

**POWERING A MORE
CONNECTED WORLD**

Cummins India Limited
ANNUAL REPORT 2018-19

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Mark Levett
Chairman,
Cummins India Limited

Dear Shareholders,

I begin this letter with a sense of pride about being a part of Cummins, an organization whose mission is to make people's lives better. While creating financial stability and wealth for our stakeholders is essential to our future, doing so sustainably is equally important and it is this belief that has been central to the success strategy of Cummins.

It has been a year since I have taken on this role with Cummins India and it has been an exciting journey topped with remarkable results. Last year, I shared with you the Mission, Vision and Values that serve as our guiding principles in delivering value to all our stakeholders and making the World a better place. It has been our relentless commitment to our values and mission that has allowed us to be successful by staying focused and determined to produce the highest-quality products and services for our stakeholders.

It gives me immense pride to share with you that 2019 marks a centennial year for Cummins Inc. Throughout our history, Cummins has delivered innovation to bring customers the right solution at the right time to power their success. It is this history of innovation and turning challenges into opportunities that has allowed us to be successful. The centennial anniversary is not only about celebrating the past but also about staying relevant for the next 100. As we culminate the celebration of a century of existence this year, we stand at the threshold of the journey here onwards for the next hundred. This moment presents us with both an opportunity and a privilege as it entrusts upon us the responsibility of preserving as well as strengthening our rich legacy.

Cummins in India has been a significant contributor not just to Cummins Inc. but also to the Indian economy through the innovative and dependable solutions they have been providing for over five decades. India is also one of the key emerging markets and like all other markets, has its own unique set of challenges. With stringent emission norms and massive infrastructure growth posing as the primary drivers of the economy, we look at these as an opportunity to provide even better solutions that meet the diverse needs of our customers.

I am confident of our future as we move ahead. Our strengths remain. We are a diversified company. We continue to lead the industry in emissions technology with expertise in fuel systems, filtration, exhaust systems, turbochargers, electronics and combustion research.

In closing, I would like to express my gratitude to all our shareholders for bestowing their trust on us and providing us with their support and foresight to help us grow profitably.

Thank You,

Mark Levett.



Our Mission

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



Vision

Innovating for our customers to power their success.



Values

Integrity, Diversity and Inclusion, Excellence, Caring and Teamwork.



Sandeep Sinha
Managing Director,
Cummins India Limited

Dear Shareholders,

As we continue steadfast in our journey of growth, I am pleased to share that the results of your Company have been the best in the history in terms of growth, market share and profitability. We improved our earnings, exceeded our financial targets and delivered strong cash flow.

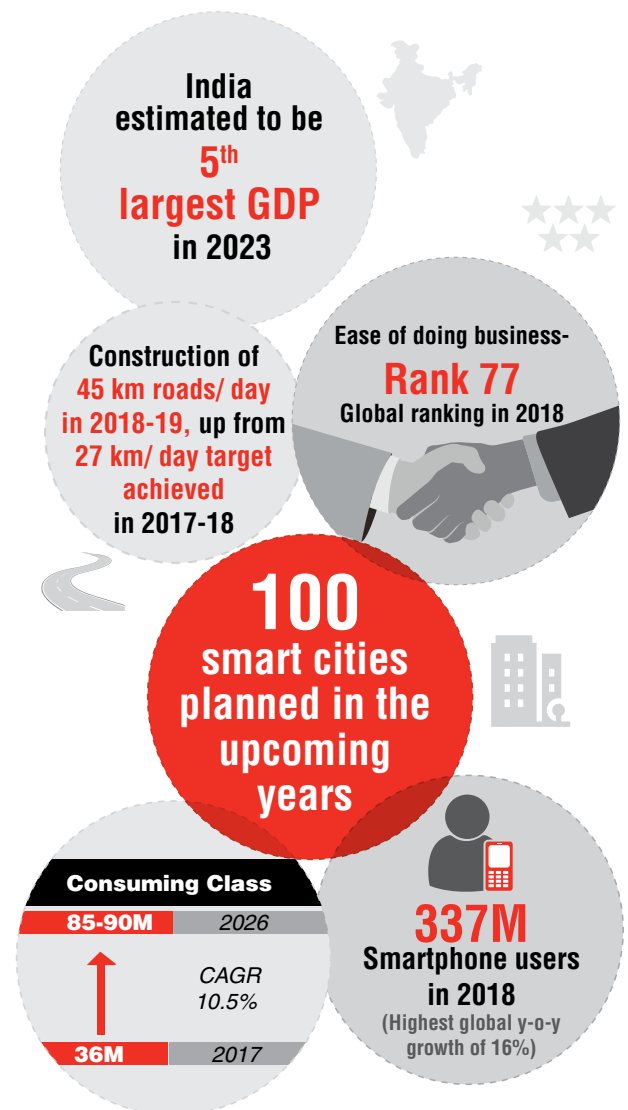
The Indian economy has witnessed a slew of reforms like Goods and Service Tax (GST), demonetization and expansionary fiscal policy measures like heavy investment in infrastructure projects in the past few years. I am pleased to inform that your Company was successfully able to capitalize on the opportunities and deliver value to its stakeholders despite a slowdown in the global economic scenario. We could do this because of our capability to cater to evolving customer needs while still maintaining a disciplined focus on our cost structures.

The Cummins Technical Center India (CTCI), inaugurated in March 2018 grew to a strength of 1700 skilled engineers that today, cater to the growing demand for leading edge technology solutions across the globe.

Apart from our constant pursuit towards growth, we also demonstrated awareness and wellbeing for others and were acknowledged for the same with two awards – ‘Golden Peacock Award for Corporate Social Responsibility-2018’ and ‘Special Commendation’ at the Confederation of Indian Industry (CII)-ITC Sustainability Awards.

As we celebrate Cummins Inc.’s centennial year, I feel proud that Cummins in India has been an integral part of the 100-year journey for almost six decades and has successfully delivered a record performance in this special year.

India on a Growth Path



Sources: IMF, World Bank, United Nations, RBI, UNCTAD, eMarketer, Cashless India Consuming Class = Households with disposable income at 2012 prices > INR 485k

Financial Performance

2018-19

In the fiscal year 2018-19, net sales for your Company were at

₹5,526 Crores

Net profit before tax (excluding exceptional items) at

₹1,030 Crores

Free Cash Flow of

₹784 Crores



In the fiscal year 2018-19, net sales for your Company were at record ₹5,526 Crores, grew 12% over the previous year. Domestic sales at ₹3,873 Crores grew at 15% over the previous year and represents a new high while exports at ₹1,652 Crores grew 5%. Profit before tax at ₹1,030 Crores, grew 21% (excluding exceptional items) over the previous year is also a record high.

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 with its mission.

An interim dividend of ₹7 per fully paid-up equity share of ₹2 each (350%) was disbursed in Q4FY19. The 2018-19 financial year concluded with the Board recommending a final dividend of ₹10 per share of ₹2 fully paid-up (500%) aggregating to ₹17 per share of ₹2 each fully paid-up (850%), subject to your approval at the Annual General Meeting.

Delivering Value to all Stakeholders

Your Company continued to deliver value successfully to its stakeholders by launching innovative products and services to help customers win in their markets.

In the **Industrial business**, your Company established a Power Systems plant in Pirangut dedicated to cater to the growing needs of the Rail, Construction and Marine business.

Further strengthening our relations with the Indian Railways (IR), your Company began production and supply of the underslung power pack introduced last year for Diesel Electric Tower Cars (DETCs). Additionally, the scope was expanded beyond engines to a complete power pack along with installation and commissioning support. We also ramped up the supply of underslung gensets used in Power Cars for long-distance trains thus enhancing revenue generation for Indian Railways. For their recently launched Self-Propelled Inspection Car (SPIC) used for inspection of tracks, level crossings and stations, IR chose the Cummins NTA855 engine due to its underslung capability. Your Company also successfully provided Central Railways with engines and loco-control system for a toy-train locomotive used on steep gradients and winding curves making this development a significant achievement for Cummins.

In the Mining segment, Your Company's QSK 50 and QSK 60 engines successfully powered the recently

launched 150 ton and 205 ton electric dump trucks by Bharat Earth Movers Limited (BEML). This has resulted in opening of avenues in the high tonnage dump truck market in India.

In the Marine segment, your Company continued to deliver value to the Indian Navy, Coast Guard and Shipyards with its propulsion engines and diesel generator set offerings; and introduced powertrain solutions in the range 140 hp to 300hp for the fishing boats segment.

In the Construction segment, we have recorded the highest ever shipments, primarily driven by the increase in demand from the Construction equipment segment in roads and infrastructure projects. With our entry in the Backhoe loader segment last year, we started the production and supply of our 3.9 liter engine and have been successful in creating a presence in the segment. Working closely with several key customers and end users to understand the needs of the Excavator, Paver and Compressor segments, we successfully provided fit-for-market products to cater to varying needs of the customers. We also improved our value proposition in the Excavator market by offering extended service intervals and helped reduce their total cost of ownership. To address the upcoming BSIV norms in the Indian Market in 2021 (notification awaited) for the Construction, Earthmoving, Material handling and Mining Equipment



Power Systems plant inaugurated in Pirangut, Maharashtra

(CEMM) - a tracked segment, we have initiated programs to launch superior electronic engines for all customers. In addition to this, we continue to partner with global construction equipment manufacturers to increase our exports business.

In the **Power Generation** business, your Company delivered on its brand promise of innovation by introducing new products designed to deliver better value to our customers across fast growing segments such as Infrastructure, Commercial Realty and Data Centers.

In the High Horsepower segment, we launched the new 19-liter heavy-duty series engines powering 600-625kVA diesel generator sets, with an aim to provide a value proposition of improved productivity, reliability and durability across demanding applications in Infrastructure and Manufacturing segments.

Your Company also launched the new 38-liter engine powering 910kVA Prime Power generator set designed to deliver best-in-class fuel efficiency and to reduce the total cost of ownership for our customers.

To reduce the downtime and maintenance costs of customers' power systems, your Company introduced the Power Command Cloud™ application - a smart and efficient remote monitoring solution to enable our customers to monitor, manage and maintain their gensets anytime, anywhere by providing them with real time information about their products.

While the power deficit in the country continues its declining trend, backup power demand is expected to sustain growth in the coming years on the back of strong macroeconomic fundamentals.

On the Exports front, our revenue growth was largely driven by low kVA gensets. Several product improvement actions were also undertaken to strengthen our position in the marketplace.

Distribution Business - In our endeavor to enhance customer service and improve responsiveness, we implemented the '24X7 Cummins Care' initiative for customers to register their complaint through a toll-free number or email. Offering round-the-clock service 365 days a year, the initiative ensures a call closure within 72 hours. The Field Service Management mobile application was also launched with an aim to digitize onsite service delivery process, thereby equipping the field service engineers with the latest data and helping them improve customer service. 'Parts on Wheels', an initiative to ensure genuine parts availability and on-site delivery in remote locations was launched - a true demonstration of the strength of Cummins India's distribution network. Our flagship programs- Customer Connect and Customer Talk further helped us make significant connect with customers from all markets to understand their needs and challenges. Apart from introducing new initiatives to serve our customers better, I am proud to share that we truly delivered on our brand promise of dependability during the Kerala floods in August last year. With 70% of the generator sets damaged heavily due to flood water ingress, Rapid Response teams were created to inspect flood-affected engines and restore the damaged engines on priority for hospitals, airport and other mission critical applications. With our Net Promoter Score (NPS) at an all-time high of 82% - a 4% increase over last year, these efforts stand as an endorsement of our customer centric strategy, as we continue to make every possible attempt to lead the markets by listening to the needs of our customers.

Highlights

38-liter engine
powering
910kVA Prime
Power generator
set

K19-liter
heavy-duty
series
engines

**Power
Command
Cloud**
application

**Field
Service
Management**
application

**Parts
on
Wheels**

Committing to Excellence

Your Company has continued steadfast in its journey towards delivering operational excellence to improve customer's productivity. In the quest to achieve zero defect in Quality, we launched our next generation Accelerated Move towards Zero Defect (AMaZe) program and closed over 560 projects yielding more than 32% YOY improvements across key quality performance indicators. With our supplier partners playing an integral role in our growth, we successfully outreached 23 of our key supplier partners to adopt AMaZe as their continuous improvement lever across their value chain. With over 700+ active projects in 2019, we will continue to focus on cultivating Preventive and Predictive approach to achieve world-class Quality standards.

Various cost optimization projects were undertaken to reduce the total cost of ownership for direct materials. Sustained efforts by your Company to stay competitive in the face of rising commodity prices resulted in accrued savings of ₹240 Crores by implementing 803 cost reduction projects.

The cornerstone of our cost reduction efforts- Six Sigma helped us achieve savings of ₹602 Crores far exceeding the target of ₹266 Crores and the highest savings ever achieved in the last 14 years. With a conscious focus on fewer but superior quality projects, we completed almost 380 projects, half in number compared to 2017 but achieved double the amount of savings.

To improve operating efficiencies and minimize losses in the manufacturing value chain, your Company has

invested in various Industry 4.0 initiatives across all its plants. The work on an efficient and sustainable supply chain continues through various initiatives around returnable packaging, energy conservation and driving the value chain to deliver on the upcoming new emission requirements.

We firmly believe that good environmental stewardship begins with its own operations and everything that we do should lead to a cleaner and healthier environment. Your Company generated 22,146 metric tons of Green House Gases (GHG), consumed 39,197 kilo gallons of water- a reduction of 1% and 10% from last year respectively and generated 4,978 metric tons of waste- an increase of 17% due to increased production demand. On the waste recycling rate, your Company is over 86%.

Your Company ensures that all its sites comply with the Health, Safety and Environment Management System policy, procedures and initiatives independent of certification status. A dedicated Safety Training Center was established in Phaltan to conduct safety induction for all the new employees.

The Kothrud Engine Plant was recognized as the 2018 Ergonomics Regional winner in the annual Cummins Ergo Cup held for all the Cummins' sites globally. The India Parts Distribution Center was awarded the GreenCo Gold rating by Confederation of Indian Industries (CII) and the Power Generation SEZ plant won the India Green Manufacturing Challenge (IGMC) award for its environmental initiatives.

Making People's Lives Better

Success at Cummins is measured by more than the bottom line. We believe that if we do our job right, we can help build stronger communities, extend economic opportunity to people and help address the environmental challenges facing the world today.

