361** (3,446) (4,962)
	Cummins Technologies India Private Limited March 31, 2016 April 1, 2015	**4,902** (4,053) (6,313)
	Tata Cummins Private Limited March 31, 2016 April 1, 2015	**4,934** (2,956) (889)
	Others March 31, 2016 April 1, 2015	**1,993** (4,259) (4,766)
Other current liabilities	Cummins Inc. March 31, 2016 April 1, 2015	**5,970** (9,748) (8,349)
	Cummins Technologies India Private Limited March 31, 2016 April 1, 2015	**2,052** (247) -
	Others March 31, 2016 April 1, 2015	**66** (188) (220)

45. Related Party Disclosures (Contd.)

₹ Lacs

Particulars	Name of the Party	Total
Trade receivables	Cummins Angola Limited	**5,068**
	March 31, 2016	(738)
	April 1, 2015	-
	Cummins Limited	**4,652**
	March 31, 2016	(15,783)
	April 1, 2015	(11,418)
	Cummins Technologies India Private Limited	**3,670**
	March 31, 2016	(3,631)
	April 1, 2015	(2,243)
	Cummins West Africa Limited	**4,261**
	March 31, 2016	(3,010)
	April 1, 2015	(3,555)
	Others	**13,719**
	March 31, 2016	(13,518)
	April 1, 2015	(15,212)
Other current assets	Cummins Technologies India Private Limited	**410**
	March 31, 2016	(514)
	April 1, 2015	(455)
	Valvoline Cummins Private Limited	**861**
	March 31, 2016	-
	April 1, 2015	-
	Tata Cummins Private Limited	**1,064**
	March 31, 2016	(1,088)
	April 1, 2015	(772)
	Others	**545**
	March 31, 2016	(1,009)
	April 1, 2015	(2,286)
Loan given	Cummins Technologies India Private Limited	**12,866**
	March 31, 2016	(12,866)
	April 1, 2015	(12,866)

Notes to Consolidated Financial Statements for the year ended March 31, 2017

45. Related Party Disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 45(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Fellow subsidiaries	Beijing Foton Cummins Engine Co., Ltd.
(with which there are transactions during the year)	Chongqing Cummins Engine Co. Ltd.
	Consolidated Diesel Company
	Cummins (China) Investment Co. Ltd.
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Ltd
	Cummins Atlantic LLC
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Cal Pacific LLC
	Cummins Caribbean LLC
	Cummins Commercializadora S.De R.L
	Cummins CZECH Republic SRO
	Cummins De Oriente, S.A. De Cv
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Ltd
	Cummins DKSH (Thailand) Limited
	Cummins DKSH Vietnam LLC
	Cummins East Asia Research & Development Co. Ltd.
	Cummins Eastern Canada LP
	Cummins Emission Solutions Inc.
	Cummins Engine (Shanghai) Trading & Services Co. Ltd.
	Cummins Filtration SARL
	Cummins Fuel Systems Wuhan Co. Ltd.
	Cummins Generator Technologies Australia Pty Ltd.
	Cummins Generator Technologies India Private Ltd.
	Cummins Ghana Ltd.
	Cummins Hong Kong Ltd.
	Cummins Italia SPA
	Cummins Japan Ltd.
	Cummins Ltd.
	Cummins Makina Sanayi Ve Ticaret Ltd.
	Cummins Middle East FZE
	Cummins Natural Gas Engines Inc.
	Cummins Npower LLC
	Cummins NV
	Cummins Power Generation (China) Co. Ltd.
	Cummins Power Generation (S) Pte. Ltd.
	Cummins Power Generation Inc.

45. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins Power Generation Ltd.
	Cummins Power Systems LLC
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Ltd.
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Singapore Pte Ltd.
	Cummins Scott + English Malaysia SDN BHD
	Cummins South Africa Pty Ltd.
	Cummins South Pacific Pty Ltd.
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Ltd.
	Cummins Turbo Technologies B.V.
	Cummins West Africa Limited
	Cummins Westport Inc.
	Distribuidora Cummins Centroamerica Costa Rica, S.De R.L.
	Distribuidora Cummins Centroamerica El Salvador, S.De R.L.
	Distribuidora Cummins Centroamerica Honduras, S.De R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins Paraguay SRL
	Distribuidora Cummins SA
	OOO Cummins
	Shanghai Cummins Trade Co. Ltd.
	Wuxi Cummins Turbo Technologies Co. Ltd.
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director
	Mahesh Narang (upto December 31, 2014) - Chief Operating Officer
	Sandeep Sinha (w.e.f. January 1, 2015) - Chief Operating Officer
	Antonio Leitao
	Edward Pence
	Mark Smith
	Suzanne Wells
	J.M. Barrowman
	Nicole Mc Donald
	Pradeep Bhargava

Notes to Consolidated Financial Statements for the year ended March 31, 2017

45. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited
	Cummins Sales & Services Private Limited (upto September 30, 2015)
	Cummins Research and Technology India Private Limited
Enterprise with common key management personnel	Tata Cummins Private Limited
	Cummins India Foundation
	New Delhi Law Offices Private Limited
	Ascot Infrastructure Private Limited
	Tata Hitachi Construction Machinery Company Private Limited
Employees benefit plans where there is significant influence	Cummins India Limited Officers Provident Fund
	Cummins Group Employees Superannuation Scheme
	Cummins Group Officers Gratuity Scheme

ii) **Terms and conditions of transactions with related parties:**

The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owned by related parties (March 31, 2016: Nil; April 1, 2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii) The information given above has been reckoned on the basis of information available with the Group and relied upon by the auditors.

iv) Figures in brackets are in respect of the previous year.

46 Segment information

On a review of all the relevant aspects including, in particular, the system of internal financial reporting to the Board of Directors, which is the Chief Operating Decision Maker ('CODM') and considering the economic characteristics of the operations, the Group is of the view that it operates in two segments viz. 'Engines' and 'Lubes'. Lubes segment comprises of a joint venture viz. Valvoline Cummins Private Limited, which is accounted for as per equity method under relevant Ind AS standard. The CODM evaluates the Group's performance based on an analysis of various parameters. Engine segment comprises of Cummins India Limited and other Group companies, which has been aggregated considering the nature of products, class of customer etc.

Following information is provided to the CODM for Lubes segment for monitoring its performance:

Particulars	Year ended March 31, 2017 Engines	Year ended March 31, 2017* Lubes	Elimination / Adjustments	Total
Sales	533,897	125,715	125,715	533,897
Profit before tax	84,301	18,909	18,909	84,301
Profit after tax *	67,419	12,414	6,206	73,627

Particulars	Year ended March 31, 2016 Engines	Year ended March 31, 2016* Lubes	Elimination / Adjustments	Total
Sales	497,839	116,897	116,897	497,839
Profit before tax	79,937	22,252	22,252	79,937
Profit after tax *	64,858	14,547	7,273	72,132

Notes:

* The above numbers represent full numbers in the Statement of Profit and Loss of Valvoline Cummins Private Limited and are not Group's proportionate share.

For relavant information relating to Engine segment refer consolidated Statement of Profit and Loss and balance sheet.

47 As set out in section 135 of the Companies Act, 2013, the Group is required to contribute **₹ 1,616 lacs** (March, 31 2016: ₹ 1,602 lacs) towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Group has contributed **₹ 1,200 lacs** (March, 31 2016: ₹ 1,200 Lacs) to Cummins India Foundation towards the eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

48 Financial risk management objectives and policies

Financial risk factors:

The Group has well written policies covering specific areas, such as foreign exchange risk and investments which seeks to minimise potential adverse effects on the Group's financial performance due to external factors. The Group uses derivatives to hedge foreign exchange risk exposures. The Group's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that has appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Group's activities is exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the Group's functional currency.

Management has set up a policy which require Group to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from recognised assets and liabilities, the Group uses forward contracts to cover export sales, transacted by the treasury team.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

₹ Lacs

Currency	% change	March 31, 2017	March 31, 2016
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	(40)	(25)
Euro	1%	16	19
Others	1%	1	(3)
Total		**(23)**	**(9)**

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and financial assets and liabilities denominated in various currencies. Although the derivatives have not been designated in a hedge relationship, they act as economic hedge and offset the under lying transactions when they occur.

ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Group's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

The Group is not exposed to significant interest rate risk as at the respective reporting dates.

iii) Price risk

The Group invests its surplus funds in mutual funds which are linked to debt markets. The Group is exposed to price risk for investments in mutual funds that are classified as fair value through profit or loss. To manage its price risk arising from investments in mutual funds, the Group diversifies its portfolio. Diversification and investment in the portfolio is done in accordance with the limits set by the Board of Directors. Reports on investment portfolio are submitted to the Group's senior management on a regular basis.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

₹ Lacs

Currency	% change	**March 31, 2017**	March 31, 2016
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.50%	**328**	33

Post-tax profit for the year would increase / decrease as a result of gains / losses on mutual funds classified as at fair value through profit or loss.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk primarily from trade receivables, other receivables, deposits with banks, loans given, foreign exchange transactions and other financial instruments.

Trade receivable

Senior management is responsible for managing and analysing the credit risk for each of their new clients before standard payment, delivery terms and conditions are offered. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 11.

Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Group's treasury department in accordance with Group's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5,14 and 15.

c) Liquidity risk

Cash flow forecasting is performed by Treasury function. Treasury team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet the operational needs. Such forecasting takes into consideration the compliance with internal cash management policy.

The Group's treasury invests surplus cash in marketable securities and time deposits as per the policy with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Group held mutual funds of **₹ 65,723 lacs** (March 31, 2016: ₹ 28,383 lacs; April 1, 2015: ₹ 41,433 lacs) and other liquid assets of **₹ 12,395 lacs** (March 31, 2016: ₹ 8,537 lacs; April 1, 2015: ₹ 7,548 lacs) that are expected to readily generate cash inflows for managing liquidity risk. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

₹ Lacs

As at March 31, 2017	On demand	Less than 12 months	1-5 years
Borrowings	-	25,214	-
Trade payables	-	60,867	-
Royalty and support services	-	6,274	-
Unpaid dividend	535	-	-
Retention money	-	1,107	1,279
Dealer deposits	-	-	1,565
Others	-	6,065	189

As at March 31, 2016	On demand	Less than 12 months	1-5 years
Borrowings	-	300	-
Trade payables	-	55,636	-
Royalty and support services		9,928	-
Unpaid dividend	458	-	-
Retention money	-	1,116	1,114
Dealer deposits	-	-	1,341
Others	-	4,627	589

As at April 1, 2015	On demand	Less than 12 months	1-5 years
Trade payables	-	59,583	-
Royalty and support services	-	8,632	-
Unpaid dividend	438	-	-
Retention money	-	1,162	243
Dealer deposits	-	-	1,154
Others	-	5,935	219

d) Capital management

The Group's objectives when managing capital is to provide maximum returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus all other equity reserves attributable to equity holders of the Holding Company.

The borrowings of the Group as at March 31, 2016 is less than the value of consolidated cash and cash equivalents. The Group does not have any borrowings as at April 1, 2015. Hence, the gearing ratio as at March 31, 2016 and April 1, 2015 is not calculated.

₹ Lacs

	March 31, 2017	March 31, 2016
Borrowings	25,214	300
Less: Cash and cash equivalents	12,395	8,537
Net surplus	12,819	(8,237)
Equity	387,110	360,890
Gearing ratio (times)	0.03	NA

49 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value			Fair value		
	March 31, 2017 ₹ Lacs	March 31, 2016 ₹ Lacs	April 1, 2015 ₹ Lacs	**March 31, 2017 ₹ Lacs**	March 31, 2016 ₹ Lacs	April 1, 2015 ₹ Lacs
Financial assets:						
FVTPL of investments in mutual funds	65,723	28,383	41,433	65,723	28,383	41,433
FVTPL of investments in equity	49	27	32	49	27	32
FVTPL of Foreign exchange forward contracts	806	308	101	806	308	101
Financial liabilities						
Borrowings	25,214	300	-	25,214	300	-
Non-current assets						
Investment property	26,789	-	-	27,126	-	-

The Management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds are based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity are based on the price quotation at the reporting date derived from quoted market prices in active market.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1d.

₹ Lacs

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets at FVTPL				
Investments in mutual funds				
March 31, 2017	**-**	**65,723**	**-**	**65,723**
March 31, 2016	-	28,383	-	28,383
April 1, 2015	-	41,433	-	41,433
Forward contracts				
March 31, 2017	**-**	**806**	**-**	**806**
March 31, 2016	-	308	-	308
April 1, 2015	-	101	-	101
Investments in equity				
March 31, 2017	**49**	**-**	**-**	**49**
March 31, 2016	27	-	-	27
April 1, 2015	32	-	-	32
Non-current assets				
Investment property				
March 31, 2017	**-**	**-**	**27,126**	**27,126**
March 31, 2016	-	-	-	-
April 1, 2015	-	-	-	-

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment property, refer note 3.

50 First time adoption of Ind AS

These financial statements, for the year ended March 31, 2017, are the first, the Group has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the Group prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read together with para 7 of Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared financial statements that comply with Ind AS applicable for the year ending March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in accounting policy 1(b). In preparing these financial statements, the Group's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Ind AS 101 allows first-time adopters certain exemptions/ exceptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions:

i) Ind AS 102: Share-based payment has not been applied to equity instruments in share-based payment transactions that were vested or settled on or before April 1, 2015.

ii) Ind AS 17: Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Group has used Ind AS 101 exemption and assessed all arrangement based for embedded leases based on conditions in place as at the date of transition.

iii) Ind AS 16: Deemed Cost: The Group has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition.

iv) Estimates: The estimates as at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP except impairment of financial assets based on expected credit loss model.

v) Ind AS 109: Designation of previously recognized financial instruments: Financial assets and financial liabilities are classified as fair value through profit and loss or fair value through other comprehensive income based on facts and circumstances as at the date of transition to Ind AS i.e. April 1, 2015. Financial assets and liabilities are recognised at fair value as at the date of transition to Ind AS i.e. April 1, 2015 and not from the date of initial recognition.

vi) Ind AS 103: Business combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under Ind AS that occurred before April 1, 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities that are required to be recognised under Ind AS is their deemed cost at the date of the acquisition. The Group did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements. The Group has used same exemptions for interest in associates and joint ventures.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

50 First time adoption of Ind AS (Contd.)

Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS)

Balance Sheet	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Assets				
Non-current assets				
Property, plant and equipment	a	129,376	(6,916)	122,460
Capital work-in-progress (including investment property in progress)	a	17,127	(66)	17,061
Intangible assets	a	1,351	(415)	936
Investments in joint ventures and an associate	a	9,007	14,611	23,618
Financial assets				
Investments	b	1,437	(101)	1,336
Loans		12,866	-	12,866
Other financial assets	a	991	(183)	808
Income tax assets (net)	a	7,267	(262)	7,005
Other non-current assets	a	21,664	(319)	21,345
		201,086	**6,349**	**207,435**
Current assets				
Inventories	a	74,061	(5,835)	68,226
Financial assets				
Investments	b	43,109	(1,145)	41,964
Trade receivables	a	97,486	(4,491)	92,995
Cash and cash equivalents	a	8,686	(1,138)	7,548
Other bank balances		438	-	438
Others current financial assets	c	4,859	(563)	4,296
Other current assets	a	25,456	(746)	24,710
		254,095	**(13,918)**	**240,177**
TOTAL		**455,181**	**(7,569)**	**447,612**
Equity and liabilities				
Equity				
Equity share capital		5,544	-	5,544
Other equity				
Retained earnings	g	182,307	33,362	215,669
Other reserves	i	121,031	(6,430)	114,601
		308,882	**26,932**	**335,814**
Non-current liabilities				
Other financial liabilities	e	1,741	(125)	1,616
Provisions	e,a	9,296	(1,583)	7,713
Deferred tax liabilities (net)	d, a	2,321	4,590	6,911
Other non-current liabilities		332	-	332
		13,690	**2,882**	**16,572**
Current liabilities				
Financial liabilities				
Borrowings	a	274	(274)	-
Trade payables	a	64,775	(5,192)	59,583
Other current financial liabilities	a	17,063	(896)	16,167
Other current liabilities	c,a	7,507	(968)	6,539
Provisions	g,a	42,990	(30,053)	12,937
		132,609	**(37,383)**	**95,226**
TOTAL		**455,181**	**(7,569)**	**447,612**

50 First time adoption of Ind AS (Contd.)

Reconciliation of profit and loss for the year ended March 31, 2016

	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Revenue from operations	l,f, a	571,407	(61,467)	509,940
Other income	c, a	11,575	(15)	11,560
Total income		**582,982**	**(61,482)**	**521,500**
Expenses:				
Cost of materials consumed	l, a	303,169	(24,668)	278,501
Purchase of traded goods	a	19,944	(2,044)	17,900
Change in inventories of finished goods, work-in-progress and traded goods	a	195	(297)	(102)
Excise duty on sale of goods	f, a	45,734	(7,810)	37,924
Employee benefits expense	h, a	46,034	(3,926)	42,108
Finance costs	e, a	167	813	980
Depreciation and amortisation expense		8,865	(729)	8,136
Other expenses	b, e, l, a	68,100	(11,984)	56,116
Total expenses		**492,208**	**(50,645)**	**441,563**
Profit before share of profits of joint ventures, associates and tax		**90,774**	**(10,837)**	**79,937**
Tax expense				
Current tax	a, d	20,464	(1,515)	18,949
Deferred tax	d, a	(1,085)	(764)	(1,849)
Total tax expense		**19,379**	**(2,279)**	**17,100**
Share of profit of associate and joint venture		1,936	7,359	9,295
Profit after tax		**73,331**	**(1,199)**	**72,132**
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods				
Actuarial loss on employee benefit	h	-	(524)	(524)
Income tax effect	d	-	181	181
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		-	(343)	(343)
Share in associate's and joint ventures' OCI after tax (net)		-	(4)	(4)
Other comprehensive income for the year, net of tax		**-**	**(347)**	**(347)**
Total comprehensive income		**73,331**	**(1,546)**	**71,785**

Notes to Consolidated Financial Statements for the year ended March 31, 2017

50 First time adoption of Ind AS (Contd.)

Reconciliation of equity as at March 31, 2016

Balance Sheet	Note	Indian GAAP* ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Assets				
Non-current assets				
Property, plant and equipment	a	134,901	(6,580)	128,321
Capital work-in-progress (including investment property in progress)	a	51,964	(42)	51,922
Intangible assets	a	1,071	(295)	776
Investments in joint ventures and an associate	a	8,238	11,001	19,239
Financial assets				
Investments	b	1,437	(224)	1,213
Loans		12,866	-	12,866
Other financial assets	a	794	(87)	707
Income tax assets (net)	a	7,662	(330)	7,332
Other non-current assets	a	15,032	(232)	14,800
		233,965	**3,211**	**237,176**
Current assets				
Inventories	a	66,046	(5,382)	60,664
Financial assets				
Investments	a	30,025	(1,616)	28,409
Trade receivables	a	98,430	(3,855)	94,575
Cash and cash equivalent	a	9,720	(1,183)	8,537
Other bank balances		458	-	458
Others current financial assets	c	5,153	(137)	5,016
Other current assets	a	28,208	(551)	27,657
Assets classified as held for sale	a	3,764	(7)	3,757
		241,804	**(12,731)**	**229,073**
TOTAL		**475,769**	**(9,520)**	**466,249**
Equity and liabilities				
Equity				
Equity share capital		5,544	-	5,544
Other equity				
Retained earnings	b, c, g, i	206,010	34,735	240,745
Other reserves	a,i	121,757	(7,156)	114,601
		333,311	**27,579**	**360,890**
Non-current liabilities				
Other financial liabilities	e, a	3,162	(118)	3,044
Provisions	e, a	8,549	(1,577)	6,972
Deferred tax liabilities (net)		1,210	3,579	4,789
Other non-current liabilities		311	-	311
		13,232	**1,884**	**15,116**
Current liabilities				
Financial liabilities				
Borrowings		300	-	300
Trade Payables	a	62,911	(7,275)	55,636
Other current financial liabilities	c, a	16,771	(642)	16,129
Other current liabilities	a	7,894	(957)	6,937
Provisions	g, a	41,350	(30,109)	11,241
		129,226	**(38,983)**	**90,243**
TOTAL		**475,769**	**(9,520)**	**466,249**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

50 First time adoption of Ind AS (Contd.)

Impact of Ind AS adoption on Cash flow statement for the year ended March 31, 2016

	Indian GAAP ₹ Lacs	Adjustments ₹ Lacs	Ind AS ₹ Lacs
Net cash flow from operating activities	77,289	(7,735)	69,554
Net cash flow from investing activities	(29,637)	8,397	(21,240)
Net cash flow from financing activities	(46,620)	(705)	(47,325)
Net increase/(decrease) in cash and cash equivalents	**1,032**	**(43)**	**989**

Notes to first time adoption

a) **Joint venture**

Under Indian GAAP, Valvoline Cummins Private Limited ('VCL'), Cummins Sales & Service Private Limited ('CSSPL'), upto September 30, 2015) and Cummins Research Technologies Private Limited ('CRTI') was classified as a joint venture and accounted for using the proportionate consolidation method since the company is a limited liability company whose legal form offers separation of the company from the investors. The parties to the joint arrangement don't have direct rights to the assets and liabilities of VCL, CSSPL (upto September 30, 2015) and CRTI.

For the purpose of applying the equity method, the investment in VCL ₹ 804 lacs, CRTI ₹ 11 lacs and CSSPL ₹ 600 lacs as at the date of transition, has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group has previously proportionately consolidated. An impairment assessment is performed as at April 1, 2015 and no impairment provision is necessary.