Continuing our commitment towards a sustainable tomorrow, one of the key initiatives that your Company undertook was the launch of 'Cummins Powers Women'- a landmark community initiative to accelerate the advancement of women and girls around the world. Part of the global initiative, we will partner with Rise Up, a non-profit organization to support its work to advance education, equity, opportunity and social justice for women and girls.

Our efforts towards creating a cleaner environment witnessed great results as Phaltan town's ranking moved up from the 264th position to the 75th in the Western Zone of the Swachh Survekshan 2019 competition (a cleanliness and sanitation drive as part of Swachh Bharat Abhiyaan).

In the Higher Education focus area, your Company's flagship project, the Cummins College of Engineering for Women at Pune was adjudged 44th by the Outlook magazine in their ranking of top engineering colleges in India and the Nagpur campus was accredited B++

by National Assessment and Accreditation Council (NAAC).

In the Energy and Environment space, we successfully installed 27 permanent e-waste centers across Pune city of which 45.7 metric tons was scientifically treated and recycled helping avoid 119 metric tons co2. In the Khadakwasla Dam Rejuvenation project, your Company has helped conserve almost 60,000 million liters of water till date. Replicating the success and best practices of this project for the southern bank of the dam, we have kickstarted the project for the northern bank of the dam.

Under the Equality of Opportunity focus area, we continued our model village program across 13 villages near our plant sites and partnered with National Bank for Agriculture and Rural Development (NABARD)- a government organization for various initiatives in areas of water management, education, health & wellness, income generation and social engineering.

The Monsoon Resilient Maharashtra (MRM)- a strategic project, piloted in four villages last year, was scaled up to 14 villages in Mann Taluka, a significantly drought prone zone. The project has touched a total of 28,000 lives focusing on marginalized sections in these villages.

Launch of
**Cummins
Powers
Women**

*Phaltan town's ranking moved up from the
264th position to the 75th in the Western
Zone of the*

**Swachh Survekshan
2019 competition**

*Cummins College of
Engineering for Women in
Pune was*

Adjudged 44th
by the Outlook magazine

Global Priority Areas

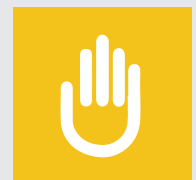
*Cummins focuses its employee
engagement and financial resources in
three global priority areas:*



Environment



Education



Equality of Opportunity



Students from Cummins College of Engineering for Women participate in SAE BAJA in Tennessee, U.S



Plantation at one of the Afforestation sites in Pune



Cummins India employees form human chain at Khadakwasla Dam to promote 'Dry Holi'



Cummins India partners with Rise Up to launch 'Cummins Powers Women'

Powering the Future

When I look around me, I feel humbled to see that Cummins is truly omnipresent. We power trucks, trains, ships, excavators and more, helping to deliver to our customers products that are faster, cleaner and more efficient. Our engines work thousands of feet below the Earth's surface and high in the mountains in some of the most demanding environments. Our generators provide reliable backup power to schools, hospitals and many other mission critical applications. In short, we power solutions that people depend on for their livelihood.

With rising urbanization, infrastructure growth and digitalization as the key drivers of the Indian economy, I see incredible opportunities for us as a company in the coming years. Opportunities for us to create cleaner products, serve our customers better and give back to the communities. With our values that serve as our guiding principle, our people who demonstrate these values every single day, our strong manufacturing footprint and extensive distribution, we are well poised to take on the future and deliver market-leading energy solutions.

In closing, I would like to express my gratitude to the Board Members for their unstinting support and guidance. I look forward to yet another successful year.

Sincerely,



Sandeep Sinha.



Board of Directors



Mark Levett
Chairman



Sandeep Sinha
Managing Director



Rajeev Bakshi
Independent Director



P. S. Dasgupta
Independent Director



Nasser Munjee
Independent Director



Venu Srinivasan
Independent Director



Prakash Telang
Independent Director



Anjuly Chib Duggal
Independent Director



Norbert Nusterer
Non-Executive Director



Antonio Leitao
Non-Executive Director



Suzanne Wells
Non-Executive Director



Donald Jackson
Non-Executive Director



J. M. Barrowman
Alternate Director
to Norbert Nusterer

BANKERS :

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

ICICI Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

YES Bank 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 :

Link Intime India Private Limited

C-101, 1st Floor, 247 Park,

L.B.S. Marg, Vikroli (West),

Mumbai 430 083

Phone : (022) 49186270

Fax : (022) 49186060

E-mail : rnt.helpdesk@linkintime.co.in

Website : www.linkintime.co.in

Cummins India Limited

[CIN : L29112PN1962PLC012276]

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Tower A, 5th Floor,
Survey No. 21, Balewadi,
Pune 411 045

Phone : (020) 67067000

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Website : www.cumminsindia.com

DIRECTORS' REPORT

The Directors take pleasure in presenting the Fifty-Eighth Annual Report together with the audited financial statements for the year ended March 31, 2019. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

1. FINANCIAL RESULTS:

On Standalone basis:-

During the Financial Year 2018-19, revenue from operations was ₹ 565,900 Lacs as compared to ₹ 516,106 Lacs during the previous year (9.6% higher). Profit after tax increased to ₹ 72,257 Lacs from ₹ 70,847 Lacs recorded for the previous year (2.0% higher).

On Consolidated basis:-

During the Financial Year 2018-19, revenue from operations was ₹ 569,731 Lacs as compared to ₹ 519,045 Lacs during the previous year (9.8% higher). Profit after tax increased to ₹ 74,261 Lacs from ₹ 71,182 Lacs recorded for the previous year (4.3% higher).

Financial summary

	Standalone		Consolidated	
	2018-19 (₹ in Lacs)	2017-18 (₹ in Lacs)	2018-19 (₹ in Lacs)	2017-18 (₹ in Lacs)
APPROPRIATION OF PROFIT:				
Profit before taxation	103,035	90,842	106,889	92,655
Net Profit for the year after tax	72,257	70,847	74,261	71,182
Tax on dividend	9,687	7,901	9,687	7,901
Dividend	47,124	38,808	47,124	38,808

2. RESERVES:

The closing balance of reserves, including retained earnings, of the Company as at March 31, 2019 was ₹ 407,501 Lacs.

3. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 10/- per equity share of ₹ 2/- each fully paid-up, in addition to the interim dividend of ₹ 7/- per equity share of ₹ 2/- each fully paid-up share declared on February 06, 2019, aggregating to ₹ 17/- (i.e. 850%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2019 (last year ₹ 15/- per equity share i.e. 750%). The final dividend payout is subject to approval of the Members at the ensuing Annual General Meeting.

3. SHARE CAPITAL

The paid-up share capital of the Company is ₹ 554,400,000/- divided into 277,200,000 equity shares of ₹ 2/- each as on March 31, 2019. Your Company has not come out with any issue (public, rights or preferential) during the year.

4. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associates as on March 31, 2019:-

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

CSSPL, a wholly-owned subsidiary, of the Company focuses on sales of Cummins engines, parts, accessories and providing service support to engines and generators in parts of Northern India close to the National Capital Region (NCR). CSSPL generated a revenue of ₹ 10,143 Lacs from its operations for the year ended March 31, 2019, as compared to ₹ 8,354 Lacs during the previous year (21.4% higher).

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

CRTI is a 50:50 joint venture between Cummins Inc., USA and your Company, which 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. Since, April 01, 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. The revenue from operations for the year ended March 31, 2019, and for the previous year was Nil.

c) Valvoline Cummins Private Limited (VCPL):

VCPL, a 50:50 joint venture between Valvoline International Inc., USA, a global leader in lubricants and engine oils, and your Company, generated a revenue of ₹ 133,276 Lacs from its operations for the year ended March 31, 2019, as compared to ₹ 128,006 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 revenue of ₹ 74,361 Lacs from its operations for the year ended March 31, 2019, as compared to ₹ 63,807 Lacs during the previous year (16.5% 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 company, 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, associates 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 information of CSSPL available upon the 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 financial statements in respect of CSSPL, are available on the website of the Company.

5. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

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 was fully repaid to the Company during the year, and no other loan or guarantee was given, or investment was made by your Company during the Financial Year 2018-19.

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 as approved by the Board may be accessed on the Company's website at the link: <https://www.cumminsindia.com/investors/corporate-governance>.

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Related party transactions have been disclosed under significant accounting policies and notes forming part of the Financial Statements in accordance with the relevant accounting standards.

7. CONSERVATION OF ENERGY:

During the FY 2018-19, your Company has strived to imbibe energy conservation principles and initiatives across all its facilities - Kothrud Engine Plant (Pune), Power Systems Business Unit Plant (Phaltan), Distribution Business Unit Plants (Phaltan) and India Parts Distribution Centre (Phaltan).

A 625 kWp grid connected solar power plant was installed and made operational at the Distribution Business Unit Plant at Phaltan in FY 2017-18. This installation of solar renewable energy system Plant has helped us save total units of 2,90,584 and a financial saving of ₹ 22,28,403/- for the FY 2018-19.

The other key initiatives across multiple areas are highlighted below –

HVAC – Your Company has undertaken initiatives such as installation of temperature based control system for the operation of cooling towers, AC optimum utilization through various logical controls, etc.

Lighting – Similar to last year, your Company has continued the initiative to replace old lighting fittings with new-age energy efficient LED fittings within and outside some of our facilities.

Awareness Generation – This included improving awareness amongst employees to switch off major energy consuming equipment or units when idle as well as employing an energy review tool and energy balance tool to identify projects.

These key initiatives resulted in annual energy savings of approximately 12.08 Lacs units of electricity and ₹ 98.1 Lacs of saving in energy costs.

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 tailored for the specific needs of the Indian market.

The Technical Center of your Company continues in this endeavour by developing the next generation of systems in collaboration with the parent company - Cummins Inc., USA.

Improved technical productivity through new methodologies and technologies, is being continuously pursued to reduce the costs associated with new product development and customer support. An example of this is the further enhanced use of analysis-led design computer models that help minimize hardware testing and therefore accelerate product development cycle times.

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. Rail engine product families to support the growing Rail Business;
2. Marine engine product families to support the increasing commercial Marine Business;
3. Further enhancement of the non-diesel product development capability as alternative fuels are being explored in India;
4. Telematics capability has been developed to improve uptime and fuel efficiency of our products;
5. Fit for market 910 kVA Genset node introduced in the market to serve specific requirement of the Metro segment; and

6. To enhance position of Cummins in the Low kVA market, your Company has introduced a new 35 kVA genset with X2.7 litre engine.

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

1. Enhanced product and service 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, 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; and
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 and market needs on commercial off-highway segment;
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. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives; and
5. Focussed engine development for the Power Generation market for the upcoming emissions norms.

- D.** Your Company continues to draw benefits from Cummins Inc.'s technology, advanced engineering and research. With this support your Company is committed to develop advanced fuel-efficient and emission-compliant products that use a variety of energy sources and comply with future domestic emissions and carbon dioxide targets. These help to reduce Greenhouse Gas emissions and improve Air Quality, whilst also enabling the products to deliver superior performance, reliability, durability and recyclability.

E. Expenditure on Research & Development (R&D):-

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

	2018-19 (₹ Lacs)	2017-18 (₹ Lacs)
Capital	83	26
Recurring	3,329	2,892
Total	3,412	2,918
Total R&D expenditure as a percentage of total sales turnover	0.6%	0.4%

9. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 4,779 engines and 7,659 generator sets. Foreign exchange earned in terms of actual inflows during the year 2018-19 was ₹ 200,745 Lacs (equivalent value of various currencies). Foreign exchange outgo in terms of actual outflows during the year 2018-19 was ₹ 102,425 Lacs (equivalent value of various currencies).

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 are 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 (including amendments thereof) and the same is appended as **Annexure '5A'** 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 risks 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.

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, other risks have been identified and assessed, and there is an adequate risk management infrastructure in place capable of addressing those risks. The development and implementation of risk management policy has been covered in the Management Discussion and Analysis, which forms part of this Report.

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's leadership culture is to inspire and encourage all employees to reach their full potential. A great leadership culture begins with the authentic leaders who create an outstanding place to work, inspiring and encouraging all employees to achieve their full potential. As leaders, we connect people and their work to the vision, mission, values, brand promise and strategies of the company, motivating them and giving them a higher sense of purpose. We build trust in our teams and in our organizations and align on key goals and priorities.

The Company has a 'Vigil Mechanism Policy' which inter alia provides adequate safeguards against victimization of persons who may blow the whistle. In addition, the Company has complied with provisions relating to constitution of an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a stabilized well governed ethics investigations process. During the year under review, two complaints pertaining to sexual harassment of women employees were reported to the Company and the same were investigated in accordance with the procedures prescribed and adequate steps were taken to resolve them and no complaints are pending. Vigil Mechanism Policy may be accessed on the Company's website <https://www.cumminsindia.com/investors/corporate-governance>.

The Company is committed to the highest possible standards of openness, integrity and accountability in all its affairs and to providing a workplace conducive to open discussion of its business practices. Your Company has laid out infrastructures and policies through which the employees can voice their concerns about suspected unethical or improper practice, or violation of Cummins Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the Company. Protected disclosures can be made by a whistle blower through an email or

dedicated telephone line or letter to the Managing Director of the Company or Letter to the Chairman of Audit Committee or via the Ethics helpline available.

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 2018-19. A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by the Board of Directors and Senior Management for the Financial Year 2018-19 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 Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2018-19.

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, 2019, 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, 2019 and of the profit for the period April 01, 2018 to March 31, 2019;
- (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:

Appointments and Re-appointments

During the year, Mr. Donald Jackson (DIN: 08261104) was appointed as an Additional (Non-Executive and Non-Independent) Director of the Company with effect from October 30, 2018 and Mrs. Anjuly Chib Duggal (DIN: 05264033) was appointed as an Additional (Non-Executive and Independent) Director of the Company with effect from December 19, 2018. A resolution seeking shareholder's approval for their appointment forms part of the Notice.

Mr. P. S. Dasgupta (DIN: 00012552), Mr. Venu Srinivasan (DIN: 00051523), Mr. Rajeev Bakshi (DIN: 00044621), Mr. Nasser Munjee (DIN: 00010180), and Mr. Prakash Telang (DIN: 00012562), were appointed as Independent Directors of the Company at the 53rd Annual General Meeting for a period of five years. Based on the recommendation of Nomination and Remuneration Committee and the Board, their re-appointment for a second term of five consecutive years is proposed at the ensuing Annual General Meeting for approval of the Members by way of Special Resolution.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Norbert Nusterer (DIN: 07640359), Director of the Company, retires by rotation and is eligible for re-appointment. The proposal seeking members approval for his re-appointment forms part of the Notice.

During the year, the Board in its meetings held on May 24, 2018, August 09, 2018, October 26, 2018 and February 06, 2019 noted the presence of Mr. Norbert Nusterer in India and consequent cessation of Mr. J.M. Barrowman as Alternate Director to Mr. Nusterer. The Board further confirmed the appointment of Mr. Barrowman as Alternate Director to Mr. Nusterer upon the return of original Director Mr. Nusterer to U.S.A.

During the year, the Board in its meetings held on August 09, 2018, noted the presence of Ms. Suzanne Wells in India and consequent cessation of Ms. Nicole McDonald as Alternate Director to Ms. Wells. The Board further confirmed the appointment of Ms. McDonald as Alternate Director to Ms. Wells upon the return of original director Ms. Wells to U.S.A.

Cessation

During the year, Mr. Mark Smith (DIN: 06852777) resigned as Director of the Company with effect from May 24, 2018, and Ms. Nicole McDonald (DIN: 07369062) resigned as an Alternate Director to Ms. Suzanne Wells, Director of the Company with effect from September 25, 2018.

As required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2, particulars of Directors seeking appointment/re-appointment at this Annual General Meeting are given in the Annexure to the Notice.

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

Details of the constitution, terms of references of each Committee and number of meetings attended by individual Directors 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. 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 and based on the criteria specified in 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:

During the year, the Management provided various documents, background notes etc. to Independent Directors to have a better insight of the Company. The Chairman and the Managing Director also has a one-to-one discussion with the newly appointed Directors to provide 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 familiarization programmes imparted are available at <https://www.cumminsindia.com/investors/corporate-governance>.

f) Declarations from 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 the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and adherence to Schedule IV of the Companies Act, 2013. There has been no change in the circumstances affecting their status as Independent Directors of the Company.

18. KEY MANAGERIAL PERSONNEL:

During the year, Mr. K. Venkata Ramana (FCS 4138) resigned as Group Vice President, Legal & Company Secretary and Key Managerial Personnel of the Company with effect from December 31, 2018.

Ms. Hemiksha Bhojwani (ACS 22170) was appointed as the Company Secretary and Key Managerial Personnel of the Company with effect from April 01, 2019.

19. PARTICULARS OF EMPLOYEES:

The details in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, is appended as **Annexure '9'** which 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.

20. INDUSTRIAL RELATIONS:

Industrial relations at the Company's plants continue to be cordial. Multiple initiatives have been rolled out providing development and growth opportunities to our shop employees.

21. AUDITORS:

STATUTORY AUDITORS:

At the 55th Annual General Meeting held on August 04, 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 Section 139(1) of the Companies Act, 2013, the appointment of statutory auditors does not require ratification by the shareholders in Annual General Meeting. Accordingly, the Board noted the appointment of M/s. S. R. B. C. & Co. LLP as the Statutory Auditors of the Company for the FY 2019-20.

M/s. S. R. B. C. & Co. LLP have informed the Company vide letter dated May 15, 2019 that their appointment, is within the limits prescribed under Section 141 of the Companies Act, 2013.

There are no qualifications, reservations, adverse remarks or disclaimers made by the auditors in the Audit Report for the year 2018-19. There was one instance of delay in transfer of interim dividend declared for the FY 2010-11 and it had no financial implication.

SECRETARIAL AUDITOR:

Dr. K. R. Chandratre, Company Secretary in Practice, was appointed to conduct the secretarial audit of the Company for the Financial Year 2018-19, 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 and Secretarial Audit Report pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Financial Year 2018-19 is appended as **Annexure '10'** which forms part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Annual Secretarial Compliance Report has been submitted to the stock exchanges within 60 days from the end of the financial year.

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 Committee, appointed M/s. Ajay Joshi & Associates (Firm Registration No. 101542), Pune, to audit the cost accounts of the Company for the Financial Year 2018-19 at a remuneration of ₹ 950,000 plus taxes as applicable and re-imbursalment of out of pocket expenses. As required under the Companies Act, 2013, the Members' ratification for the remuneration payable to M/s. Ajay Joshi & Associates, Cost Auditors, is being sought at the ensuing Annual General Meeting.

M/s. Ajay Joshi & Associates, Cost Auditors, under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder, have furnished a certificate of their eligibility and consent for appointment.

22. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

Your Company is an early adopter of the Corporate Social Responsibility (CSR) initiatives. Corporate Responsibility continues to be the core value of your Company embedded in the core value of Caring, 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 and Environment and Equality of Opportunity.

Details about the CSR Policy and initiatives taken by the Company during the year are available on our website <https://www.cumminsindia.com/investors/corporate-governance>. The Annual Report on our CSR activities is appended as **Annexure '11'** which forms part of this Report.

23. 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.

24. SECRETARIAL STANDARDS:

The Company is in compliance with the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

25. DIVIDEND DISTRIBUTION POLICY:

The Board of Directors of the Company have formulated a Dividend Distribution Policy which is appended as **Annexure '8'** and forms part of this report. The policy is also available on our website <https://cumminsindia.com/investors/corporate-governance>.

26. 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. Details relating to deposits covered under Chapter V of the Companies Act, 2013;
- b. Issue of equity shares with differential rights as to dividend, voting or otherwise;
- c. Issue of shares (including sweat equity shares) by the Company to its employees;
- d. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;
- e. No frauds were reported by auditors under Section 143(12) of the Companies Act, 2013;
- f. 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
- g. No material changes and commitments occurred during April 01, 2019 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 the 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,

Place : Mumbai
Date : May 22, 2019

Mark Levett
Chairman
DIN: 00368287

Sandeep Sinha
Managing Director
DIN: 02400175

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
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period :	Financial Year 2018-19
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 :	₹ 401.46 Lacs
6.	Total assets :	₹ 3,578.25 Lacs
7.	Total Liabilities :	₹ 1,976.78 Lacs
8.	Investments :	Nil
9.	Turnover :	₹ 10,143.41 Lacs
10.	Profit before taxation :	₹ 324.86 Lacs
11.	Provision for taxation :	₹ 81.45 Lacs
12.	Profit after taxation :	₹ 243.41 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 Companies and Joint Ventures

Name of Associates / 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, 2019	March 31, 2019	March 31, 2019
2. Shares of Associates / 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 Ventures	₹ 11 Lacs	₹ 804 Lacs (Please refer note no. 1)	₹ 1,720 Lacs (Please refer note no. 2)
Extent 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 associates / joint ventures is not consolidated	NA	NA	NA
5. Net worth attributable to Shareholding as per latest audited Balance Sheet	₹ 239 Lacs	₹ 10,960 Lacs	₹ 10,997 Lacs
6. Profit/Loss for the year			
i. Considered in Consolidation	₹ (14.00) Lacs	₹ 6,759.56 Lacs	₹ 2,468.06 Lacs
ii. Not Considered in Consolidation	₹ (14.00) Lacs	₹ 6,759.56 Lacs	₹ 2,616.52 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

Mark Levett
Chairman
DIN : 00368287

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha Bhojwani
Company Secretary
M. No. : A22170

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place : Mumbai
Date : May 22, 2019, 2016

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 were entered into during the year ended March 31, 2019, which were not at arm's length basis.

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

(₹ in Lacs)

Nature and Particulars of transactions	Name of the Related Party/s	Nature of Relationship	Salient Terms	Amount of the transaction
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2018-19	Tata Cummins Private Limited (TCPL)	<ul style="list-style-type: none"> - 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. Sandeep Sinha, Managing Director of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is also a Director of TCPL. - Mr. Rajiv Batra, Chief Financial Officer of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is also a Director of TCPL. 	Purchase of B, C & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	105,458

* 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 TCPL is Material RPT. It may be noted that during the FY 2018-19, the total annual consolidated turnover of the Company was ₹ 556,455 Lacs and that the Company had transactions with TCPL of ₹ 105,458 Lacs (i.e. of 18.95%). A similar trend of transactions with TCPL is expected in the current year. Therefore, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee and the Board of Directors have approved these transactions on February 06, 2019 and shall present the same for approval by the shareholders at the ensuing Annual General Meeting.

On behalf of the Board of Directors,

Place : Mumbai
Date : May 22, 2019

Mark Levett
Chairman
DIN: 00368287

Sandeep Sinha
Managing Director
DIN: 02400175

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- In Financial Year (FY) 2018-19, the Indian economy continued to grow due to focus on investments in infrastructure, stabilization of structural reforms such as GST harmonization and bank recapitalization and a pre-election fiscal stimulus. Robust private consumption aided this growth. Per Central Statistics Office's second advanced estimates, India's GDP was projected to grow at 7.0% for FY 2018-19, slightly lower than 7.2% in FY 2017-18¹.
- Government of India provided a massive push towards infrastructure (up by 21% in FY 2018 -19 over previous year) with an all-time high allocation to roads (up by 29% in FY 2018–19 from previous year) and railways (up by 22% in FY 2018-19 from previous year)². This increasing impetus to develop infrastructure has stimulated foreign and private investments in construction development and infrastructure over the past decade and fostered economic growth.
- Industrial production in India witnessed an uptick in the previous year driven by manufacturing, construction and utilities. Power transmission, roads and renewable energy sectors are poised to further drive investments in the coming years with key government initiatives such as Smart City Mission, Make in India, Bharatmala, Sagarmala and industrial and economic corridors.
- In contrast, global trade and industrial activity decelerated in 2018 amid trade tensions between major economies. Global headwinds like rising protectionist and restrictive trade policies, geo-political uncertainties in some parts of the world pose challenges to the economy.
- In the mid and long term, India remains on a growth trajectory as the benefits of structural reforms take effect and private consumption continues to grow with an expansionary stance of monetary policy. This is also reflected in the International Monetary Fund - World Economic outlook for India economic growth, projected at 7.3% during 2019 and 7.5% during 2020.

Notes:

1. At constant market prices as per the second Advance Estimates of National income FY 2017-18 Central Statistics Office (CSO) - Ministry of Statistics & Programme Implementation (released in February 2018).
2. Based on revised estimates of FY 2018-19 against actuals for FY 2017-18 from Ministry of Railways, Ministry of Shipping and Ministry of Road Transport and Highways as reported in Interim Budget.

2. Opportunities and Threats

Key Opportunities

Industrial

- Government's continued impetus through different initiatives especially in manufacturing and infrastructure sectors, along with the "Make in India" push will boost growth across the product portfolio.
- **Railways:** With focus by Indian Railways on safety and modernization, the production for Linke Hofmann Busch (LHB) passenger coaches is expected to drive the continued demand for power cars. Similarly, the safety focus has prompted the Railways to increase its fleet of Self Propelled Accident Relief Trains (SPART) to improve the accident relief coverage for its entire network. In the next couple of years, the focus on electrification by Indian Railways is expected to sustain the demand for Diesel Electric Tower Cars (DETC) for installation and maintenance of overhead electric equipment.

- **Mining:** With increased demand for coal stemming from thermal power plants, Coal India Ltd. has taken an aspirational target of 700 MT for FY 2019-20. Your Company anticipates that the stiff targets would drive an increased demand for higher tonnage mining equipment.
- **Marine:** Commencement of cargo movement on inland waterway routes (like National Waterway 1 - NW1) coupled with the 'Make in India' focus, will boost manufacturing of transport vessels thereby, increasing demand for marine main propulsion engines and diesel generator sets.
- **Oil & Gas and Pumps:** With the Letter of Intent distribution stage being completed for the 10th round of City Gas Distribution (CGD) bidding, your Company expects increased demand for gas engines in the city gas compression market based on the government's smart city initiative.
- **Construction:** Sustained government focus on building India's infrastructure mainly highways, railway, port and housing through initiatives like Bharatmala, Sagarmala, Smart City Mission, Housing for all would contribute to the growth of excavators and other earth moving equipment.
- With stricter Construction Equipment Vehicle (CEV) Bharat Stage (BS) IV emission norms announced for wheeled construction equipment (from October 2020) and non-wheeled BSIV CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) under discussion, your Company is looking forward to leveraging its global experience and technology leadership along with strong partnerships with all major equipment manufacturers to continue its growth in this sector.

Power Generation

- The overall power deficit of the country is expected to continue its declining trend. However, your Company believes there will be a sustained demand for backup power due to rapid urbanization, GDP growth and need for power assurance by the consumers.
- Your Company expects the Power generation segment to continue the growth, owing to Governments' emphasis on infrastructure projects and 'Make in India' initiative.
- With increasing digitalization of the economy, the Data centres segment is expected to grow, which would fuel demand for High Horsepower generator sets, where your Company holds a significant market share.
- The Commercial Realty segment is expected to exhibit higher growth as the demand for office spaces and commercial establishments continues to increase with ease of conducting business improving.

Distribution

- Your Company expects to grow at double digit growth rate on the back of government spending in areas of infrastructure and fleet modernization of railways, growth in power generation segment and our business development initiatives.
- Port and Logistics is another segment where growth is going to increase exponentially. Strong growth potential, favourable investment climate and sops provided by state governments have encouraged domestic and foreign private players to enter the Indian ports sector.

Exports

- Your Company has opportunities to grow in the Powergen markets, with focus on Africa and Middle East regions. Specifically, in Africa, where a quarter of world's population resides, power deficit presents a sizeable opportunity for growth.
- Reliable power grid in developed markets is putting further pressure on price realization and growth.

Key Threats

Industrial

- With an aim to reduce its carbon footprint and reduce diesel consumption, Indian Railways is looking towards electrification of its existing railway routes with targets set until 2022. This is expected to drive the short-term demand for Diesel Electric Tower Cars (DETC) for the upcoming couple of years. However, the long-term demand for diesel-powered equipment such as Diesel Electric Multiple Units (DEMU), power cars and DETCs is at risk.
- An increase in equipment cost is foreseen as the market transitions from current mechanical products to electronic platforms in the future due to change in emission norms. This could temporarily slowdown the industry in the immediate years of implementation.
- Further pan-India availability and usage of unadulterated BS VI (Low sulphur) fuel would be a need to ensure minimal performance issues on the new electronic engines platforms.