Impact of equity accounting of the joint venture under Ind AS

	March 31, 2016
Share of profits of joint venture recognised as per equity method	7,228
Share of other comprehensive income (remeasurements) of joint venture recognised as per equity method	(3)

Summarised statement of cash flow of the Joint ventures for the year ended March 31, 2016 not considered under Ind AS in the consolidated statement of cash flows.

	March 31, 2016
Opening cash and cash equivalents April 1, 2015	1,138
Cash flow from operating activities	11,367
Cash flow from investing activities	(781)
Cash flow from financing activities	(10,541)
Closing cash and cash equivalents March 31, 2016	**1,183**

b) **Fair valuation of investments**

Under Indian GAAP, investments in equity instruments, mutual funds, bonds were classified as long term investments or current investments based on the intended holding period and realisability. Long term investments were carried at cost other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in Statement of Profit and Loss for the year ended March 31, 2016. This resulted in a reduction in retained earnings as at March 31, 2016 by ₹ 188 lacs (April 1, 2015: ₹ 68 lacs).

c) **Forward contracts**

Under Indian GAAP, the Group applied the requirements of Accounting Standard 11- The effects of changes in foreign exchange rates to account for forward contracts and the related underlying receivable/payable. At the inception of the forward contract the forward premium was separated and amortised as an expenses over the

Notes to Consolidated Financial Statements for the year ended March 31, 2017

50 First time adoption of Ind AS (Contd.)

tenure of the forward contract. The underlying receivable/ payable and the forward contracts were restated at the closing spot exchange rate.

Under Ind AS, derivative that are not designated as hedging instruments are fair valued with resulting changes being recognised in the Statement of Profit and Loss. The fair valuation of forward contracts resulting in increase in retained earnings as at March 31, 2016 by ₹ (47) lacs (April 1, 2015: ₹ 54 lacs).

d) Deferred tax

The various transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. Dividend distribution tax from dividends received from joint ventures and associates is recorded as Current tax under Ind AS aggregating to ₹ 2,250 lacs.

e) Provisions

Under Indian GAAP, discounting of provisions was not allowed. Under Ind AS, provisions are measured at discounted amounts, if the effect of time value is material, accordingly, provisions have been discounted to their present values. Ind AS also provides that where discounting is used the carrying amount of the provision increases in each period to reflect the passage of time. This has resulted in a reduction of provisions by ₹ 1,491 lacs as at March 31, 2016 (April 1, 2015: ₹ 1,470 lacs).

Consequently, profit for the year and equity as at March 31, 2016 increased proportionately.

f) Excise duty

Under Indian GAAP, revenue from sale of products was presented excluding excise duty. Under Ind AS, revenue from sale of products is presented inclusive of excise duty. Excise duty paid is presented on the face of the Statement of Profit and Loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by ₹ 37,924 lacs. There is no impact on total equity and profits.

g) Proposed dividend

Under Indian GAAP, dividends proposed by the Board of directors after the Balance sheet date but before the approval of financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS such dividends are recognised when the same are approved by the shareholders in the general meeting, accordingly, liability for proposed dividend of ₹ 30,027 lacs as at March 31, 2016 (April 1, 2015: ₹ 30,027 lacs) included under provisions has been reversed with corresponding adjustment to retained earnings. Correspondingly, total equity increased by this amount.

h) Remeasurements of post- employment benefits obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of Statement of Profit and Loss. As a result of this change, the profit for the year ended March 31, 2016 has increased by ₹ 524 lacs. There is no impact on total equity.

i) Employee stock option expense

Under Ind AS, equity settled share based payment transactions between the employees of an entity and its parent company need to be recognised as an employee cost in the Statement of Profit and Loss with a corresponding impact in other equity as equity contribution from the Holding Company. Under Indian GAAP, equity settled transactions between employees of an entity and the Holding Company were not required to be accounted for. This change has resulted in an increase in other reserves by ₹ 329 lacs and decrease in retained earnings as at April 1, 2015.

j) Retained earnings

Retained earnings as at April 1, 2015 have been adjusted consequent to the above Ind AS transition adjustments.

k) Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the Statement of Profit and Loss as 'other comprehensive income' includes remeasurements of defined benefit plans.

50 First time adoption of Ind AS (Contd.)

The concept of other comprehensive income did not exist under Indian GAAP.

l) Revenue

Under Indian GAAP, discounts and certain customer incentives are reported as a separate expenditure in the Statement of Profit and Loss. Under Ind AS, revenue is measured at fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates allowed by the entity. Accordingly, revenue for the year ended March 31, 2016 has reduced by ₹ 1,999 lacs and correspondingly, expenses have reduced. This change has no impact on the profits and total equity for the year.

51 Disclosure relating to specified bank notes held (SBN) and transacted during the period from November 8, 2016 to December 30, 2016 as provided in the table below:

₹ Lacs

	SBN	Other denomination Notes *	Total
Closing cash in hand as on November 8, 2016 **	5	1	6
Add: Permitted receipts	-	24	24
Less: Permitted payments **	0	12	12
Less: Amount deposited in Banks	5	8	13
Closing cash in hand as on December 30, 2016	**-**	**5**	**5**

* Permitted receipts and payments of other denomination notes disclosed above should not be construed as permitted receipts and payments as permitted by RBI from time to time pursuant to the introduction of the demonetisation scheme by the Government vide RBI circular - RBI/2016-17/112 dated November 08, 2016.

** Amount is below the rounding off norm adopted by the Group.

The disclosure relating to SBN related transactions for associate and joint venturers are disclosed in their respective financial statements.

52 Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the Group from April 1, 2017.

Ind AS 7- Cash flow statements

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after April 1, 2017. Application of the amendments will result in additional disclosures provided by the Group.

Amendment to Ind AS 102: Share-based Payment

The amendment to Ind AS 102 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.The amendments are effective for annual periods beginning on or after April 1, 2017.These amendments are not expected to have any impact on the Group.

Notes to Consolidated Financial Statements for the year ended March 31, 2017

53 Additional information

Statutory group information

Name of the entity in the Group	Net assets i.e. total assets minus total liabilities		Share in profit and (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ Lacs	As % of consolidated profit and loss	₹ Lacs	As % of consolidated other comprehensive income	₹ Lacs	As % of consolidated total comprehensive income	₹ Lacs
Parent								
Cummins India Limited								
Balance as at March 31, 2017	**96.67%**	**374,216**	**99.77%**	**73,461**	**96.17%**	**(799)**	**99.68%**	**72,662**
Balance as at March 31, 2016	96.46%	348,130	104.57%	75,430	101.61%	(352)	104.51%	75,078
Subsidiary (Indian)								
Cummins Sales & Service Private Limited								
Balance as at March 31, 2017	**0.31%**	**1,203**	**0.14%**	**105**	**-1.57%**	**13**	**0.16%**	**118**
Balance as at March 31, 2016 (from October 1, 2015)	0.30%	1,085	-0.08%	(59)	-2.89%	10	-0.07%	(49)
Associate (Indian)*								
Cummins Generator Technologies India Private Limited								
Balance as at March 31, 2017	**-**	**17,565**	**2.74%**	**2,019**	**3.72%**	**(31)**	**2.73%**	**1,988**
Balance as at March 31, 2016	-	17,338	2.68%	1,930	-0.48%	2	2.69%	1,932
Joint Ventures (Indian)*								
Valvoline Cummins Private Limited								
Balance as at March 31, 2017	**-**	**21,231**	**8.43%**	**6,206**	**1.68%**	**(14)**	**8.51%**	**6,192**
Balance as at March 31, 2016	-	20,280	10.08%	7,273	0.74%	(3)	10.13%	7,271
Cummins Research and Technologies India Private Limited								
Balance as at March 31, 2017	**-**	**555**	**-0.03%**	**(23)**	**0.00%**	**-**	**-0.03%**	**(23)**
Balance as at March 31, 2016	-	1,600	-0.12%	(85)	1.01%	(4)	-0.12%	(88)
Cummins Sales & Service Private Limited								
Balance as at March 31, 2017	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**0.00%**	**-**
Balance as at March 31, 2016 (upto September 30, 2015)	-	1,116	0.06%	44	0.00%	-	0.06%	44
Adjustments arising out of consolidation								
March 31, 2017	**3.02%**	**11,692**	**-11.06%**	**(8,141)**	**0.00%**	**-**	**-11.06%**	**(8,141)**
March 31, 2016	3.24%	11,675	-17.20%	(12,404)	0.00%	-	-17.20%	(12,404)
Total for March 31, 2017	**100.00%**	**387,111**	**100.00%**	**73,628**	**100.00%**	**(831)**	**100.00%**	**72,797**
Total for March 31, 2016	100.00%	360,890	100.00%	72,130	100.00%	(346)	100.00%	71,784

* The net assets of the entity have not been consolidated under the equity method.

For S R B C & CO LLP
ICAI Firm Registration No. : 324982E/E300003
Chartered Accountants

Tridevlal Khandelwal
Partner
Membership Number: 501160

Mumbai
Date: May 18, 2017

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 18, 2017

Business Responsibility Report 2016-17

INTRODUCTION

Vision, Mission, Values and Principles

Vision

Making people's lives better by unleashing the Power of Cummins.

Mission

We unleash the Power of Cummins by:

- Motivating people to act like owners working together.
- Exceeding customer expectations by always being the first to market with the best products.
- Partnering with our customers to make sure they succeed.
- Demanding that everything we do leads to a cleaner, healthier, safer environment.
- Creating wealth for all stakeholders.

Values

- **Integrity**

  Strive to do what is right and do what we say we will do.
- **Innovation**

  Apply the creative ingenuity necessary to make us better, faster, first.
- **Deliver Superior Results**

  Exceed expectations, consistently.
- **Corporate Responsibility**

  Serve and improve the communities in which we live.
- **Diversity**

  Embrace the diverse perspectives of all people and honour both with dignity and respect.
- **Global Involvement**

  Seek a world view and act without boundaries.

Strategic Principles

- **Leverage Complementary Businesses**

  Cummins is a family of complementary businesses that create value for our customers by leveraging relationships and applying innovative technology across business boundaries.
- **Increase Shareholder Value**

  Cummins' financial success is measured by growth in shareholder value. The Company will continue to focus on ROE/ROANA and Earnings growth (not revenue growth) as the principal drivers of shareholder value.
- **Seek Profitable Growth**

  Cummins will seek profitable growth by leveraging our assets and capabilities to grow in market segments with favourable industry dynamics and where Cummins can establish an advantage.

- **Relentlessly Pursue Cost Leadership**

  Cummins will pursue an operational strategy of cost leadership.

- **Lead in Critical Technologies**

  Cummins will be the market leader in technologies most critical to the customers' success and the Company's performance.

- **Create the Right Work Environment**

  Cummins will assure that the physical and cultural work environment is conducive to excellent performance and continuous improvement.