Power Generation

- Competitive activity in Power Generation market is increasing from international players who have established their manufacturing footprint in India as well as from domestic players who have expanded their product portfolio.

Distribution

- India is forecasted to be power surplus by FY 2018-19. This, coupled with a reduction in power deficit levels, is expected to impact utilization. This is, however, expected to be made up in part by increasing engine population.
- Competition from global OEMs as well as multichannel parts suppliers is expected to intensify.

Exports

- Sluggish growth in the global economy and changing demand pattern is resulting in volatility in demand. The challenge is being mitigated with close interaction and timely execution actions to manage the impact.
- Your Company is experiencing strong competitive activity in Powergen markets, Global brands such as CAT - Perkins, Kohler - SDMO and MTU, as well as local Genset assemblers are driving increased competition.

3. Product-wise Performance

Industrial

- An increase in value-additions, along with introduction of integrated solutions helped the Industrial Projects Business grow by 36% over FY 2017-18.
- The Rail segment grew by an unprecedented 53% over FY 2017-18 on the back of introducing integrated solutions in the Diesel Electric Tower Car segment and innovative offerings such as underslung solution and low-noise solution in the Power Car segment.
- The Construction segment grew by 20.6% in FY 2018-19, led by robust 6-cylinder & 4-cylinder engines powering earthmoving equipment and road machinery.

Power Generation

- Your Company continued to sustain a dominant market share across operating segments, especially Data Centers, Infrastructure, Manufacturing and Commercial Realty, in addition to making significant inroads into key Medium & High Horsepower nodes, despite the entry of new competitors.

- The Low Horsepower business witnessed a strong performance on the back of new product introductions as well as targeted marketing initiatives.

Distribution

- Your Company's Distribution Business grew majorly because of its Parts business and Rebuild Business. Introduction of Remanufacturing Diesel Gensets (Reman DGs) and constant engagement with private miners / contractors has yielded results.
- One-time large orders from Defence segment, higher OEM sales and greater focus on end user engagement has led to growth, especially in the Infrastructure segment.
- Your Company also introduced new products such as Reman DGs and consumables for the On-Highway market to bolster growth.

Exports

- Your Company continues to focus on cost reduction, quality and delivery improvements resulting in growth of the business last year.
- Business growth in the previous financial year was supported by a positive response to the Company's B3.3 Gensets launched in early 2017. Your Company has recently launched the 'CoolPac' version of the same product, and is expecting it to perform well.

4. New Business initiatives for Financial Year 2018-19

Industrial

- Recognizing the need of the Indian Railways to free up space on board, your Company introduced and installed underslung solutions for various rail applications, providing the Railways with additional revenue generation opportunities by utilizing the additional on-board space. The supply of underslung power cars and DETC were ramped up during the financial year.
- For the Power Car segment, your Company has also introduced innovative cost-effective noise attenuation solutions for a comfortable passenger experience.
- With an intent to provide an integrated offering to Indian Railways, your company has begun offering the complete power pack for DETC along with the on-site installation and commissioning support at the coach factories.
- To strengthen its position in the Marine business, your Company has entered the fishing boats segment with 180HP and 240HP engines.
- Your Company has inaugurated a dedicated plant for its Industrial Projects Business in Pirangut, Pune for catering to customized and integrated solution requirements of its customers.
- In the Excavator, Paver and Compressor markets, your Company has worked closely with several key customers and end users to understand the needs of the market. The efforts have helped to provide the right fit for market product to cater to varying needs of the customers as well as improve our value proposition in the Excavator market by offering extended service intervals.
- To address the upcoming BSIV norms in the Indian Market, the Construction, Earthmoving, Material handling and Mining Equipment (CEMM) - a tracked segment, your Company has initiated programs to launch superior electronic engines for all customers.

Power Generation

- Your Company has received a positive market response for the advanced (Power Command Control) PCC 3.3 controller for the High Horsepower segment, which provides significant benefits to customers to manage large multi-generator set installations. In the Low Horsepower segments, the new 20KVA product, our most compact 2-cylinder power solution that offers best-in-class installation footprint, was also well received by customers.
- Focusing on customer needs, your Company took significant steps to improve the power density of its products to reduce the total cost of ownership, lower maintenance cost and provide the benefit of a smaller installation footprint.
- Programs have also been initiated to launch products so that your Company is well positioned for the implementation of tighter emission norms in the future.

Distribution

- Your Company has been constantly on the lookout for opportunities to leverage technology in the way it operates and supports our customers. This year also saw a slew of new technologies and services to improve customer service.
- Your Company's onsite service delivery process was completely digitized with the launch of the Field Service Management mobile application, to optimize the performance of field service engineers.
- A Rapid Response Team was created to address field critical issues and reduce engine downtime with advance remote diagnosis tools.
- Parts on Wheels and the Service Van are initiatives that helped in reaching the customer, thereby improving service as well as parts penetration at the last mile.

Exports

- Given competitive pressures, your Company has undertaken several product improvement actions to strengthen our position in the marketplace. This includes enhancements to existing products along with cost optimization. In addition, your Company continues to improve robustness of its products through specific actions in the Quality area.

5. Achievements

Industrial

- The Industrial Business recorded highest annual sales of ₹ 93,800 Lacs in FY 2018-19.
- India's first indigenously designed & developed 205T Electric Drive Rear Dump Truck (Model BH205-E) that was launched by Bharat Earth Movers Limited (BEML) in September 2018, was powered with Cummins QSK60 engine. This enables your Company to position itself effectively for the high capacity market requirements of mining segment.
- The first ever Self-Propelled Inspection Car (SPIC) rolled out by Integral Coach Factory (ICF) for Indian Railways officials to undertake inspections of tracks, stations and level crossings, is powered by Cummins 340HP NTA855 underslung engine power pack.
- Your Company has provided Central Railways with an integrated traction solution along with the control systems for the toy train locomotive (NDM1 class Narrow Gauge Diesel Locomotive) plying between Neral and Matheran, a route that has steep gradients and numerous curves to navigate, making this development a significant achievement for your Company.

- Your Company is foraying into international markets through supply of 1800hp QSK50 engines for state-of-the-art DEMU trains manufactured by Indian Railways to be exported to Sri Lankan Railways.
- With the Company's entry into the Backhoe loader segment last year, your Company started the production of the 3.9 Litre engine and has successfully created a presence in the segment.
- Your Company enhanced its position in the Construction & Compressor segments with a sustained growth of 28% by volume in FY 2018–19 over FY 2017–18.

Power Generation

- The Power Generation business has achieved volumes of over 22,000 generator sets, the highest in the last three years.
- For the second consecutive year, your Company has provided over 4000MW of backup power to customers across India.
- Your Company's QSK60 product powered the National Informatics Center's first Data Center in Eastern India at Bhubaneswar. This was inaugurated by the Union Minister of Electronics & Information Technology.

Distribution

- The Net Promoter Score (NPS) which is a measure of customer's loyalty, has improved to 82% this year which has resulted in placing the Distribution Business in the first place across all Cummins regions globally, consecutively for two years.
- Your Company further strengthened the nation-wide 'Coach Them Young' initiative, led by Distribution Business, a program aimed at imparting awareness about the importance of environment protection to the budding generation of our country. With the commitment from our employees and channel partners, the project successfully covered over 1.2 million students this year, which is a 20% increase over last year.

Exports

- With the help of closer collaboration with the channel partners, your Company has crossed ₹ 20,000 Lacs revenue in three quarters of the financial year for low kVA Gensets business.

6. Outlook and Initiatives for the Current Year and Thereafter

Industrial

- With the underslung technology and innovative cost-effective noise attenuation solutions, your Company is well positioned for the Indian Railways' plan to focus on safety and modernization.
- To cater to the increased demand for higher tonnage dump trucks in the mining market, your Company is boosting its mining product portfolio with high-horsepower QSK50 and QSK60 engines.
- Your Company continues its strong partnership with Indian Navy, Coast Guard and major shipyards with its main propulsion engines along with diesel generator set offerings.
- Your Company plans to strengthen its foray into the fishing boats market by launching new products to cover the higher power nodes (>240HP).
- Stable government and focus of investments in the infrastructure growth, remains key market driver for construction sector during FY 2019-20. Existing projects are likely to continue the pace of growth providing a stable to positive outlook for FY 2019-20.

- Your Company is committed to remain the technology leader and partner with all the major equipment manufacturers for the new product launch in time for the BSIV CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) changes.

Power Generation

- With greater focus on more stringent environmental norms in the future, your Company is positioned favourably as a pioneer in producing engines with cleaner technology and higher fuel efficiency.
- Your Company expects the power deficit to continue declining, intensifying the shift in generator set usage towards a standby pattern. However, with the renewed push on infrastructure & industrial development, as well as increasing urbanisation, the demand outlook for backup power continues to be optimistic.
- Energy storage technologies are expected to enter the power generation landscape in the coming years. Your Company sees these technologies as opportunities to serve customers as they become more viable.
- Your Company would continue to enhance value added offerings to the customers through digital solutions and data analytics.

Distribution

- Your Company expects to continue its growth trajectory into next year through content growth driven by key segments such as Power Generation, Infrastructure and Railways segments.
- Your Company will look to leveraging adjacencies with our channel and launch higher number of products in the coming year.
- Upswing from the Compressor segment is likely to further bolster growth.

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 a set of initiatives to improve product offerings, collaborate with the regions, channels and enhance quality as well as delivery performance to drive profitable growth.

7. Risks and Concerns the Management Perceives

- Volatility in oil prices, financial market instability and potential trade wars pose a threat to the economic outlook.
- Fluctuating oil prices would have a spill-over impact on the consumption and investment behaviour in the economy that could unfavourably affect the Company's equipment sales in the industrial and power generation business and operations. In addition, the impact on India's import bill would also result in regulatory uncertainties and demand for investments in new products and technologies.
- The risk due to widening of India's current-account deficit, primarily due to a combination of higher oil prices, rising external vulnerabilities and a sharp slowdown in portfolio flows, is expected to weigh on the rupee. As the Company is a global organization, pressures on the rupee may impact on the import supply chain and the Company's export business.
- Your Company's export growth hinges on an increase in demand in partner countries, which continues to be uncertain and weak. As a result of our international business presence, we are exposed to foreign currency exchange rate risks.

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, which leverage Six Sigma approach, such as 'Accelerated Cost Efficiency' (ACE) V, Accelerated Move towards Zero Defects (AMAZE), Accelerated Supply Chain Excellence and Transformation (aSCeNt) have had a significant positive influence on your Company's profitability. Continued focus on these efforts will help your Company maintain cost leadership in the domestic market and remain the preferred source for exports.

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 regarding maintenance 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. Your 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 Audit and Business Control function and reported to the Audit Committee. An ongoing program, 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 programs 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 program, 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 Risk Management Committee reviews business risk areas covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, legal & environmental compliances, data security, product quality and product planning.

9. Key Financial Ratios

- i) Details of significant changes - (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations: No significant change compared to the immediately previous financial year.
- ii) Details of any change in Return on Net Worth as compared to the immediately previous financial year :

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Return on Net Worth (%)	17.80%	18.33%	23.7%	23.9%

Return on net worth is computed as net profit by average net worth. The details for change in return on net worth are explained in relevant sections above.

10. Human Resources Development and Industrial Relations

The total number of employees stands at 3,732 as on March 31, 2019.

Leadership Excellence

In building leadership excellence across the organization, 269 managers underwent the 'Leadership Conversations – Building Success in Others' program. In FY 2018-19, 95 employees were sponsored for higher education, at your Company's partner institutions such as the Kelley School of Business at the Indiana University in the US, the S. P. Jain Institute of Management and Research (S. P. Jain) for post graduate management program and the two-year Bachelors in Technology course in partnership with BITS Pilani for our shop employees.

Structured initiatives are being offered with a focus to develop and nurture women leaders across business units. The 'Women Leadership Development Program' focuses on enhancing leadership capabilities of high performing women employees and encompasses career conversations, gap analysis, mentoring sessions and function specific learning interventions.

Hire-To-Develop and Seamless Talent Deployment

Your Company is continuing with the important initiative of hire-to-develop which presents growth opportunities to employees for self-development by taking up responsibilities across functions and businesses. At least 164 professional employees have moved into different roles or functions within the group.

As your Company continues to grow and expand throughout the world, it becomes increasingly important to get visibility to talent insights, no matter what country it operates in. By standardizing, integrating and automating talent management processes, your Company has provided leaders with an efficient technology based process called Integrated Talent Management (ITM). ITM touches the key stakeholders-employees, managers and businesses for enabling all to work together to achieve their goals and helps employees reach their full potential with a both way communication and feedback.

Recruitment

Continuing the focus around employing the right and diverse talent at both entry & experienced level and developing them for future roles within the organization, this year, your Company hired 63 entry level employees from partnered Engineering & Management institutes supplemented with 112 experienced hires.

Around 83 women were hired which is 47% of total hires in FY 2018-19, thus showcasing the commitment towards gender equality. Your Company has increased its focus on diversity beyond gender by hiring workforce from diverse backgrounds viz. region, religion, differently abled & LGBTQ.

Your Company has made some good investments in attracting talent from the industry and hired Engineering Technical Experts, Technical and Business Leaders & Experts in emerging technologies thereby continuing with our commitment to invest in upscaling technology.

Diversity and Inclusion

Given the impact of diversity as a powerful business driver, your Company moved a step ahead and added inclusion along with Diversity as a core value. The efforts put in this journey for the past decade has put women representation at professional levels at ~31%.

Your Company revisited the diversity roadmap with more focus on representation of Cummins as a reflection of the socio-cultural and demographic dimensions of the country and sought every opportunity to interlace inclusion. Keeping in mind that diversity encompasses more than just representation and the fact that a changing workforce means changing demands and expectations, few new Employee Resource Groups (ERG) have been launched. These ERG's

Groups would work on various visible and invisible dimensions of diversity namely: Generation, Culture, Differently Abled, LGBTQ and Gender. The objectives of these Employee Resource Groups would be to focus on initiatives aligned with the organization's mission, values, goals, business practices and objectives.

The Employee Resource Group for Gender Diversity: WE (Women's Empowerment) Network continues to partner with the business with initiatives focusing on the three pillars namely: Safety (Physical and Emotional), Health/Wellness and Development. Your Company continues to provide crèche facilities at all its plants and corporate office to support working mothers. This facility is also being extended to the male employees in the organization.

Megasite Update

At the Cummins Megasite, living up to the spirit of 'One Cummins', your Company continues to move Talent seamlessly within all the plants based on employee & business needs. Your Company believes in "Hire to Develop" and acts by providing internal opportunities as well as recruitment of fresh talent through campus. Right talent balance is achieved through hiring special skills from outside to meet business talent needs. Multiple initiatives are rolled out & some are in planning phase to attract & retain talent at Megasite. Your Company hosted a mega event to invite families to show our plants followed by a cultural program & dinner. This event was an addition to our broad employee engagement plan. Cummins residential campus housing more than 50% female employees out of total 400 beneficiaries is equipped with gymnasium, yoga room, indoor & outdoor sports facility. This facility also houses a convenience shop for daily needs which is run by a self-help group through our Corporate responsibility initiatives.

Your Company has achieved 22% female representation amongst the shop-floor employees and 25% female representation amongst the professional employees. The creche facility was expanded to double its capacity to cater to the growing need. Around 75 children are getting benefited through state of art facility, balanced diet & care through expert staff. Your organization is supporting Government's skill enhancement program through National Employment Enhancement Mission (NEEM) Scheme & Apprentice scheme. Your Company has received a special approval to train apprentices in all the shifts which also helped to double the apprentice number as trainee. Automated biometric attendance system helps to improve governance of flexi workforce along with a systematic internal audit mechanism for compliances in this area.

Right Environment

Every year, your Company's employees, across businesses and functions, are driving us towards excellence and helping us power a more prosperous world. Recognizing these efforts and contributions, your Company felicitates such exemplary projects led by the employees at the Cummins Excellence Awards which is held annually. Some of the award categories are Business Impact, Customer Impact, Employee Impact, Environmental Impact and Community Impact. Our efforts to have all the 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 the company's stakeholders, both internal and external to the organization. Every year, your Company utilizes its learnings via various speak up channels and ensures to upgrade all relevant policies to help its employees unleash their full potential. The Company continues to provide trainings over and above the existing "Prevention of Sexual Harassment at Workplace Act – 2013 (Prevention, Prohibition and Redressal) awareness and training.

11. 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 the 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 13 Directors, with 1 Promoter (Executive) Director, 5 Promoter (Non-Executive) Directors and 1 Alternate (Non-Executive) Director, including 1 Woman Director and 6 Independent (Non-Executive) Directors including 1 Woman Independent Director.

Mr. Mark Levett (DIN: 00368287) is the Chairman of Board of Directors of the Company effective March 02, 2018. Mr. Sandeep Sinha (DIN: 02400175) is the Managing Director of the Company effective February 01, 2018.

The composition of the Board is in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 read with Section 49 of the Companies Act, 2013.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 the Independent Directors have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. There has been no change in the circumstances affecting their status as Independent Directors of the Company.

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

DISCLOSURE OF EXPERTISE OR SKILLS OF DIRECTORS

The Board has identified the following skill set with reference to its Business and Industry which are available with the Board:

Sr.	Name of Directors	Expertise/Skills in specific functional area
1	Mr. Mark Levett	General Management, Corporate Social Responsibility and Distribution
2	Mr. Sandeep Sinha	Management, Operations and Corporate Strategy
3	Mr. Nasser Munjee	Finance and Accounting
4	Mr. P. S. Dasgupta	Mergers and Acquisitions, Reorganization & Restructuring, Infrastructural Project Development, Financing, Joint Venture, Licensing and Corporate Laws

Sr.	Name of Directors	Expertise/Skills in specific functional area
5	Mr. Prakash Telang	Automotive Industry, General Management and Operations
6	Mr. Rajeev Bakshi	Marketing and Supply Chain Management
7	Mr. Venu Srinivasan	Automotive Industry and General Management
8	Mrs. Anjuly Chib Duggal	Public Policy including Public Finance and Corporate Affairs
9	Mr. Norbert Nusterer	Supply Chain Management, Turnaround Management and Business Process Transformation
10	Mr. Antonio Leitao	Strategy and Management
11	Ms. Suzanne Wells	Manufacturing, Quality, Purchasing, Finance and General Management
12	Mr. Donald Jackson	Finance and Corporate Treasury
13	Mr. J. M. Barrowman	Manufacturing Engineering and Business Management

b) Board Meetings:

- i. During the year under review five Board meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on May 24, 2018, August 09, 2018, October 30, 2018, February 06, 2019 and March 29, 2019 for which the requisite quorum was present.

The Independent Directors held their separate meeting on February 06, 2019 without the attendance of Non-Independent Directors and Members of the Management.

- ii. **Attendance at the Board meetings and Annual General Meeting ('AGM') for F.Y. 2018-19:**

Name of Directors	Dates of Meeting					Date of AGM
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019	March 29, 2019	August 9, 2018
Mr. Mark Levett	✓	✓	✓	✓	X	✓
Mr. Sandeep Sinha	✓	✓	✓	✓	✓	✓
Mrs. Anjuly Chib Duggal	NA	NA	NA	✓	✓	NA
Mr. Nasser Munjee	✓	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	✓	X	✓	✓
Mr. Antonio Leitao	X	✓	X	✓	✓	✓
Mr. Mark Smith	✓	NA	NA	NA	NA	NA
Ms. Suzanne Wells	X	✓	X	X	X	✓
Mr. Donald Jackson	NA	NA	NA	✓	✓	NA
Mr. J. M. Barrowman	✓	✓	NA	✓	X	✓
Ms. Nicole McDonald	X	NA	NA	NA	NA	NA
Mr. Norbert Nusterer	✓	✓	✓	✓	X	✓

Notes:-

1. All the Independent Directors attended the separate meeting of Independent Directors held on February 6, 2019 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 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. Rajeev Bakshi, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Risk Management Committee of the Board of Directors of the Company.
5. Mr. J. M. Barrowman, Alternate Director to Mr. Norbert Nusterer, attended the Board Meeting held on May 24, 2018, August 09, 2018, February 6, 2019 and the Annual General Meeting held on August 09, 2018 by special invitation.
6. Mr. Donald Jackson was appointed as an Additional Director (Non-executive and Non-Independent) on the Board of the Company effective October 30, 2018.
7. Mrs. Anjuly Chib Duggal was appointed as an Additional Director (Non-executive and Independent) on the Board of the Company effective December 19, 2018.
8. Mr. Mark Smith, Director and Ms. Nicole McDonald, Alternate Director to Ms. Suzanne Wells resigned as Director from the Company effective May 24, 2018 and September 25, 2018 respectively.

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

Name of Directors	Category	No. of other Directorships		No. of other Committee memberships		Details of Directorships / Committee memberships in other listed Companies
		Chairman	*Member	Chairman	**Member	
Mr. Mark Levett	Promoter Non-Executive	-	-	-	-	Nil
Mr. Sandeep Sinha	Promoter Executive	-	-	-	-	Nil
Mr. Antonio Leitao	Promoter Non-Executive	-	-	-	-	Nil
***Mr. Mark Smith	Promoter Non-Executive	-	-	-	-	Nil
Ms. Suzanne Wells	Promoter Non-Executive	-	-	-	-	Nil
Mr. Norbert Nusterer	Promoter Non-Executive	-	-	-	-	Nil
****Mr. Donald Jackson	Promoter Non-Executive	-	-	-	-	Nil
Mr. Nasser Munjee	Independent Non-Executive	2	7	8	17	#
Mr. P. S. Dasgupta	Independent Non-Executive	-	7	5	13	#

Name of Directors	Category	No. of other Directorships		No. of other Committee memberships		Details of Directorships / Committee memberships in other listed Companies
		Chairman	*Member	Chairman	**Member	
Mr. P. M. Telang	Independent Non-Executive	2	4	3	8	#
Mr. Rajeev Bakshi	Independent Non-Executive	-	1	-	1	#
Mr. Venu Srinivasan	Independent Non-Executive	2	3	2	3	#
*****Mrs. Anjuly Chib Duggal	Independent Non-Executive	-	1	-	-	#
Mr. J. M. Barrowman	Alternate Director to Mr. Norbert Nusterer	-	-	-	-	Nil
****Ms. Nicole McDonald	Alternate Director to Ms. Suzanne Wells	-	-	-	-	Nil

* Number of Membership of Board includes Chairmanship of Board.

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

***Mr. Mark Smith resigned as Director of the Company effective May 24, 2018.

**** Ms. Nicole McDonald resigned as Alternate Director to Ms. Suzanne Wells effective September 25, 2018.

*****Mr. Donald Jackson was appointed as an Additional Director on the Board of the Company effective October 30, 2018.

*****Mrs. Anjuly Chib Duggal was appointed as an Additional Director (Non-Executive and Independent) of the Company effective December 19, 2018.

As required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the names of the listed entities where the Director is holding directorship and the category of directorship is given in the Annexure to the Notice of this Annual General Meeting of the Company.

The Board of Directors have re-appointed Mr. P. S. Dasgupta, Mr. Venu Srinivasan, Mr. Rajeev Bakshi, Mr. Nasser Munjee and Mr. P. M. Telang, Independent Directors, for a second term of 5 consecutive years effective August 01, 2019 subject to approval of shareholders.

Notes:-

- As on March 31, 2019, 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.
- Directorships in Foreign Companies are excluded in the above table.
- As per the records available with the Company, none of the Directors hold the office of Independent Director in more than seven listed Companies.
- None of the Directors on the Board holds directorships in more than ten public Companies. None of the Independent Directors serves as an Independent Director on more than seven listed entities. Necessary disclosures regarding committee positions in other public companies as on March 31, 2019 have been made by the Directors.
- None of the Directors are related to any Directors, Manager or Key Managerial Personnel of the Company.

3. COMMITTEES OF THE BOARD:

a) AUDIT COMMITTEE:

The Audit Committee was re-constituted on May 24, 2018. As on March 31, 2019, the Audit Committee comprised of 6 Directors including 1 Promoter (Non-Executive) Director – Mr. Mark Levett and 5 Independent Directors – Mr. Nasser Munjee (Chairman), Mr. P. M. Telang, Mr. P.S. Dasgupta, Mr. Rajeev Bakshi and Mr. Venu Srinivasan.

Attendance at the Audit Committee meetings for F.Y. 2018-19:

Name of Directors	Dates of Audit Committee Meeting				
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019	March 29, 2019
*Mr. Mark Smith	X	NA	NA	NA	NA
**Mr. Mark Levett	NA	✓	✓	✓	X
Mr. Nasser Munjee	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	✓	X	✓

*Mr. Mark Smith resigned as Director of the Company effective May 24, 2018 and consequently ceased to be the Member of the Committee.

**Mr. Mark Levett was appointed as a Member of the Committee effective May 24, 2018.

The Committee reviewed the audited financial statement for the year ended March 31, 2019 and unaudited financial results for the quarters ended June 30, 2018, September 30, 2018 and December 31, 2018. The Committee also reviewed (i) appointment of Statutory, Secretarial, Cost 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 2017-18; (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; (xiii) Prohibition of Insider Trading Policies; and (xiv) Ethics and related matters.

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

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

Broad terms of reference to the Audit 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 Transactions Policy of the Company is available at <https://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 Managing Director, the Chief Financial Officer and the Business Unit Heads of the Company are invited for the meetings of the Committee.

b) NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee was reconstituted on May 24, 2018. As on March 31, 2019, the Committee comprised of 1 Promoter (Non-Executive) Director - Mr. Mark Levett and 4 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Nasser Munjee.

Attendance at the Nomination and Remuneration Committee meetings for F.Y. 2018-19:

Name of Directors	Dates of Nomination and Remuneration Committee Meeting				
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019	March 29, 2019
Mr. P. M. Telang	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	X	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	X	✓
*Mr. Mark Levett	NA	✓	✓	✓	X

*Mr. Mark Levett was appointed as a Member of the Committee effective May 24, 2018.

The Committee reviews appointment of Directors and Key Managerial Personnel. 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 <https://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.

Performance evaluation criteria for Directors including Independent Directors:

The Committee oversees the 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.

The Head – HR solicits comments from each Director annually with respect to performance of the Directors, Board and its Committees and Board dynamics. These comments relate to the broad 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 and the 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 for 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. The annual commission is paid on equal basis to all Non-Executive Independent Directors at a rate not exceeding 1% of Net Profits computed in accordance with Section 198 of the Companies Act, 2013. The 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.

Criteria for making payment to Non-Executive Independent Directors:

- Non-Executive Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they are Members) and commission as per limits prescribed in the applicable law. Quantum of sitting fees may be subject to review on a periodic basis, as required.
- The payment of sitting fees and commission shall be recommended by the Nomination and Remuneration Committee and approved by the Board and shareholders based on the study of comparable companies and within the limits prescribed under the applicable law. Overall remuneration practices shall be consistent with recognised best practices.
- The Nomination and Remuneration Committee shall recommend to the Board, the quantum of commission for each Independent Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings.
- In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company.

Details of Sitting Fees and Commission to Non-Executive Independent Directors for the financial year April 1, 2018 to March 31, 2019:

(₹ in Lacs)			
Name of Directors	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	5.00	15.00	20.00
Mr. P. S. Dasgupta	5.75	15.00	20.75
Mr. Prakash Telang	5.75	15.00	20.75
Mr. Rajeev Bakshi	5.75	15.00	20.75
Mr. Venu Srinivasan	4.75	15.00	19.75
*Mrs. Anjuly Chib Duggal	2.00	3.75	5.75

*Commission paid on pro-rata basis.

Note:

The Company paid ₹ 1,96,000 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 FY 2018-19 (₹ 268,197/- during the FY 2017-18) after obtaining prior approval of the Audit Committee of the Board of Directors of the Company. The same are not material in nature.

Details of remuneration paid to Mr. Sandeep Sinha, Managing Director of the Company during the financial year April 01, 2018 to March 31, 2019:

(₹ in Lacs)

	Sitting fees	Salary	Comm-ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
Mr. Sandeep Sinha	-	238.27	-	-	-	-	8.16	246.43

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 and other Directors.
3. 'Other Benefits' in the remuneration details provided for Mr. Sandeep Sinha consists of expenses related to the car facilities.

c) STAKEHOLDERS RELATIONSHIP COMMITTEE:

The Stakeholders Relationship Committee was re-constituted on May 24, 2018. As on March 31, 2019, the Stakeholders Relationship Committee comprised of 1 Promoter (Executive) Director - Mr. Sandeep Sinha and 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Venu Srinivasan.