Personality

- Decisive
- Driven to Win
- Agile
- Passionate
- Caring

Section A

General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN)

  L29112PN1962PLC012276

- Registered Office Address

  Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045

- Website : www.cumminsindia.com
- Email id : venkat.ramana@cummins.com
- Financial Year reported : 2016 – 17

BUSINESS SECTORS:

Cummins India Limited was established in 1962 and is a leading manufacturer of diesel and natural gas engines, generator sets and related services. The Company comprised of four business units – Industrial Engine Business, Power Generation Business, Automotive Business and Distribution Business. With effect from April 2016, these four businesses have been restructured to align to the global organization. A new business, Power Systems, has been formed combining the High Horsepower business (part of the Industrial Engine Business) with Power Generation Operations. Owing to the many interdependencies between these two businesses, combining the two presents an opportunity to create a more effective and efficient organization. We have also exited the Automotive Business as it was not profitable.

With this new structure, the following three businesses are a part of the Company – Engine Business (serving the construction and compressor markets with Heavy, Medium and Light Duty engines), Power Systems (serving mining, marine, rail, oil & gas, defence and power generation) and Distribution Business.

A. Engine Business:

The Engine Business manufactures and markets diesel and natural gas engines for off-highway applications. Starting from 65 hp spanning up to 400 hp, these engines, power construction and compressor equipment including repowering opportunities in these segments.

B. Power Systems Business:

The Power Systems Business provides power generation systems in standby power and distributed power generation.

These generators cater to the power requirements of a wide range of individual and institutional customers in various segments such as infrastructure, IT/ITES, data centres, realty, healthcare and hospitality to name a few. The business also manufactures and exports open and enclosed low kilowatt generator sets from its unit located at the Special Economic Zone at the Cummins Megasite in Phaltan. It also provides high horsepower engines for mining, marine, railways, oil & gas and defence.

C. Distribution Business:

The Distribution Business, operating under the name Cummins Sales and Service India (CSS) provides products, services and solutions for uptime of Cummins equipment. The Distribution Business is engaged in providing after-market support to customers in India, Nepal and Bhutan. Over the years, the business has grown from strength to strength, and has successfully established itself as a 'dependable' after-sales service support arm of the Company. At present, it supports more than 490,000 engines in the field covering more than 1.2 lakh customers.

The Distribution Business has a country-wide network of 29 dealerships with over 450 service points and a pool of trained engineers and technicians. This network possesses the necessary infrastructure and adequate technical capability to meet the Company's service standards and is constantly upgraded as per changing product and customer needs.

Additionally, the operations of the India Parts Distribution Center (IPDC) have been expanded at the Megasite, with a four-fold upsurge in exports revenue in the last two years with distribution of parts to domestic and exports aftermarket.

Key Products of the Company as per Balance Sheet

The Company's primary products are Compression Ignition Internal Combustion engines and Component Parts thereof, bearing ITC Code No. 8408.90 and 8409.99 respectively.

Locations from where business activity is undertaken by the Company

The Company has its operations spread all across the country with its registered and corporate office in Pune - Cummins India Office Campus. Additionally, the Company has four zonal offices in Mumbai, Gurgaon, Kolkata and Bangalore and has area offices at 19 locations across India. The manufacturing operations are carried out from seven different plants situated in Pune, Chennai, Pirangut and the Megasite in Phaltan.

Apart from these, the Company's group entities have administrative offices at Pune, Gurgaon, Delhi, Rudrapur, Noida, Bareilly and Ghaziabad and manufacturing plants at Ahmednagar, Ranjangaon, Dewas, Pithampur, Jamshedpur, Rudrapur, Nandur, Hosur, Ambarnath and the Megasite at Phaltan.

Markets served by the Company

The Company serves domestic markets in India, Nepal and Bhutan and also exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations.

Section B

Financial details of the Company

Paid-up Capital	:	₹ 5,544 Lacs
Total Turnover	:	₹ 530,952 Lacs
Total Profit after Taxes	:	₹ 73,463 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

An innate sense of responsibility, backed by the belief that businesses flourish only when they are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises, is what keeps Cummins committed to making the lives of people better. This is through holistic, self-sustainable and replicable programs bringing about long-lasting changes and development. Going beyond mere financial assistance, this commitment manifests itself in combining Cummins' expertise with the experience of local non-profit organizations, to positively impact the communities where Cummins has a presence.

This implies a broader level of involvement: engaging in dialogue around problems; building coalitions around solutions; and finding resources and skills to build the capability of our communities.

Cummins believes that an organization is only as healthy as the communities where we do business. Acting responsibly will contribute to the Company's health, growth, profitability and sustainability. This includes:

- Decision making that considers our responsibility to a full array of stakeholders.
- Setting a high standard for all aspects of corporate citizenship.
- Using our values, talents, resources and global position to drive improvement in our communities and the world.

To have the greatest impact possible, the Company suggests community involvement activities focus on three areas where Cummins has expertise, presence and the ability to make a difference. The focus areas include Higher education, Energy and Environment and Social Justice and Infrastructure across Cummins locations.

1. Higher education: Improving the quality and alignment of educational systems to ensure the students of today are ready for the workforce of tomorrow.

   Cummins provides a development platform for students through its various educational programs. Opportunities for advancement increase when community education systems are aligned with workforce needs. Keeping this in mind, Cummins leverages its resources to enhance the skillsets of the students.

2. Energy and Environment: Ensuring that everything we do leads to a cleaner, healthier and safer environment.

   Problems such as global warming and diminishing natural resources demand action not only from government and individuals but also from businesses. Your Company demonstrates its commitment to the environment by producing the technology and products that reduce harmful emissions around the globe, and by reducing its own environmental footprint.

   Your Company's employees have a wealth of experience in reducing negative environmental impact – both in our products and our facilities.

   We have an opportunity to take that knowledge and commitment outside of our walls to ensure that everything we do leads to a cleaner, healthier and safer environment.

   Sustainable models built using locally available resources provide solutions that have even helped generate revenues, thus working towards giving power to 'all'.

3. Social Justice and Infrastructure: Increasing opportunity and equity for those most in need.

   This focus area concentrates on enhancing the infrastructural development of the communities in which Cummins operates. The Company believes in uplifting the infrastructure by means of grass-root level participations such as rural development encompassing a gamut of developmental activities starting from providing water to schools, improving living conditions within homes and pro-actively planning for irrigation needs during summers, etc.

These priority areas serve as the foundation for the site specific strategies and plans developed collectively by leaders and employees. The three priority areas are further driven down by various themes to facilitate focus and execution.

Involving leadership guidance and ownership, along with dedicated commitment from the employees, high community impact projects are carried out across the Company's locations. The focus areas and their underlying themes are owned and driven by the leaders who set the vision and direction for various initiatives that helps deliver impactful and sustainable results for the community. Through continuous interactive engagements the leaders ensure involvement of all stakeholders throughout the year. Employee engagement in the CSR initiatives also contribute significantly towards strengthening the communities. Employee engagements take place through:

- Community Involvement Teams (CITs) – They are organized, employee driven structures through which CR initiatives are carried out in the communities in which the Company operates. In India, there are 15 such CITs spread across the Company's locations.
- Every Employee Every Community (EEEC) - Under this initiative, every employee is encouraged to spend four fully paid working hours on community improvement projects of their choice falling under CSR's three focus areas. The Company has achieved 100% employee participation and utilization of EEEC hours consecutively for the past 3 years.

Partnerships with like-minded corporates, government authorities, NGOs and communities play a major role in scaling up these projects across the Company's locations in India.

A form of enlightened self-interest as noted by former CEO J. Irwin Miller, who understood the importance of Corporate Responsibility decades ago. In the words of Mr. J. Irwin Miller, "Business has a very large stake in the quality of the society within which it operates. We flourish only as we are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises".

For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 10 attached to the Directors' Report for Financial Year 2016-17.

Section C

Other Details

Effective October 1, 2015, Cummins Sales & Service Private Limited (formerly known as Cummins Svam Sales & Service Private Limited) became a wholly-owned subsidiary of the Company further strengthening our distribution capabilities in India. The Company continues to own 50% equity shares respectively in Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited and 48.5% in Cummins Generator Technologies India Private Limited.

The Company engages in business with various Cummins entities in India that also actively participate in the Business Responsibility (BR) initiatives of the Company in a collaborative manner. However, various entities outside Cummins, viz., suppliers, distributors, etc. are not included in the BR initiatives of the Company.

Section D

BR Information

1. Details of Director responsible for BR:

a. Details of Director responsible for implementing the BR policy:

DIN Number	:	00031051
Name	:	Mr. Anant J. Talaulicar
Designation	:	Chairman and Managing Director

b. Details of the BR Head :

Name	:	Mr. K. Venkata Ramana
Designation	:	Group Vice President – Legal & Company Secretary
Telephone	:	020 6706 7000
Email ID	:	venkat.ramana@cummins.com

2. Principle wise (as per NVGs) BR Policy

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

Principle 1:

Business should conduct and govern themselves with ethics, transparency and accountability.

Principle 2:

Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3:

Businesses should promote the well-being of all employees.

Principle 4:

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5:

Businesses should respect and promote human rights.

Principle 6:

Businesses should respect, protect and make efforts to restore the environment.

Principle 7:

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8:

Businesses should support inclusive growth and equitable development.

Principle 9:

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Principle-wise (as per NVGs) BR Policy/Policies (Reply in Y/N):

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
S. No.	**Questions**	**P1**	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
1.	Do you have a policy/policies for-	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	-	Y	Y	-	Y	-	-	-
4.	Has the policy been approved by the Board?Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	N	N	-	Y	-	Y	-
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	Y	-	Y	-
6.	Indicate the link for the policy to be viewed online?	#	-	-	-	-	-	-	-	-
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y**	-	Y**	Y**	-	Y**	-	Y**	-
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	-	Y	Y	-	Y	-	Y	-
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	-	Y	-	Y	-
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	-	N	N	-	Y	-	N	-

*: The policies relate to safe and sustainable products, Human Rights and Customer relations and are embedded in the Company's Vision, Mission, Values, Strategic Principles, the Cummins Operating System and the Company's Code of Conduct.

**: Policies are communicated to internal stakeholders and the same are available on the Company's intranet. Wherever required, the policies are also communicated to the external stakeholders.

#: Ethics Helpline

The Company has an ethics helpline where employees can place anonymous complaints against ethics violations as per the policy of the Company. The ethics helpline can be reached in the following ways: -

- Online : ethics.cummins.com
- Ethics Hotline: 000 800 100 11071 and 000 800 001 6112 (anonymous report is possible and the report can be filed in Hindi as well)
- Contact Ethics and Compliance: Email to ethicsandcompliance@cummins.com OR legal.department@cummins.com

Wherever the answer to Sr. No. 1 against any principle, is 'No', explanation is given below: -

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Indicate the link for the policy to be viewed online	-	-	-	-	-	-	-	-	-
7	Any other reason (please specify)	-	-	-	-	-	-	#	-	-

#: The Company has a track record of pioneering achievements, long experience and is a leader in the engine and power generation business and initiates dialogue with the Government through various industry bodies and associations. However, no need for a formal policy has been felt.

3. Governance Related to BR

The Board of Directors of the Company review the BR performance of the Company on a regular basis, but at the least, annually. The Chairman and Managing Director reviews the BR activities of the Company on a regular basis. The Company publishes the Business Responsibility Report annually, which forms part of the annual report.

The hyperlink for viewing this report is:

http://www.cumminsindia.com/annual_reports.html

Section E

Principle-wise Performance

Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability.

The Company has designed and implemented a well-defined Ethics Policy which covers its employees as well as employees of its joint ventures, associate companies, and distributors. Not only this, in their meeting held on January 28, 2005, the Board of Directors have adopted the Code of Conduct which is devised in order to enable the Directors to strive to perform their duties according to the highest standards of honesty, integrity, accountability, confidentiality and independence.

The Company's view on ethics and fostering the right environment is reflected in the following statement from Mr. Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited, where he mentions, "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

The Cummins Code of Conduct applies to all its employees, customers and business associates. In addition, the Cummins Code of Conduct is also applicable to the joint ventures and its employees, customers and business associates. All employees are expected to follow the Code of Conduct on or off company property when they are on Cummins business or acting as an agent or on behalf of Cummins.

At Cummins, several principles under the Cummins Code of Conduct are implemented effectively to drive ethical behaviour at all levels. The Cummins Code of Conduct covers ten basic principles: -

- We will follow the law everywhere.
- We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect.
- We will compete fairly and honestly.
- We will avoid conflicts of interest.
- We will demand that everything we do leads to a cleaner, healthier and safer environment.
- We will protect our technology, our information and our intellectual property.
- We will demand that our financial records are accurate and that our reporting processes are clear and understandable.
- We will strive to improve our communities.
- We will communicate honestly and with integrity.
- We will create a culture where all employees take responsibility for ethical behaviour.

Cummins' commitment to fair treatment also extends to its joint ventures, suppliers and other partners. At Cummins, it is made sure that the suppliers and partners treat their stakeholders in a way that is consistent with Cummins values through the Cummins Supplier Code of Conduct (elaborated under Principle 4).

Cummins has adopted the following competition guidelines: -

- We do not bribe anyone for any reason.
- We get business because our products, services and people are the best.
- We do not use the confidential information of others to gain an improper advantage.
- We do not mislead others or compromise our integrity to gain an advantage.
- We do not disparage our competitors or their products and we truthfully talk about the advantages of Cummins.

Cummins is committed to transparency in its financial reports. Cummins cooperates fully with its auditors and under no circumstances withholds information from them. At Cummins, a robust system of financial controls and processes is maintained to ensure the accuracy and timeliness of its financial reporting. The accuracy of Cummins financial reports is critical to its credibility and no fraud, false or misleading financial entries or statements are tolerated.

Cummins ensures that each of its employees have a stake in living the Code of Business Conduct and enforcing the rules and principles enshrined in the same. These principles are intended to guide Cummins employees' treatment of one another, as well as their interaction with customers, suppliers, partners, public officials and other stakeholders.

The Cummins Code of Conduct is implemented and monitored on a regular basis through several mechanisms:

1. New Hire and On-going Training and Compliance Certification.
2. Ethics Help-line, Organizational Support and Whistle Blower policy.
3. Regular updates to Senior Management.

New Hire and On-going Training and Compliance Certification

Cummins puts its ethics and compliance principles into practice through a comprehensive compliance training program targeted at appropriate employee groups in order to promote ethical behaviour. Cummins has a policy describing how we are supposed to treat each other at work. All employees are required to attend the 'Treatment of Each Other at Work Policy' training course and complete refresher courses, as needed from time to time. It applies to all employees, customers and suppliers. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy. It also applies to employees away from the company property when they are on company business or acting as an agent of Cummins.

New employees are explained this course at the New Hire Orientation and are required to complete the course within their first three months of employment.

A training module on the Anti-Bribery policy was introduced in 2015, to ensure strengthening of the knowledge on the subject and awareness among employees. The code of conduct related to insider trading ('Code') was launched in May 2015, for regulating, monitoring and reporting the Insider Trading by the Company employees and other connected persons. The Company also conducts two mandatory online training courses - Careful Communications at Work and Doing Business Ethically – on the Cummins Learning Center, Cummins' in-house learning management system.

Ethics Help-line, Organizational Support and Whistle Blower Policy

All Cummins employees worldwide, regardless of position, are expected to observe high ethical standards. Employees whose actions can bind the Company or set the tone for others have a particular responsibility. Therefore, each employee is expected to follow the Cummins Code of Business Conduct, and officers and others in key positions are also required to complete the Annual Ethics Certification form.

The Annual Ethics Certification process reinforces commitment to Cummins' ethical policies and the Code of Business Conduct, promoting an ethical culture.

Considering violations of Cummins' ethical policies could lead to corporate or personal liability, it is of utmost importance that each of us understands, adheres to and remains familiar with these policies.

Cummins has a Whistle Blower Policy which is strictly enforced to ensure more employees feel free to reach out and report likely issues. The Company has an Ethics Committee chaired by the Chairman and Managing Director which involves the Vice Presidents of HR, Legal and Internal Audit. All ethics cases are investigated and resolved by this committee.

Internal Complaints Committee:

Your Company has duly constituted an Internal Complaints Committee, which consists of Ms. Shillpa S. Chabria (Master Investigator, Right Environment) as the Presiding Officer, Mr. Anant J. Talaulicar, (Chairman and Managing Director), Mr. K. Venkata Ramana (Group Vice President - Legal and Company Secretary), Mr. Vikas Thapa (Vice President - HR), Mr. Qureish Shipchandler (Vice President - Internal Audit), Ms. Anjali Pandey (Vice President - India Components Business), Ms. Bhavana Bindra (Vice President - Distribution Business) and Adv. Vaishali Bhagwat (External Member).

At Cummins, employees have several different options to report ethics related issues. Besides being able to reach out to Managers or HR, employees have the option to anonymously report issues through three separate channels: -

- Regularly monitored voice mail box
- Online at ethics.cummins.com
- Toll-free number

Statistics*:

Under the Ethics, Bribery, Corruption and Fraud category, the Company received 68 complaints during the year, out of which all 68 complaints were resolved and actioned upon.

Under the Treatment of Each Other at Work Policy, the Company received 110 complaints during the year, out of which all 110 complaints were resolved. The Internal Complaints Committee received 11 complaints during the year and all of them were resolved.

* Note: Data for April 1, 2016 - March 31, 2017

Regular updates to Senior Management

The Senior Management is highly involved in all matters related to Ethics at Workplace. They are responsible for closely monitoring the implementation of the policies. Each quarter, the Senior Management receives an update on issues reported in their business or function, and the action taken thereafter. Additionally, the same is also placed before the Audit and Risk Management Committee of the Board of Directors on a quarterly basis.

Principle 2: Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

One of Cummins' three principles for Corporate Responsibility is about supporting environmental sustainability and to work on clean development mechanism.

Your Company continued to initiate waste reduction efforts during the year through several initiatives such as training on prevention of pollution, waste reduction / recycling specific environment management programs, 'Just do it' projects and Six Sigma projects to identify more opportunities on waste reduction. Increasing opportunities to recycle waste is one of the many ways to address reduction in disposal of waste.

Cummins' commitment to Health, Safety and Environment continued into 2016, reinforcing its responsibility towards employees, natural resources and the environment. Subsequently, the Company's safety Incident Rate (IR) for employees and contractors has been minimized.

Safety	Employees		Contractors	
	2015	**2016**	2015	**2016**
Incident Rate	0.18	**0.25**	0	**0.31**
Severity Case Rate	0.02	**0.05**	0	**0**

All operational facilities of the Company are religiously monitored and tracked the quantity and quality of their emissions/ wastes generation as per their consent requirement and have been reporting it to the concerned pollution control boards on an annual basis in the form of Environment statement.

Though the Company has received few show causes from the pollution control board in the last financial year, all these were closed satisfactorily. Cummins Inc. is driving environment awareness across all its plants. Under this drive, the Company is focusing on Environment Day/Earth Day and are celebrating Environment Week. The HSE department continues to focus on developing people on environment aspects, identify improvement opportunities, undertake GHG reduction projects and train people on pollution prevention, water conservation etc. All the environmental performance is tracked in an environment software where data on GHG, waste and water as a KPI is tracked and every year targets are set on baseline.

The Company has generated 4,149,187 kg waste, 21,245 MT of GHG and consumed 37,268 kilo gallons of water in 2016. The Company has taken efforts to improve its overall environment performance through waste inventorization and mapping, water balance and energy reduction program. High energy consumption areas are being identified on the shop-floor and many projects have been undertaken to conserve energy and subsequently emission of greenhouse gases (GHG).

Waste disposal and GHG emissions increased 37% percent and 46% percent respectively with respect to the 2015 baseline due to increase in production. On the waste recycling rate, the Company is at a 95.27 percent. All operational units of the Company across India have achieved water neutrality status in addition to complying with the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and Environment Management System (EMS) 14001 standard. In 2016, the Power Generation SEZ plant won the CMD award for their HSE performance and got certified by CII as 'GreenCo Gold rated Factory' whereas KEP got certified for ISO 50001.

During the year, the Company got the opportunity to work on projects addressing social or environmental concerns. Some of the projects are as listed below: -

1. Development of 25 kWe genset using Rice Husk (Biomass): To address remote rural electrification requirements, the Company had developed a 25 kWe genset which uses locally available agricultural waste viz. rice husk (renewable) for meeting remote rural electrification requirements. This genset has been successfully running for over 1,000 hours for rural electrification at the field site in Bihar.
2. Development of 40 kWe genset using Wood (Biomass): To address remote rural electrification requirements, the Company uses locally available agricultural waste viz. wood waste (renewable) for meeting remote rural electrification requirements. The Company has commissioned a producer gas generator set at the Phaltan MidRange Upfit Center at the Cummins Megasite.
3. Development of 400 kWe genset using Wood (Biomass): To address use of renewable energy source for power generation, the Company uses locally available agro waste viz. wood waste (renewable) for electrical power generation.

Two lean burn producer gas generator sets are running successfully for 3,000 hours, in grid parallel at Sattur, Tamil Nadu.

Product safety is a top priority at Cummins. Certain substances such as asbestos, cadmium and mercury can never be used in Cummins products. These rules apply to all Cummins entities and all direct or indirect suppliers around the world. Cummins has been working on a supply chain transformation that focuses on eliminating waste in supply chain operations and transforming it into a green supply chain. This includes exhaustive work on introducing returnable packaging, reducing transit lead time to procure parts and bundling shipment through milk run. Further, there has been a continuous effort in reducing premium freight.