Attendance at the Stakeholders Relationship Committee meetings for F.Y. 2018-19:

Name of Directors	Dates of Stakeholders Relationship Committee Meeting			
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019
Mr. P. M. Telang	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	✓	X
*Mr. Sandeep Sinha	NA	✓	✓	✓

*Mr. Sandeep Sinha was appointed as a Member of the Committee effective May 24, 2018.

Broad Terms of Reference to Stakeholders Relationship Committee:

The Committee reviews and advises the Company on any grievance in relation to:-

- Non-transfer of shares;
- Non-receipt of Annual Report;
- Non-receipt of dividend/ interest warrants;
- Oversee the performance of the Registrar and Share Transfer Agent and ensure setting of proper controls;
- Oversee compliances in respect of dividend payments, transfer of unclaimed amounts to the Investor Education and Protection Fund and ensure timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company;
- Review of measures taken for effective exercise of voting rights by shareholders;

- Recommend measures for overall improvement of the quality of investor services; and
- Any other investors' grievance raised by any shareholder.

Compliance Officer: Ms. Hemiksha Bhojwani, Company Secretary and Compliance Officer

The following shareholder complaints were received and resolved during the financial year April 01, 2018 to March 31, 2019:

Sr. No.	Nature of Complaint	No. of Complaints
1.	Non-receipt of Annual Reports	1
2.	Non-receipt of Dividend Warrants	3
3.	Non-receipt of Share Certificates	5
4.	Non-receipt of Bonus Certificates	3
5.	Others	3
	Total	15

Number of complaints pending with the Company: NIL

Number of pending share transfers: NIL

Insider Trading Code: The Company has a separate Code i.e. Code of Practices and Procedures for Fair Disclosure and Protection of Unpublished Price Sensitive Information, in line with SEBI (Prohibition of Insider Trading) Regulations, 2015 and amendments thereof which was modified by the Board of Directors on March 29, 2019. The said Code is applicable to all Directors, Connected Persons and Designated Persons as defined under the said Regulations and governs sale and purchase of Company's securities by them. In terms of this Code, Directors, Connected Persons and Designated Person 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.

d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Corporate Social Responsibility Committee was re-constituted on May 24, 2018. As on March 31, 2019, the Corporate Social Responsibility Committee comprised of 1 Promoter (Non-Executive Director) - Mr. Mark Levett and 4 Independent Directors – Mr. P. M. Telang (Chairman), Mr. Nasser Munjee and Mr. P. S. Dasgupta and Mr. Venu Srinivasan.

Attendance at the Corporate Social Responsibility Committee meetings for F.Y. 2018-19:

Name of Directors	Date of Corporate Social Responsibility Committee meeting			
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019
Mr. P. M. Telang	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	X	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
*Mr Venu Srinivasan	NA	✓	✓	X
**Mr. Mark Levett	NA	✓	✓	✓

*Mr. Venu Srinivasan was appointed as a Member of the Committee effective May 24, 2018.

**Mr. Mark Levett was appointed as a Member of the Committee effective May 24, 2018.

Broad Terms of Reference of Corporate Social Responsibility Committee ('CSR'):

- To formulate and recommend to the Board, a CSR 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.

e) RISK MANAGEMENT COMMITTEE:

The Risk Management Committee was reconstituted on May 24, 2018. As on March 31, 2019, the Risk Management Committee comprised of total 4 Directors including 1 Promoter (Executive) Director – Mr. Sandeep Sinha and 3 Independent Directors – Mr. Rajeev Bakshi (Chairman), Mr. P. S. Dasgupta and Mr. Nasser Munjee

Attendance at the Risk Management Committee meetings for F.Y. 2018-19:

Name of Directors	Dates of Risk Management Committee meeting			
	May 24, 2018	August 9, 2018	October 30, 2018	February 6, 2019
*Mr. Mark Smith	X	NA	NA	NA
Mr. Nasser Munjee	✓	✓	X	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
**Mr. P. M. Telang	✓	NA	NA	NA
Mr. Rajeev Bakshi	✓	✓	✓	✓
**Mr. Venu Srinivasan	✓	NA	NA	NA
***Mr. Sandeep Sinha	NA	✓	✓	✓

*Mr. Mark Smith resigned as Director of the Company effective May 24, 2018 and consequently ceased to be a Member of the Committee.

**Due to change in constitution of the Committee effective May 24, 2018.

***Mr. Sandeep Sinha was appointed as a Member of the Committee effective May 24, 2018.

The Committee reviewed the risk assessment and minimization procedures for the quarter ended June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019.

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

- To periodically assess risks to the effective execution of business strategy and review key leading indicators in this regard;
- To periodically review and approve the Risk Management Framework including the risk management processes and practices of the Company;
- To evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner;
- To co-ordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice); and
- To review and periodically re-assess the adequacy of its Charter and recommend any proposed changes to the Board for approval.

4. ANNUAL GENERAL MEETING ('AGM'):

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

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Date and Time	August 04, 2016 At 12 noon	August 03, 2017 At 12 noon	August 09, 2018 At 12 noon
Venue	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	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045

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

No special resolution was passed at the Annual General Meeting held on August 04, 2016, August 03, 2017 and August 9, 2018.

Postal Ballot: No resolution was passed through Postal Ballot during the FY 2018-19 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 Subsidiaries, Promoters, Directors, Management 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 <https://www.cumminsindia.com/investors/corporate-governance>.
- b) The Company has disclosed the Material Subsidiary Policy on its website and is accessible at <https://www.cumminsindia.com/investors/corporate-governance>.
- c) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last 3 years.
- d) The Company has complied with the mandatory Corporate Governance requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- e) The Company has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- f) The Company follows a Vigil Mechanism Policy (earlier known as Whistle Blower Policy) since FY 2003-04 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No person has been denied access to the Audit Committee under the Vigil Mechanism Policy.
- g) Foreign exchange risk and hedging activities:

During the FY 2018-19, 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. 45(a)(i) to the Annual Accounts (Standalone Financial Statement).
- h) 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.

- i) There were no recommendations of Committees of the Board mandatorily required in a financial year which were not accepted by the Board.
- j) Details relating to fees paid to the Statutory Auditors are given in Note 32 to the Standalone Financial Statements and Note 32 to the Consolidated Financial Statements.
- k) In the opinion of the Board, the Independent Directors fulfill the conditions specified in these regulations and are independent of the Management.
- l) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013: The details of number of complaints filed and disposed of during the year and pending as on March 31, 2019 is given in the Directors' report.

6. MEANS OF COMMUNICATION:

- a) The quarterly shareholding pattern and quarterly / half-yearly / yearly un-audited / audited financial results were posted on the Company's website www.cumminsindia.com and also on <https://www.nseindia.com/> and <https://www.bseindia.com/>
- b) The official news releases of the Company were displayed on the Company's website www.cumminsindia.com and also on <https://www.nseindia.com> and <https://www.bseindia.com>.
- c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2019 and quarters ended June, September and December 2018 were published in Business Standard (All editions) and Loksatta (Pune Edition).
- d) Transcript of Conference calls with the Analysts held on May 25, 2018, August 13, 2018, November 01, 2018 and February 07, 2019 and the Managing Director's Presentation to the Shareholders made at the AGM held on August 09, 2018 were displayed on the Company's website www.cumminsindia.com

7. GENERAL SHAREHOLDER INFORMATION:

Registered Office	Cummins India Office Campus, Tower A, 5 th Floor, Survey No. 21, Balewadi, Pune 411 045, Maharashtra, India Phone No. : (020) 67067000 Fax No. : (020) 67067015 Website : www.cumminsindia.com
Annual General Meeting	Date and Time : Wednesday, August 7, 2019 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 1 st April to 31 st March.
Financial calendar	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2019 – By second week of August, 2019 ■ Results for quarter and half year ending September 30, 2019 – By first week of November, 2019 ■ Results for quarter and nine months ending December 31, 2019 – By first week of February, 2020 ■ Results for the year ending March 31, 2020 – By third week of May, 2020
Dates of Book Closure	August 02, 2019 to August 07, 2019 (both days inclusive)

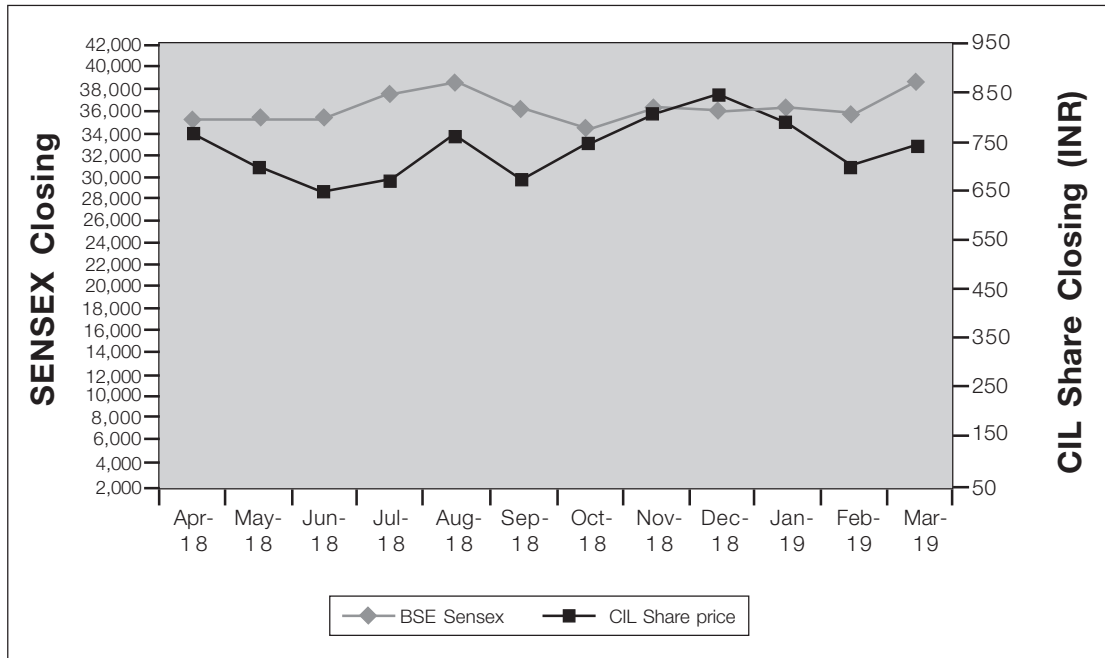
Interim Dividend payment date	March 06, 2019	
Final Dividend payment date	September 05, 2019 (subject to approval of shareholders)	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai: 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai: 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the FY 2019-20.	

Market price data: High, Low during each month in the FY 2018 – 19

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2018	771.70	703.00	April 2018	774.70	701.05
May 2018	790.90	696.75	May 2018	791.30	696.25
June 2018	710.65	635.00	June 2018	710.65	632.95
July 2018	703.10	611.75	July 2018	695.35	613.20
August 2018	789.00	646.45	August 2018	790.00	645.05
September 2018	801.05	656.15	September 2018	800.85	655.50
October 2018	768.50	643.00	October 2018	769.40	642.50
November 2018	824.00	739.80	November 2018	825.10	738.10
December 2018	866.65	768.00	December 2018	866.90	761.10
January 2019	885.00	781.65	January 2019	884.20	780.25
February 2019	813.90	660.00	February 2019	811.95	660.05
March 2019	767.90	701.25	March 2019	766.40	699.45

Performance in comparison to broad-based indices such as BSE Sensex.	Chart below depicts the comparable movement of the Company's Equity Shares against BSE Sensex, during the year ended March 31, 2019.
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Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) 2018-19



<p>Registrar and Transfer Agent</p>	<p>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:-</p> <p>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 : Mrs. Sujata Poojary E-mail: sujata.poojary@linkintime.co.in / rnt.helpdesk@linkintime.co.in Time:- 10:00 to 16:00 hours (Mon. to Fri. excl. public holidays)</p>
<p>Share Transfer System</p>	<p>The transfer of shares, except in case of transmission or transposition, shall be processed only in dematerialised form. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.</p>

Distribution of shareholding as on March 31, 2019	Category	No. of shares of ₹ 2/- each	% of shareholding	
	Promoters	141,372,683	51.00	
	Mutual Funds	56,907,233	20.52	
	Banks/ Financial Institutions/ Insurance Companies	17,677,177	6.38	
	Foreign Institutional Investors (FIIs)	25,348,977	9.15	
	Corporate Bodies	8,136,505	2.94	
	Indian Public	25,035,821	9.03	
	NRIs	1,334,877	0.48	
	Others	1,386,727	0.50	
	TOTAL	277,200,000	100.00	
Distribution of shareholding within various categories (as on March 31, 2019)				
Category (shares)	No. of shareholders	No. of Shares	% of shareholders to total shareholders	% of shares to total shares
1-1,000	69,494	5,667,629	90.26	2.04
1,001-2,000	2,813	1,996,871	3.65	0.72
2,001-4,000	1,761	2,451,040	2.29	0.88
4,001-6,000	794	1,951,902	1.03	0.70
6,001-8,000	428	1,482,312	0.56	0.53
8,001-10,000	325	1,474,268	0.42	0.53
10,001-20,000	772	5,799,615	1.00	2.09
20,001 and above	609	256,376,363	0.79	92.49
Total	76,996	277,200,000	100.00	100.00
Dematerialisation of shares and liquidity (as on March 31, 2019)	99.02% 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 04, 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	<ol style="list-style-type: none"> 1. Kothrud, Pune – 411 038, Maharashtra. 2. Gat No. 311/1B, At Post Kasar Amboli, Taluka Mulshi Pirangut, Dist. Pune – 412 111, Maharashtra. 3. MIDC Phaltan, Village Survadi, Nandal, Taluka Phaltan, Satara – 415523, Maharashtra. 4. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai – 600 060, Tamilnadu
Address for correspondence	<p>Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune – 411 045, Maharashtra, India.</p> <p>Tel: +91 20 6706 7000, 3019 7000 Fax : +91 20 6706 7011</p> <ol style="list-style-type: none"> 1) Ms. Janhvie Khele, Managing Counsel E-mail – janhvie.khele@cummins.com 2) Ms. Hemiksha Bhojwani, Company Secretary E-mail – hemiksha.bhojwani@cummins.com <p>Registrar and Transfer Agent: Link Intime India Private Limited Please refer details above for address / contact details etc.</p>

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 '5A'** to the Directors' Report.