Sustainable risk management is more than just protecting the critical assets of the Company. It is actively managing risks to protect the Company's business, its people and its reputation. Risk management is also about taking acceptable risks to pursue opportunities that allow a company to deliver business objectives and strategies and increase stakeholder value. Business Continuity Planning allows site leaders to recognize key risks in advance and prepare for major events that could impact their sites, employees, and ultimately their ability to serve the customers. The goal of Business Continuity Planning is to limit business exposure to risks and speed recovery to normal operation. Cummins Security is chartered to protect employees, facilities and information assets by implementing risk reduction strategies across the globe. Achieving this requires a sustainable security program that is collaborative in nature and delivers services that are aligned with the Company's strategic growth objectives.

Your Company works extensively to continuously improve procurement procedure to ensure sustainability of its suppliers. The procedure includes seven separate areas of Sourcing, Contract Development and Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management and Supplier Quality Improvement. The procedure also includes the Supplier Code of Conduct (SCOC) which requires that the supplier follows key ethical principles set forth by Cummins including the Supplier being required to protect the environment.

Your Company believes strongly in ensuring that the waste generated in its facilities is disposed in compliance with all local rules and regulations. Cummins globally and in India has three strategic target areas to reduce waste: -

- Reduce Waste
- Increase Waste Reuse/ Reduce Waste Disposed
- Increase 'Zero' Waste Sites

Your Company meticulously abides by all the Health, Safety and Environmental (HSE) laws and has developed a common HSE policy applicable to all groups and communicated to all suppliers and vendors. Cummins has comprehensive policies and procedures, governed by the dedicated HSE department, which covers the Company, Contractors, Dealerships, Group Joint Ventures, and Suppliers etc. to implement and monitor the same.

Your Company understands the importance of adopting a proactive approach to address issues like climate change and global warming. Environmental Champion training was conducted in 2016 for HSE and plant engineering representatives and the plant has taken up many projects on carbon footprint reduction.

On the operations front, the Company continued energy conservation programs with more projects observed this year for reducing GHG footprint off site and promoting energy efficiency. These initiatives are driven through Six Sigma projects on energy conservation, unplugged challenge, energy audits and environment champions training.

Great energy savings are being generated year-on-year. High energy consumption areas have been identified and many projects have been undertaken to conserve energy. For example, CIL plant (Kothrud Engine Plant) had taken up projects that resulted in savings of 7.26 Lacs units of electricity, ₹ 58 lacs saving of energy cost & GHG reduction of 595 tons of CO_2 emission.

The plant has also installed LED lamps and occupancy sensors to reduce power consumption in office areas.

Cummins supports local and small producers including the community around itself. Currently, Cummins procures materials from 1,066 suppliers – both local and small producers from nearby communities.

Chairman and Chief Executive Officer of Cummins Inc., Tom Linebarger says, "Going forward Cummins will continue to be a catalyst for environmental action. Our vision and mission demand it, our business success depends on it, and the ingenuity and energy of our employees can make it happen."

Principle 3: Businesses should promote the well-being of all employees

Your Company is committed to building the right leadership skills at all levels of the organization which in turn contributes significantly towards building the right environment at the workplace. With a strong emphasis on 'Hire to Develop', the Company provides Sponsored Educational programs and various Leadership Development programs to develop both functional expertise and people skills respectively.

All sponsored education programs are consciously designed in partnership with prestigious institutes in India and offered as formal degree/certification to the employees. The sponsored education programs include:

- **Management Development:** Two-year Executive MBA programs at different levels of leadership roles in partnership with institutes like IIM – Ahmedabad, S.P.Jain Institute of Management and Research - Mumbai and Kelley School of Business - Indiana, USA.
- **Technical Development:** Two-year degree courses in Masters in Technology across Mechanical, Electronics and Manufacturing.

A special certification on Industrial Relations with Tata Institute of Social Sciences (TISS) for managers engaged in plant roles is also being offered.

Your Company also offers an education assistance policy to employees who are interested in pursuing formal education as a part of their self-development, or upgrading their functional capabilities.

Leadership Development programs include Growing Leaders Development Program, Building Success in others Programs, Front Line Leadership Development Program and Cummins Leadership Culture Sessions. Furthermore, Cummins also encourages job moves across functions, entities and locations to ensure the growth of its employees.

Your Company believes that Diversity and Inclusion are critical to creating the right work environment. This year Cummins achieved 30% women representation. Cummins has been sensitive towards not just visible traits of diversity such as gender, regional, generational and specially-abled representation, but also towards promoting equality at workplace and ensuring greater opportunities for minority groups such as lesbians, gays, bisexuals and transvestites (LGBT). Cummins continues to take a number of steps towards the best interests of its diverse workforce.

Your Company continues emphasizing on work-life balance policies that enable its employees to give their best to the Company, grow within the Company and at the same time attend to their personal exigencies, maintaining a sensible balance of work and life obligations/commitments. The various work-life balance policies at the Company are:-

- **Flexi-work hour Policy –** Flexibility to come in and leave at a convenient time, but ensuring that the stipulated hours of work are completed and team work is not disrupted.
- **Maternity and New Mothers Policy –** A female employee / partner (primary care giver) who has given birth to a child or adopted a child or is a commissioning mother is entitled to maternity leave of up to 26 weeks, parttime work as well as flexi-work hours to support her as a new mother.
- **Paternity Leave -** A new father / partner (secondary care giver) whose spouse; has given birth to a biological child, or has adopted a child or is a commissioning mother who uses a surrogate to obtain a child; is entitled to a paternity leave of 30 calendar days excluding weekly-offs and paid holidays.
- **Part-time work Policy –** an employee can work on a reduced work plan to be able to balance a personal exigency.

Additionally, the Company continues to provide crèche facilities at all its plants and Corporate Office to support working mothers. This facility is also being availed by the male employees in the organization.

The Women's Affinity Group **(WAG)** aims at improving communication about its initiatives through advocacy, focusing on inclusion of hourly workers in WAG, identifying barriers to women at Cummins and expanding support initiatives geared towards working parents. With strong leadership in place, and a large, active membership, WAG shall continue to champion women for years to come. The 25 WAG leaders across entities and locations focus on –

- Promoting a safe work environment
- Creating a critical feedback loop into the organization – they voice ergonomic and infrastructural needs that make the workplace suitable for the women workforce
- Partnering on health/wellness initiatives
- Championing inclusive behavior

The WAG has started initiating sessions on 'Psychological Safety' for all employees.

The Growing Women Leaders **(GWL)** program focuses on increasing women in leadership roles through structured initiatives to identify and nurture talent. It involves various career conversations, GAP analysis and function specific external learning interventions.

Launch in Cummins **(LinC)** Affinity Group is an interactive forum designed for the lateral hire employees who have been with Cummins for two years or less. Launched in 2011, this forum helps familiarize the employees to the Company business, culture and people through its various initiatives and programs, encouraging them to easily adapt to the workplace. LinC instills among the employees a sense of integration and belonging to the company, thereby enabling them to enhance their various professional roles.

Spectrum Diversity Training is an awareness training program on 'Why invest in Diversity Initiatives – A Business Case', and 'How to be Inclusive', this initiative facilitates training for employees across all functions and entities and creates new Training Champions.

Right Environment Every Time (REET) is a training program that focuses on the ethical behaviour of employees with special attention to –

- Prevention of Sexual Harassment at Workplace **(POSH)** – This is based on the Indian Statute 'Sexual Harassment of Women at the Workplace: Prevention, Prohibition and Redressal Act, 2013'
- The audience is given an insight into the complaint process and redressal mechanism through Internal Complaints Committee **(ICC)** established at Cummins India
- Insight into the 'Treatment of Each Other at Workplace' policy.

Cummins Health and Wellness Program

The area of Health and Wellness continued to be exciting and eventful throughout 2016-2017. This year, we introduced our new wellbeing strategy known as the *7 Levers of Healthy Lifestyle* namely:

1. Physical Activity
2. Nutrition
3. Sleep
4. Stress Management
5. Substance Free (staying away from addictions)
6. Clean Water
7. Sunshine & Air

This was done keeping in mind the emerging lifestyle changes that impact ones wellbeing and to make our strategy more holistic.

The Employee Assistance Program (EAP) introduced at Cummins in 2015 saw significant results. Since inception, over 1,000 employees and family member's availed different EAP services and a significant number of risks, especially those of self-harm have been mitigated through counselling. Keeping in mind the stigma associated with counselling, a communication strategy was rolled out that aims to demystify people's perception about counselling and assure employees that it is perfectly acceptable to approach a trained counsellor. With the intent to make known the benefits of EAP amongst the employees in the least time possible, an employee outreach program was initiated that involved a series of floor interactions where counsellors from the EAP service provider reached out to employees at their workstations or on the shop floor.

Several studies have highlighted the lack of retirement preparedness and pension adequacy in India. Recognizing the need to help employees prepare for their retirement life, the National Pension System (NPS) was introduced for the employees. Your Company is one of the first few organizations that has taken this step towards strengthening the financial wellbeing of its employees.

Programs such as Birth and Beyond for pregnant women, anaemia eradication for the female workforce, Diabetes Control and Ideal Weight Drive for all employees that were piloted at the Megasite were extended to other Cummins facilities and offices including the IOC.

The programs were launched with the aim to:

1. Help expecting mothers easily tide through the critical ante-natal phase as well as support them in meeting various demands with new motherhood. Further, this initiative also aimed to minimize Caesarean Section deliveries.
2. Eradicate anaemia, seen most prevalently deficient in women
3. Help employees attain good health through effective changes in lifestyle including weight management.

Initiatives like the Healthy Living Module and Yoga launched in the Company during the previous fiscal year continue to run successfully.

Your Company ensures that Health Safety and Environment (HSE) related training is imparted to all relevant stakeholders at regular intervals. For this purpose, the Company conducts workshops to train employees with sessions targeted at shop-floor employees.

The Company has a structured process to identify the potential amongst employees in order to confer rewards and recognition. The Company has been organizing sports activities for its employees to promote employee health and morale. Career development is supported through enlightened human resource interventions.

Child or forced labor is not tolerated at Cummins and Cummins does not do business with any company which engages in child or forced labor. The Company employs around 3,669 persons out of whom, around 740 are women employees and three permanent employees with partial/full disabilities.

Apart from this, the Company also employs around 886 contractual and 23 temporary basis employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety and skill up-gradation training to various categories of employees are being rendered as per the training policy of the Company.

The Company has recognized Trade Unions for production and staff associates at one of its plants, and the unionized work force forms approximately 26% of the permanent employees of the Company.

Sr. No.	Category	No. of complaints filed during the Financial Year (April 2016 – March 2017)	No. of complaints pending as on the end of the Financial Year (April 2015 – March 2016)
1.	Child labor/ forced labor/ involuntary labor	NIL	NIL
2.	Sexual Harassment	8	NIL
3.	Discriminatory employment	NIL	NIL

Principle 4: Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

While Cummins' Code of Conduct protects and promotes the ethical behavior that makes Cummins a special place to work, Cummins' Supplier Code of Conduct applies to all businesses that provide product or services to Cummins and its partners, joint ventures, divisions or affiliates. The Supplier Code of Conduct helps your Company to ensure that it is doing business with other companies around the world that share Cummins values for sustainable practices.