9. CERTIFICATE FROM PRACTICING COMPANY SECRETARY:

The Company has received a certificate from M/s. SVD & ASSOCIATES, confirming that none of the Directors on the board have been debarred or disqualified by MCA or SEBI or any such statutory authority from being appointed / continuing as Director. The certificate of non-disqualification of Directors is appended as **Annexure '5B'** 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 2018-19.

For Cummins India Limited

Place : Mumbai
Date : May 22, 2019

Sandeep Sinha
Managing Director
DIN: 02400175

Annexures to the Directors' Report

Annexure 5A – CERTIFICATE ON COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015 RELATING TO CORPORATE GOVERNANCE REQUIREMENTS 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 31 March 2019.

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 further 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 to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Pune
Date: May 22, 2019

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

Annexures to the Directors' Report

Annexure 5B – CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

{Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015}

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Cummins India Limited having CIN - L29112PN1962PLC12276 and having registered office at Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune - 411045 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications including Directors Identification Number (DIN) status at the portal (www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment
1	Mr. Nasser Munjee	00010180	29.03.2001
2	Mr. P. S. Dasgupta	00012552	26.02.1998
3	Mr. Prakash Telang	00012562	31.01.2013
4	Mr. Rajeev Bakshi	00044621	20.10.2000
5	Mr. Venu Srinivasan	00051523	27.01.2000
6	Mr. Mark Levett	00368287	02.03.2018
7	Mr. J. M. Barrowman	00668324	09.02.2019
8	Mr. Sandeep Sinha	02400175	01.02.2018
9	Mrs. Anjuly Chib Duggal	05264033	19.12.2018
10	Mr. Antonio Leitao	05336740	03.08.2012
11	Ms. Suzanne Wells	06954891	22.08.2014
12	Mr. Norbert Nusterer	07640359	26.10.2016
13	Mr. Donald Jackson	08261104	30.10.2018

Ensuring the eligibility for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SVD & Associates
Company Secretaries

S. V. Deulkar
Partner

FCS No: 1321
CP No: 965

Place: Pune
Date: May 20, 2019

Annexures to the Directors' Report

Annexure 6 – EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

[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, 1 st 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	90%
2.	Generator Sets	271	10%

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 DPT 009, Prime Towers, F79 - 80, Okhla Phase 1, 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 A, 5 th 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, 6 th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra 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 2018-19				No. of Shares held at the end of the year 2018-19				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(A) Shareholding of Promoter and Promoter Group									
[1] Indian									
(a) Individuals / Hindu Undivided Family	-	-	-	0	-	-	-	0	0
(b) Central Government / State Government(s)	-	-	-	0	-	-	-	0	0
(c) Financial Institutions / Banks	-	-	-	0	-	-	-	0	0
(d) Any Other (Specify)									
Bodies Corporate	683	-	683	0	683	-	683	0	0
Sub Total (A)(1)	683	-	683	0	683	-	683	0	0
[2] Foreign									
(a) Individuals (Non-Resident Individuals / Foreign Individuals)	-	-	-	0	-	-	-	0	0
(b) Government	-	-	-	0	-	-	-	0	0
(c) Institutions	-	-	-	0	-	-	-	0	0
(d) Foreign Portfolio Investor	-	-	-	0	-	-	-	0	0
(e) Any Other (Specify)									
Bodies Corporate	141,372,000	-	141,372,000	51.00	141,372,000	-	141,372,000	51.00	0
Sub Total (A)(2)	141,372,000	-	141,372,000	51.00	141,372,000	-	141,372,000	51.00	0
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	141,372,683	-	141,372,683	51.00	141,372,683	-	141,372,683	51.00	0
(B) Public Shareholding									
[1] Institutions									
(a) Mutual Funds	39,407,044	1,575	39,408,619	14.22	56,474,245	1,575	56,475,820	20.38	6.15
(b) Venture Capital Funds	-	-	-	0	-	-	-	0	0
(c) Alternate Investment Funds	26,883	-	26,883	0.01	426,038	-	426,038	0.15	0.14

Category of Shareholders	No. of Shares held at the beginning of the year 2018-19				No. of Shares held at the end of the year 2018-19				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(d) Foreign Venture Capital Investors	-	-	-	0	-	-	-	0	0
(e) Foreign Portfolio Investor	39,096,396	4,985	39,101,381	14.11	25,343,992	4,985	25,348,977	9.15	-4.96
(f) Financial Institutions / Banks	556,388	10,795	567,183	0.21	517,390	10,795	528,185	0.19	-0.01
(g) Insurance Companies	18,400,249	-	18,400,249	6.64	17,148,992	-	17,148,992	6.19	-0.45
(h) Provident Funds/ Pension Funds	-	-	-	0	-	-	-	0	0
(i) Any Other (Specify)									
Foreign Mutual Fund	1,712,601	-	1,712,601	0.62	-	-	-	-	-0.62
UTI	12,300	5,375	17,675	0.01	-	5,375	5,375	0	-0.01
Sub Total (B)(1)	99,211,861	22,730	99,234,591	35.80	99,910,657	22,730	99,933,387	36.05	0.25
[2] Central Government/ State Government(s)/ President of India									
Central Government / State Government(s)	664,056	-	664,056	0.24	736,398	-	736,398	0.27	0.03
Sub Total (B)(2)	664,056	-	664,056	0.24	736,398	-	736,398	0.27	0.03
[3] Non-Institutions									
(a) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh.	20,259,532	2,640,968	22,900,500	8.26	20,835,139	2,342,054	23,177,193	8.36	0.10
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,905,871	142,590	2,048,461	0.74	1,716,038	142,590	1,858,628	0.67	-0.07
(b) NBFCs registered with RBI	-	-	-	0	49,380	0	49,380	0.02	0.02
(c) Employee Trusts	-	-	-	0	-	-	-	0	0
(d) Overseas Depositories(holding DRs) (balancing figure)	-	-	-	0	-	-	-	0	0
(e) Any Other (Specify)									
IEPF	-	-	-	0	70,982	-	70,982	0.03	0.03
Trusts	44,204	-	44,204	0.02	113,296	-	113,296	0.04	0.02
Foreign Nationals	-	-	-	0	240	-	240	0	0
Hindu Undivided Family	642,667	-	642,667	0.23	629,391	-	629,391	0.23	0
Non Resident Indians (Non Repat)	748,447	42,940	791,387	0.29	907,151	42,940	950,091	0.34	0.06
Other Directors	1,400	-	1,400	0	1,400	-	1,400	0	0
Non Resident Indians (Repat)	402,034	-	402,034	0.15	384,786	-	384,786	0.14	-0.01
Office Bearers	26,152	-	26,152	0.01	25,732	-	25,732	0.01	0
Clearing Member	1,940,694	-	1,940,694	0.7	495,157	-	495,157	0.18	-0.52
Market Maker	896	-	896	0	1,832	-	1,832	0	0
Bodies Corporate	6,960,810	169,465	7,130,275	2.57	7,229,959	169,465	7,399,424	2.67	0.10
Sub Total (B)(3)	32,932,707	2,995,963	35,928,670	12.96	32,460,483	2,697,049	35,157,532	12.68	-0.28
Total Public Shareholding (B)=(B)(1)+(B)(2)+(B)(3)	132,808,624	3,018,693	135,827,317	49.00	133,107,538	2,719,779	135,827,317	49.00	0
Total (A)+(B)	274,181,307	3,018,693	277,200,000	100.00	274,480,221	2,719,779	277,200,000	100.00	0
(C) Non Promoter - Non Public									
[1] Custodian/DR Holder	-	-	-	-	-	-	-	0	-
[2] Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014)	-	-	-	-	-	-	-	0	-
Total (A)+(B)+(C)	274,181,307	3,018,693	277,200,000	100.00	274,480,221	2,719,779	277,200,000	100.00	-

ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year 2018-19			Shareholding at the end of the year 2018-19			% 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.	Cummins Inc.	141,372,000	51.00	0.00	141,372,000	51.00	0.00	0.00
2	Kirloskar Industries Limited	683	0.00	0.00	683	0.00	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 beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
1	Life Insurance Corporation of India	14,917,277	5.38	04 Jan 2019	(132,251)	Market Sale	14,785,026	5.33
				11 Jan 2019	(87,076)	Market Sale	14,697,950	5.30
				18 Jan 2019	(40,000)	Market Sale	14,657,950	5.29
				25 Jan 2019	(143,705)	Market Sale	14,514,245	5.24
				01 Feb 2019	(22,000)	Market Sale	14,492,245	5.23
				08 Mar 2019	(58,000)	Market Sale	14,434,245	5.21
				15 Mar 2019	(243,619)	Market Sale	14,190,626	5.12
				22 Mar 2019	(398,381)	Market Sale	13,792,245	4.98
	At the end of the year						13,792,245	4.98

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
2	Axis Mutual Fund Trustee Limited A/c Axis Mutual Fund A/c Axis Long Term Equity Fund	2,522,882	0.91				2,522,882	0.91
				06 Apr 2018	(239,528)	Market Sale	2,283,354	0.82
				13 Apr 2018	(495,173)	Market Sale	1,788,181	0.65
				20 Apr 2018	(93,347)	Market Sale	1,694,834	0.61
				27 Apr 2018	(1,027,662)	Market Sale	667,172	0.24
				11 May 2018	(28,200)	Market Sale	638,972	0.23
				18 May 2018	(35,400)	Market Sale	603,572	0.22
				25 May 2018	(172,200)	Market Sale	431,372	0.16
				01 Jun 2018	(235,200)	Market Sale	196,172	0.07
				08 Jun 2018	(56,108)	Market Sale	140,064	0.05
				15 Jun 2018	(140,064)	Market Sale	-	0.00
				17 Aug 2018	101,474	Market Purchase	101,474	0.04
				24 Aug 2018	551,213	Market Purchase	652,687	0.24
				31 Aug 2018	483,769	Market Purchase	1,136,456	0.41
				07 Sep 2018	569,227	Market Purchase	1,705,683	0.62
				05 Oct 2018	100,000	Market Purchase	1,805,683	0.65
				12 Oct 2018	25,000	Market Purchase	1,830,683	0.66
				19 Oct 2018	306,782	Market Purchase	2,137,465	0.77
				26 Oct 2018	22,218	Market Purchase	2,159,683	0.78
				02 Nov 2018	275,955	Market Purchase	2,435,638	0.88
				16 Nov 2018	1,147,000	Market Purchase	3,582,638	1.29
				23 Nov 2018	595,000	Market Purchase	4,177,638	1.51
				30 Nov 2018	281,500	Market Purchase	4,459,138	1.61
				07 Dec 2018	(3,800)	Market Sale	4,455,338	1.61
				14 Dec 2018	16,250	Market Purchase	4,471,588	1.61
				21 Dec 2018	844,167	Market Purchase	5,315,755	1.92
				28 Dec 2018	120,000	Market Purchase	5,435,755	1.96
				31 Dec 2018	586,579	Market Purchase	6,022,334	2.17
				04 Jan 2019	500,364	Market Purchase	6,522,698	2.35

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				11 Jan 2019	222,000	Market Purchase	6,744,698	2.43
				18 Jan 2019	786,272	Market Purchase	7,530,970	2.72
				25 Jan 2019	20,518	Market Purchase	7,551,488	2.72
				01 Feb 2019	220,000	Market Purchase	7,771,488	2.80
				08 Feb 2019	252,000	Market Purchase	8,023,488	2.89
				22 Feb 2019	30,000	Market Purchase	8,053,488	2.91
				01 Mar 2019	1,090,000	Market Purchase	9,143,488	3.30
				22 Mar 2019	(810)	Market Sale	9,142,678	3.30
				29 Mar 2019	130,000	Market Purchase	9,272,678	3.35
	At the end of the year						9,272,678	3.35
3	SBI Blue Chip Fund	2,386	0.00	06 Apr 2018	86	Market Purchase	2,386	0.00
				11 May 2018	58	Market Purchase	2,472	0.00
				18 May 2018	123	Market Purchase	2,530	0.00
				01 Jun 2018	117	Market Purchase	2,653	0.00
				22 Jun 2018	60	Market Purchase	2,770	0.00
				30 Jun 2018	30	Market Purchase	2,830	0.00
				13 Jul 2018	865	Market Purchase	2,860	0.00
				20 Jul 2018	57	Market Purchase	3,725	0.00
				03 Aug 2018	2	Market Purchase	3,782	0.00
				10 Aug 2018	59	Market Purchase	3,784	0.00
				24 Aug 2018	6	Market Purchase	3,843	0.00
				31 Aug 2018	(63)	Market Sale	3,849	0.00
				14 Sep 2018	4	Market Purchase	3,786	0.00
				21 Sep 2018	114	Market Purchase	3,790	0.00
							3,904	0.00

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				29 Sep 2018	(1,895)	Market Sale	2,009	0.00
				05 Oct 2018	121,964	Market Purchase	123,973	0.04
				12 Oct 2018	228,909	Market Purchase	352,882	0.13
				26 Oct 2018	300,000	Market Purchase	652,882	0.24
				02 Nov 2018	299,999	Market Purchase	952,881	0.34
				09 Nov 2018	500,000	Market Purchase	1,452,881	0.52
				16 Nov 2018	32,924	Market Purchase	1,485,805	0.54
				30 Nov 2018	1,232,464	Market Purchase	2,718,269	0.98
				14 Dec 2018	881,312	Market Purchase	3,599,581	1.30
				28 Dec 2018	69	Market Purchase	3,599,650	1.30
				04 Jan 2019	630,822	Market Purchase	4,230,472	1.53
				11 Jan 2019	517,658	Market Purchase	4,748,130	1.71
				18 Jan 2019	11,691	Market Purchase	4,759,821	1.72
				25 Jan 2019	26,829	Market Purchase	4,786,650	1.73
				01 Feb 2019	700,000	Market Purchase	5,486,650	1.98
				08 Feb 2019	897,988	Market Purchase	6,384,638	2.30
				15 Feb 2019	1,402,013	Market Purchase	7,786,651	2.81
				22 Feb 2019	100,001	Market Purchase	7,886,652	2.85
				01 Mar 2019	294,826	Market Purchase	8,181,478	2.95
				08 Mar 2019	75,024	Market Purchase	8,256,502	2.98
				15 Mar 2019	17,918	Market Purchase	8,274,420	2.99
				22 Mar 2019	332,757	Market Purchase	8,607,177	3.11
				29 Mar 2019	652,005	Market Purchase	9,259,182	3.34
	At the end of the year						9,259,182	3.34