The Supplier Code of Conduct is built around seven principles:

- Suppliers must follow the law
- Suppliers must treat all people with dignity and respect
- Suppliers must do business fairly and honestly and avoid conflicts of interest.
- Suppliers must protect the environment
- Suppliers must provide a safe and healthy working environment
- Suppliers must protect Cummins technology, information and intellectual property
- Suppliers must assist Cummins in enforcing this Code

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under Principle No. 2 regarding treating people with dignity and respect, the Code states: “Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees.” It also states suppliers must respect employees' right to bargain collectively and bans forced or child labor.

Under Principle No. 4 dealing with protecting the environment, the Code states: “Suppliers should establish means by which they understand the identity and quantity of the chemicals and compounds used in their operations and products.” It also states that “Suppliers should develop robust means by which they monitor measure and validate their use of materials and resources, discharges and emissions to understand and reduce their impact on the environment.”

Aligned to its Vision, Mission and Core Values, Cummins continues its focus on the well-being of all its stakeholders including shareholders, customers, vendors, employees and the communities it is part of.

Laying a special emphasis on groups which are disadvantaged, marginalized and vulnerable, Cummins strives to improve their lives focusing mainly in the areas of education and empowering under privileged to lead safe and healthy life in a greener environment among other initiatives.

Nurturing Brilliance – Cummins Scholarship Program

At Cummins, the belief is that education is a necessary tool and a foundation to uplift the weaker sections of society that provide a platform for individuals to succeed in their lives while also developing a pool of skilled resources that Cummins and many other corporates can benefit from. Opportunities for advancement of the weaker sections increase when education systems are aligned to address workforce needs. Special scholarship programs have been put in place to empower needy students with educational and financial assistance.

In 2006, Cummins India Foundation (CIF) initiated the ‘Cummins Scholarship Program’ for meritorious students from financially and socially disadvantaged backgrounds to pursue professional degree and diploma courses. Cummins also entrusts these scholars to its senior employees, who as mentors provide guidance through the entire duration of the course. During the year, we extended our scholarship to 10 needy female students who are pursuing a career in Nursing.

Till date, CIF through this program has provided the scholarship to around 939 students.

Principle 5: Businesses should respect and promote human rights

At Cummins, efforts continue to be inclusive and ensure that employees and other stakeholders are always treated with dignity and respect. Cummins believes that the organization gets stronger because of the diversity of its employees and as a global company, it needs a work environment that is welcoming and allows employees to best use their unique talents and diverse perspectives so ideas and innovation can flourish.

Your Company strictly forbids discrimination, harassment and retaliation and strives to provide equal opportunity and fair treatment for all. Cummins prohibits discrimination or harassment based on an individual's race, color, religion, gender, gender identity and/or expression, national origin, disability, union affiliation, sexual orientation, age, veteran status, citizenship or other status protected by applicable law.

The Company supports human rights around the world and complies with all applicable laws regarding treatment of the employees and other stakeholders. The Company does not tolerate child or forced labour anywhere and does not do business with any company that does. The Company respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

Your Company is committed to fair treatment which also extends to its joint ventures, suppliers and other partners. Cummins makes sure that its suppliers and partners treat their stakeholders in a way consistent with Cummins values through the Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

Cummins Inc. was named to Ethisphere's 2016 list of World's Most Ethical Companies for a ninth consecutive year, Top 50 Companies for Diversity by DiversityInc for a 10th consecutive year and Top 25 Employers in America by Forbes in 2016. Cummins Inc. received a perfect score for the 11th consecutive year in 2016 Corporate Equality Index from HRC, the largest U.S. civil rights organization for LGBT employees.

In 2015, Cummins Inc. was named to the FTSE4GOOD Index for demonstrating strong social, governance and environmental practices.

Principle 6: Businesses should respect, protect and make efforts to restore the environment

Cummins' Mission demands that 'everything we do leads to a cleaner, healthier and safer environment'. Cummins understands that it is their responsibility as a good corporate citizen to also be a good steward of our air, land and water. One out of Cummins' three focus areas for Corporate Responsibility is supporting environmental sustainability.

Environmental problems such as global warming and diminishing natural resources demand action, not only from government and individuals, but also from the business as well. Cummins demonstrates its commitment to the environment by producing the technology and products that reduce harmful emissions around the globe, and by reducing its own environmental footprint.

Cummins employees have a wealth of experience in reducing negative environmental impact, both in the products as well as in the facilities, thus being able to take that knowledge and commitment outside of our walls to ensure that everything we do leads to a cleaner, healthier and safer environment.

E-Cycle! – Reduce, Reuse and Recycle electronic waste.

India has emerged as fifth largest electronic waste producer in world. The electronic waste residue is frequently thrown in rivers, drains and/or disposed in solid waste dumps that over time can contribute to degraded land and water quality as well neurological and skin diseases, genetic defects and cancer in the workers who deal with them.

Electronic waste account for 40% of lead and 70% of heavy metals found in landfills. These pollutants are responsible for groundwater contamination, air pollution and soil acidification.

Addressing the imbalance between e-waste generation and its management in Pune and people's limited knowledge about e-waste, Cummins partnered with NGOs Janwani, NGO Poornam Ecovision Foundation, schools and local communities to create awareness on e-waste. Based on a detailed assessment, a project plan was developed in 2014 to spread awareness on the ill-effects of e waste amongst the residents of Pune. Since then the project has been progressively increasing scale to reach wider audience and make more impact.

The project focusses on creating awareness regarding e-waste and collection of e-waste centres through authorized channels and processing the collected e-waste scientifically. Another unique aspect of the project involves Cummins employees reaching out to housing societies on the weekends when residents are available to receive information and contribute e-waste for collection.

Through this project, 2,500 kgs of e-waste was recycled through authorized recycler and more than 400,000 people were educated on this subject and correct practices of e-waste disposal.

Considering the scale of the issue at hand, this project will bring a significant impact in the areas of solid waste management, health and environment across the country on replication.

School children become super heroes

Your Company believes that the first step in change management is to educate. School children are the ideal propagators as they are the future torchbearers of the world and have significant capability to learn, adapt and implement. With this thought, a nationwide environmental education campaign called 'Coach Them Young' project was launched in 2012, which reached out to 75,000 students across the country and created awareness about two major national issues –

1. Water body pollution during festival times.
2. Solid waste management.

With each passing year, Cummins has been consistently improving the content of the program as a response to the feedback from the community. With an aim to further enhance the impact of this program among the students and sensitize the community to environmental issues, an animated character, 'Greeno' was introduced in 2015. A story based video starring 'Greeno' was developed in eight regional languages.

Leveraging the scale and reach of the Cummins dealership network and in continued partnership with iVolunteer and a new partner 'Times NIE' (News in Education) – a Times of India initiative to spread environmental awareness among the students, this program has successfully reached close to 930,000 students across the country. A significant water conservation and avoidance of carbon footprint can be expected even if just 10% of the students implement these learnings.

Big Problems Demand Simple Solutions

Dams and reservoirs form an important source of water storage for cities and villages. Over the years, the capacity of dams to store water has been decreasing due to intense siltation. Dam de-silting involves removing the silt from the dam, thereby increasing its capacity to withhold and store water. In a bid to increase the capacity of the Khadakwasla dam, Cummins has been working closely with NGO Green Thumb since 2012, to help in its de-siltation. As part of the Every Employee Every Community (EEEC) initiative, Cummins employees have been passionately working together with the NGO to de-silt the dam.

This is a novel, yet simple solution for solving the scarcity of water. This has the potential to be replicated across nearly 1,800 dams in Maharashtra and more than 5,000 dams across India. Collaboration with the NGO, civic authorities, elected members, and community while adding representation from different corporates continued this year.

Reeling under severe water crisis in the year 2016 due to deficient monsoons, the Khadakwasla dam rejuvenation project has taken a significant upturn for the city of Pune. In 2016, the de-silting and catchment area treatment efforts were extended to phase four, a stretch of three kilometres with a plan to desilt one kilometre every year till 2018, as a result of which approximately 3,000 million gallons of water were harvested for the city of Pune. Cummins engineers contributed by carrying out contour survey of the area thereby optimizing the cost of excavation and also partnered with NGO Green Thumb for project management. The catchment area treatment was further enhanced through plantation of additional 5,000 saplings in phase three while sustaining earlier afforestation efforts. The Company is committed to extend this project to more phases.

Your Company has partnered with the Indian Army which has establishment in the vicinity of Cummins location in Pune and occupies more than 600 acres of land with potential to increase green cover, replicate watershed initiatives and develop ecosystem.

To continue the efforts in afforestation and watershed management, the parties have decided to engage in collaboration by combining their respective capabilities for "Greener Pune''. A long term Memorandum of Understanding ('MOU') was signed between both the parties to the effect.

Cummins employee's expertise was utilized to conduct extensive contour surveys to understand the topography to effectively undertake watershed initiatives to aid mass tree plantation across the land.

In this project, two lakes were de-silted resulting in conserving close to 200 million gallons of water. The preservation of the lake and on-going afforestation efforts in the vicinity have resulted into widespread ecosystem development with varied species of flora and fauna thriving ever since the project has begun.

GreENgage – A sustainable pan India Afforestation program

Addressing the impact of rapid urbanization and industrialization on deforestation, Cummins has partnered with various NGOs and the Indian Army to create oxygen hubs and increase the green cover by planting and maintaining more than 50,000 trees at various locations close to Cummins in India.

GreEngage is a pan India afforestation campaign that aims at sustainable tree plantation and sustenance towards achieving our goal of increasing the green cover across all of our manufacturing and office locations in the country. This project helps build oxygen hubs by planting trees, harvesting rain-water, adding organic supplements to improve soil fertility, and building nesting structures to attract birds, thus eventually creating a full-fledged ecosystem. With this campaign, 24000 trees will be planted every year and this drive will take the total number of trees planted and maintained by Cummins to 135,000 by 2018 (equivalent to avoiding 5,265 MT of carbon footprint).

This program has multiple benefits for the community by preventing encroachment, increasing ground water levels and support farmers for their agricultural needs and augmenting the family income. This project also aims to address the effects of climate change.

Tree cover plays a vital role in restoring and maintaining the ecological balance. As we increase afforestation, it will, over a time result in balancing the water table, stabilizing climate, attracting rains, preserving wild-life and replenishing soil nutrients.

Rural India is impacted by deforestation significantly more than urban India. Our largest manufacturing campus - Cummins Megasite is situated in the midst of rural communities for whom water is essential for livelihood. It is important that these villagers reduce their dependency on the monsoons in order to become self-sufficient. Project 'GreEngage' has the potential to realize this. Afforestation will increase underground water and bring about a significant positive change in the lives of the villagers and that of their families. Every single plantation will bring us closer to creating the much needed green cover for the villages.

In 2016, more than 24,000 trees were planted while close to 50,000 trees were maintained and the afforestation and ecosystem efforts were sustained.

“Ideal Immersion” - Innovative and eco-friendly way of dissolving Plaster of Paris idols during festival times

Each year, across India, the festival of Ganesh Chaturthi is celebrated on a large scale. Towards the end of this festival, beautifully carved and decorated idols are immersed into water bodies such as rivers, ponds, lakes and the sea or are land filled. The idols of deities are made of plaster of paris which is non-biodegradable. There is a serious impact of this immersion on the environment, as it disturbs the ecological balance by polluting water and adversely affecting the flora and fauna.

Recognizing the urgent need for a solution to minimize the environmental impact of this practice, engineers from Cummins succeeded in dissolving plaster of paris material. To further optimize the process in terms of the time and chemicals required, Cummins partnered with premier national research institute, National Chemical Laboratory, and collaborated with the local civic body, Pune Municipal Corporation.

In 2016, in partnership with Pune Municipal Corporation, National Chemical Laboratory, Cummins reached thousands of households for dissolution of plaster of paris idols at the household level. Videos and other communication material was prepared to spread awareness regarding the process of dissolving the POP idol at individual homes or at the housing society level.

Huge response was received for the initiative and these efforts helped divert 120 Tons of plaster of paris, 200 Tons of Nirmalya and Plastic from water bodies. In its first attempt at house hold level idol immersion, the project was piloted at Pune and replicated at 5 other neighbouring towns and cities.

This solution has great potential to be replicated across the nation, which will eventually have an enormous impact on the environment.

Waterless Wonder – A waterless twist to traditional biogas processing

Biogas in India has been traditionally based on dairy manure as feedstock and these “gobar” gas plants have been in operation for a long period of time, especially in rural India. In the last 2-3 decades, research organizations with a focus on rural energy security have enhanced the design of the systems resulting in newer efficient low cost designs. However, the traditional systems call for enormous amount of water to be consumed for processing waste to bio gas. Considering the water crisis prevalent across the nation, there is a need for technology which consumes zero or minimum water to process wet waste. Partnering with Bangalore based organization, “Green Power Systems”, Cummins has implemented a 500 kg per day system at Maharshi Karve Stree Shikshan Samstha (MKSSS) on 2016. MKSSS is a 120 year old NGO has been committed to “Empowerment of Women Through Education”. Association between MKSSS and Cummins is more than 25 year old with signature project, Cummins College of Engineering for Women.

The MKSSS campus at Pune comprises of hostels for over 6,000 young women, mostly from economically weaker sections of the society and has six kitchens to serve them meals every day. Approximately 400 kgs of food waste is generated daily.

The installed system produces bioCNG from food waste generated at the hostel which offsets the LPG requirements without use of freshwater and has resulted in substantial operations savings for the institution.

Pune being an educational hub, hosts approximately 0.3 million students who reside in various hostels. Opportunity exists for deployment of waterless technology at all such hostels who house thousands of students.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Your Company works on various advocacy initiatives with the respective industry associations as partners. All the issues that Cummins works on are related to the industry. For example, the Chairman and Managing Director chairs the CII National Manufacturing Council. The Society of Indian Automobile Manufacturers (SIAM) takes up issues related to the auto sector with the Government, NGOs and think tanks. So, Cummins’ advocacy issues on the automotive segment are with SIAM as a partner. Similarly, for issues on power generation, Cummins works with the Indian Diesel Engines Manufacturers Association (IDEMA). On broader issues relating to the environment and society, Cummins works with CII, FICCI and Assocham.

Cummins’ major advocacy focus is on issues related to emissions for automotive, power generation and off-highway equipment sectors. Cummins had a major success on the power generation advocacy front with the government launching lower emission, Europe-like CPCB II generator emissions. Every year Cummins works with respective associations to encourage better and tighter emission norms so as to improve the quality of air in the country. This is also Cummins’ contribution to society aligned to its belief that advanced technologies can lead to cleaner air.

Your Company also encourages fuel economy as that not only conserves precious fossil fuels but also lowers consumption and provides a lower carbon footprint on the environment. All these efforts are done under the aegis of one or more industry associations. Cummins’ targets for the future are better and cleaner engines running on cleaner fuel while focusing on better technology for higher emissions.

Principle 8: Businesses should support inclusive growth and equitable development

Driven by a deep rooted belief that the opportunity to pursue a better life should be available to everyone, Cummins constantly tries to increase opportunity and equity for those most in need through targeted recruitment effort as well as via various Corporate Social Responsibility projects that address social justice issues.

Creating 'Model Villages'-

'Serving and improving the communities in which we live', is a Cummins value that is engrained within the employees and is well demonstrated in the rural development area where the Company has embarked on a journey to create model villages since 2010.

The aim is to deploy a holistic development approach to build strong and sustainable communities around places where Cummins has operations. Cummins strongly believes in establishing partnerships in all initiatives. With this belief the program is carried out in collaboration with Cummins employees, communities, NGOs and research institutes in various stages.

For village transformation, the methodology adopted was the Participatory Rural Appraisal (PRA), a tool used to calculate need assessments of the villages. The needs were prioritized and accordingly a final long term plan and framework was developed. The plan was implemented in a phased manner in collaboration with the community and all stakeholders. This is an exhaustive and detailed exercise which is aimed to bring out both stated and latent needs of the villagers.

The Cummins journey in rural development started way back at Nandal, a village that lacked basic amenities, located near the Megasite. With a standardized framework for model village development, Cummins has now started working in 12 model villages around Cummins plants across the country. Till date, over 18 check dams and 6 ponds, 1 drinking water well, 41 soak pits have been created saving close to 135 million gallons of water in the villages.

Signature Project with Cummins College of Engineering for Women, Pune

The Cummins College of Engineering for Women (CCEW) was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha. This project was taken up as a Signature project in 2012-13. Under this initiative, the Company aims to enhance the quality of education so as to rank CCEW amongst the top 5% privately-managed engineering institutes in India.

Cummins' senior executives are deeply involved in this Signature project, frequently interacting with the staff and students. The students get a chance to interact with the industry through internships and exchange programs. Regular PhDs and paper presentations keep the staff updated on technology. Continuous development of the College is being ensured through new infrastructure and up-gradation of lab equipment.

In 2007, with Cummins' support, CCEW launched its first four-year BE degree program in Mechanical Engineering in India. In 2011, the first all-women batch of 65 mechanical engineers in India, graduated with flying colours.

The focus in the last couple of years has been to help the College attain autonomous status and to enhance the employability of students wherein the Company has sponsored a certificate course in 'Innovation, Employability Skills Enhancement and Career Building' for all the third year students of the college.

In 2015-16, its silver jubilee year, the college was granted academic autonomous status by the University Grants commission from the academic year 2016-17. This is a significant milestone in the history of the college. This will allow women engineers graduating from this college, the opportunity to be even more sought after by the industry. Till date, 8,000 women engineers have graduated from CCEW. Currently, we are engaging with the college to introduce a Masters Course in Mechanical Engineering and in addition put in place resources to enable more research at the college.

Technical Education for Communities (TEC)

Today, many communities are facing a growing problem: increasing skills gaps resulting in unfilled jobs and high unemployment rates. A recent report by the Brookings Institution, Accenture and the Global Business Coalition for Education concludes that the world's current education systems will not be able to provide the skills training and education vitally needed by both businesses and communities. Global communities deserve improved educational outcomes to create jobs that make families and communities stronger. Cummins and the Foundation are investing in education right now through Technical Education for Communities (TEC), a global initiative that targets the technical skills gap through local vocational education programs. TEC delivers a standardized education program and set of tools to help education partners develop market-relevant curriculum, teacher training, career guidance and the practical experience needed by students.

Your Company has been associated with the Industrial Training Institute (ITI) at Phaltan since 2010 and has steadily enhanced the infrastructure and skills sets of staff and students. To address the market relevant skill requirements, Cummins initiated English speaking, employability and soft skills training for the students who are from local villages in and around

Phaltan. A computer lab was also recently set-up where students get hands-on training to hone their computer skills. All this has resulted in a steady hike in the number of applications for vocational education. Furthermore, creating the right environment in the school by providing and maintaining clean and hygienic washrooms on par with those at Cummins facilities, has also resulted in women candidates opting for vocational education. The recent addition of a state of the art welding simulator helps students gain expertise in welding. A playground was provided at the institute which motivates the children to participate in sports tournaments in the institute and the community.

Aligned to Cummins' CSR strategy of horizontally deploying its learnings and the Cummins Operating System of treating suppliers as partners, another TEC site has been initiated at Kolhapur. This site has the distinction of being the first global site where the supplier is the front face and Cummins is providing functional excellence. Our collaborative efforts have resulted in women joining the institute for the very first time in the 2016-17 academic year. During the year, Cummins conducted HSE audits and the institute has worked on implementing most of the recommendations thereby giving this TEC site a more industry like ambience.

Our Corporate Responsibility initiatives are now well poised for the next evolution to undertake truly visionary projects that positively impact the lives of large populations through India – viz. "Making Maharashtra Monsoon Resilient' and 'Clean Delhi Air'.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Your Company serves with care and is dedicated to service the customers in the best possible way. For example, at Cummins, it is top priority to take care of all the customers' after-market needs related to Cummins products.

The Company continues to strengthen its Customers through:

- Customer support and engagement through formation of key account management structure
- Standard sales process for the channel
- Dealer engagement
- Service penetration improvement

The Customer Relationship Management (CRM) system - Cummins Dealer Operating System (CDOS) has been successfully implemented at all dealerships across India. This year, CDOS also underwent a technical upgrade making it an open user interface that helps extend customer support through mobile devices. Later this year, the Company also plans to employ resources for data analytics and business intelligence for the generated data so as to further enhance the customers' experience. Cummins further bolstered its presence in 'Distribution' by acquiring a dealership in which it had fifty percent ownership in order to get direct customer access and enhance the understanding of last mile operations.

Development of technical training infrastructure is a key enabler to deliver Customer Support Excellence. The state of the art Cummins Technical Training Center at Phaltan was commissioned this year. This will enable the Company to further enhance its technical training in engines, generators and components. The Net Promoter Score, a measure of customer loyalty strengthened to 72% and the Distribution Business in India stood second in the global NPS scores across Cummins sites.

The Distribution Business continues to leverage savings due to Six Sigma projects and has successfully executed 27 Customer Focused Six Sigma Projects. Most projects are aligned to key business initiatives such as Customer Support Excellence, Supply Chain Transformation, Profitable Growth, Business Process Improvements and Partnering with Channel partners to make them succeed.

Cummins recognizes and respects consumer rights under various Acts (e.g. Sale of Goods Act) and does not restrict the freedom of choice and free competition in any manner while designing, promoting and selling its products. At the end of Financial Year 2016-17, a total of 24 number of consumer cases are pending before various forums and the same are subjudice.

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