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
4	Reliance Capital Trustee Co Ltd. A/c Reliance Multi Cap Fund	11,575,522	4.18				11,575,522	4.18
				06 Apr 2018	612,320	Market Purchase	12,187,842	4.40
				13 Apr 2018	644,834	Market Purchase	12,832,676	4.63
				20 Apr 2018	260,411	Market Purchase	13,093,087	4.72
				27 Apr 2018	73,590	Market Purchase	13,166,677	4.75
				04 May 2018	109,658	Market Purchase	13,276,335	4.79
				11 May 2018	(18,496)	Market Sale	13,257,839	4.78
				18 May 2018	1,412	Market Purchase	13,259,251	4.78
				25 May 2018	2,350	Market Purchase	13,261,601	4.78
				01 Jun 2018	(8,366)	Market Sale	13,253,235	4.78
				08 Jun 2018	(9,072)	Market Sale	13,244,163	4.78
				15 Jun 2018	661	Market Purchase	13,244,824	4.78
				22 Jun 2018	(62,248)	Market Sale	13,182,576	4.76
				30 Jun 2018	155,631	Market Purchase	13,338,207	4.81
				06 Jul 2018	128,205	Market Purchase	13,466,412	4.86
				13 Jul 2018	(79,042)	Market Sale	13,387,370	4.83
				20 Jul 2018	(21,572)	Market Sale	13,365,798	4.82
				27 Jul 2018	(271,399)	Market Sale	13,094,399	4.72
				03 Aug 2018	(313,510)	Market Sale	12,780,889	4.61
				10 Aug 2018	(520,323)	Market Sale	12,260,566	4.42
				17 Aug 2018	305,066	Market Purchase	12,565,632	4.53
				24 Aug 2018	(332,542)	Market Sale	12,233,090	4.41
				31 Aug 2018	(501,550)	Market Sale	11,731,540	4.23
				07 Sep 2018	(405,749)	Market Sale	11,325,791	4.09
				14 Sep 2018	1,090	Market Purchase	11,326,881	4.09
				21 Sep 2018	(17,539)	Market Sale	11,309,342	4.08
				29 Sep 2018	(299,781)	Market Sale	11,009,561	3.97
				05 Oct 2018	(317,024)	Market Sale	10,692,537	3.86
				12 Oct 2018	(100,032)	Market Sale	10,592,505	3.82
				19 Oct 2018	(725)	Market Sale	10,591,780	3.82
				02 Nov 2018	(105,999)	Market Sale	10,485,781	3.78
				09 Nov 2018	1	Market Purchase	10,485,782	3.78

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				23 Nov 2018	(100,000)	Market Sale	10,385,782	3.75
				30 Nov 2018	700	Market Purchase	10,386,482	3.75
				07 Dec 2018	(141,099)	Market Sale	10,245,383	3.70
				14 Dec 2018	(61,000)	Market Sale	10,184,383	3.67
				21 Dec 2018	(860,000)	Market Sale	9,324,383	3.36
				28 Dec 2018	(8)	Market Sale	9,324,375	3.36
				18 Jan 2019	(215,000)	Market Sale	9,109,375	3.29
				25 Jan 2019	119,700	Market Purchase	9,229,075	3.33
				01 Feb 2019	(602,976)	Market Sale	8,626,099	3.11
				08 Feb 2019	(989,973)	Market Sale	7,636,126	2.75
				15 Feb 2019	29,300	Market Purchase	7,665,426	2.77
				22 Feb 2019	(22,593)	Market Sale	7,642,833	2.76
				01 Mar 2019	(121,067)	Market Sale	7,521,766	2.71
				08 Mar 2019	8,551	Market Purchase	7,530,317	2.72
				15 Mar 2019	1,149	Market Purchase	7,531,466	2.72
				22 Mar 2019	330	Market Purchase	7,531,796	2.72
				29 Mar 2019	1,168	Market Purchase	7,532,964	2.72
	At the end of the year						7,532,964	2.72
5	Franklin Templeton Mutual Fund A/c Frankin India Equity Fund	3,203,188	1.16	20 Apr 2018	68,000	Market Purchase	3,271,188	1.18
				27 Apr 2018	454,425	Market Purchase	3,725,613	1.34
				01 Jun 2018	175,000	Market Purchase	3,900,613	1.41
				08 Jun 2018	25,000	Market Purchase	3,925,613	1.42
				20 Jul 2018	93,691	Market Purchase	4,019,304	1.45
				27 Jul 2018	73,167	Market Purchase	4,092,471	1.48
				03 Aug 2018	149,142	Market Purchase	4,241,613	1.53
				10 Aug 2018	51,195	Market Purchase	4,292,808	1.55
				29 Sep 2018	6,039	Market Purchase	4,298,847	1.55

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				05 Oct 2018	93,961	Market Purchase	4,392,808	1.58
				26 Oct 2018	26,425	Market Purchase	4,419,233	1.59
				02 Nov 2018	73,575	Market Purchase	4,492,808	1.62
				11 Jan 2019	(86,000)	Market Sale	4,406,808	1.59
				18 Jan 2019	(114,000)	Market Sale	4,292,808	1.55
				25 Jan 2019	60,000	Market Purchase	4,352,808	1.57
				01 Feb 2019	30,000	Market Purchase	4,382,808	1.58
				22 Feb 2019	550,000	Market Purchase	4,932,808	1.78
				01 Mar 2019	100,000	Market Purchase	5,032,808	1.82
				08 Mar 2019	100,000	Market Purchase	5,132,808	1.85
	At the end of the year						5,132,808	1.85
6	Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life Frontline Equity Fund	4,065,710	1.47	06 Apr 2018	161,200	Market Purchase	4,226,910	1.52
				13 Apr 2018	59,700	Market Purchase	4,286,610	1.55
				20 Apr 2018	27,300	Market Purchase	4,313,910	1.56
				11 May 2018	75,825	Market Purchase	4,389,735	1.58
				18 May 2018	(204,012)	Market Sale	4,185,723	1.51
				25 May 2018	345,012	Market Purchase	4,530,735	1.63
				01 Jun 2018	64,000	Market Purchase	4,594,735	1.66
				08 Jun 2018	(55,000)	Market Sale	4,539,735	1.64
				03 Aug 2018	58,800	Market Purchase	4,598,535	1.66
				17 Aug 2018	4,170	Market Purchase	4,602,705	1.66
				24 Aug 2018	162,000	Market Purchase	4,764,705	1.72
				07 Sep 2018	15,167	Market Purchase	4,779,872	1.72
				14 Sep 2018	5,400	Market Purchase	4,785,272	1.73

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				21 Sep 2018	35,800	Market Purchase	4,821,072	1.74
				29 Sep 2018	(58,000)	Market Sale	4,763,072	1.72
				11 Jan 2019	180	Market Purchase	4,763,252	1.72
				01 Feb 2019	(88,237)	Market Sale	4,675,015	1.69
				15 Feb 2019	5,530	Market Purchase	4,680,545	1.69
				08 Mar 2019	(136,000)	Market Sale	4,544,545	1.64
				15 Mar 2019	577	Market Purchase	4,545,122	1.64
				29 Mar 2019	5,055	Market Purchase	4,550,177	1.64
	At the end of the year						4,550,177	1.64
7	Franklin Templeton Investment Funds	8,978,664	3.24	22 Jun 2018	(47,178)	Market Sale	8,931,486	3.22
				27 Jul 2018	(100,000)	Market Sale	8,831,486	3.19
				03 Aug 2018	(1,110)	Market Sale	8,830,376	3.19
				10 Aug 2018	(461,833)	Market Sale	8,368,543	3.02
				07 Sep 2018	(155,388)	Market Sale	8,213,155	2.96
				26 Oct 2018	(487,434)	Market Sale	7,725,721	2.79
				02 Nov 2018	(331,359)	Market Sale	7,394,362	2.67
				09 Nov 2018	(300,194)	Market Sale	7,094,168	2.56
				23 Nov 2018	(1,350,719)	Market Sale	5,743,449	2.07
				30 Nov 2018	(497,609)	Market Sale	5,245,840	1.89
				11 Jan 2019	(777,092)	Market Sale	4,468,748	1.61
				18 Jan 2019	(244,160)	Market Sale	4,224,588	1.52
				25 Jan 2019	(66,364)	Market Sale	4,158,224	1.50
				01 Feb 2019	(382,813)	Market Sale	3,775,411	1.36
				08 Feb 2019	(90,452)	Market Sale	3,684,959	1.33
	At the end of the year						3,684,959	1.33
8	DSP MIDCAP FUND	1,016,078	0.37	06 Apr 2018	10,000	Market Purchase	1,026,078	0.37
				13 Apr 2018	60,701	Market Purchase	1,086,779	0.39
				20 Apr 2018	14,753	Market Purchase	1,101,532	0.40
				04 May 2018	111,691	Market Purchase	1,213,223	0.44
				11 May 2018	23,393	Market Purchase	1,236,616	0.45

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				18 May 2018	7,683	Market Purchase	1,244,299	0.45
				25 May 2018	180,213	Market Purchase	1,424,512	0.51
				01 Jun 2018	306	Market Purchase	1,424,818	0.51
				08 Jun 2018	149,699	Market Purchase	1,574,517	0.57
				15 Jun 2018	225,000	Market Purchase	1,799,517	0.65
				22 Jun 2018	16,978	Market Purchase	1,816,495	0.66
				06 Jul 2018	135,378	Market Purchase	1,951,873	0.70
				20 Jul 2018	102,433	Market Purchase	2,054,306	0.74
				27 Jul 2018	124,816	Market Purchase	2,179,122	0.79
				03 Aug 2018	154,960	Market Purchase	2,334,082	0.84
				10 Aug 2018	356,739	Market Purchase	2,690,821	0.97
				17 Aug 2018	182,934	Market Purchase	2,873,755	1.04
				24 Aug 2018	(36,656)	Market Sale	2,837,099	1.02
				31 Aug 2018	(76,708)	Market Sale	2,760,391	1.00
				07 Sep 2018	(108,381)	Market Sale	2,652,010	0.96
				29 Sep 2018	56,055	Market Purchase	2,708,065	0.98
				05 Oct 2018	23,792	Market Purchase	2,731,857	0.99
				19 Oct 2018	16,871	Market Purchase	2,748,728	0.99
				16 Nov 2018	101,554	Market Purchase	2,850,282	1.03
				21 Dec 2018	(92,657)	Market Sale	2,757,625	0.99
				18 Jan 2019	(96,559)	Market Sale	2,661,066	0.96
				01 Feb 2019	101,207	Market Purchase	2,762,273	1.00
				08 Feb 2019	142,067	Market Purchase	2,904,340	1.05
				15 Feb 2019	245,000	Market Purchase	3,149,340	1.14
				22 Feb 2019	(53,081)	Market Sale	3,096,259	1.12
				01 Mar 2019	(10,500)	Market Sale	3,085,759	1.11
				08 Mar 2019	77,408	Market Purchase	3,163,167	1.14
	At the end of the year						3,163,167	1.14

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
9	ICICI Prudential Value Fund - Series 19	7,939,041	2.86				7,939,041	2.86
				06 Apr 2018	637,497	Market Purchase	8,576,538	3.09
				13 Apr 2018	226	Market Purchase	8,576,764	3.09
				20 Apr 2018	75,622	Market Purchase	8,652,386	3.12
				27 Apr 2018	53,018	Market Purchase	8,705,404	3.14
				04 May 2018	(76,421)	Market Sale	8,628,983	3.11
				11 May 2018	993	Market Purchase	8,629,976	3.11
				18 May 2018	(16,790)	Market Sale	8,613,186	3.11
				25 May 2018	1,422	Market Purchase	8,614,608	3.11
				01 Jun 2018	586,008	Market Purchase	9,200,616	3.32
				08 Jun 2018	267,815	Market Purchase	9,468,431	3.42
				15 Jun 2018	187,399	Market Purchase	9,655,830	3.48
				22 Jun 2018	8,561	Market Purchase	9,664,391	3.49
				30 Jun 2018	(11,701)	Market Sale	9,652,690	3.48
				06 Jul 2018	50,555	Market Purchase	9,703,245	3.50
				13 Jul 2018	137,693	Market Purchase	9,840,938	3.55
				20 Jul 2018	(196,529)	Market Sale	9,644,409	3.48
				27 Jul 2018	(42,876)	Market Sale	9,601,533	3.46
				03 Aug 2018	594	Market Purchase	9,602,127	3.46
				10 Aug 2018	(16,959)	Market Sale	9,585,168	3.46
				17 Aug 2018	7,411	Market Purchase	9,592,579	3.46
				24 Aug 2018	(174,429)	Market Sale	9,418,150	3.40
				31 Aug 2018	(236,479)	Market Sale	9,181,671	3.31
07 Sep 2018	(79,458)	Market Sale	9,102,213	3.28				
14 Sep 2018	(54,642)	Market Sale	9,047,571	3.26				
21 Sep 2018	479	Market Purchase	9,048,050	3.26				
29 Sep 2018	13,214	Market Purchase	9,061,264	3.27				
05 Oct 2018	63,559	Market Purchase	9,124,823	3.29				
12 Oct 2018	(131,785)	Market Sale	8,993,038	3.24				

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				19 Oct 2018	102,198	Market Purchase	9,095,236	3.28
				26 Oct 2018	(450,854)	Market Sale	8,644,382	3.12
				02 Nov 2018	(345,145)	Market Sale	8,299,237	2.99
				09 Nov 2018	(528,199)	Market Sale	7,771,038	2.80
				16 Nov 2018	(1,029,053)	Market Sale	6,741,985	2.43
				23 Nov 2018	72,164	Market Purchase	6,814,149	2.46
				30 Nov 2018	(609,878)	Market Sale	6,204,271	2.24
				07 Dec 2018	(283,070)	Market Sale	5,921,201	2.14
				14 Dec 2018	(655,058)	Market Sale	5,266,143	1.90
				21 Dec 2018	(554,902)	Market Sale	4,711,241	1.70
				28 Dec 2018	123	Market Purchase	4,711,364	1.70
				31 Dec 2018	(602,757)	Market Sale	4,108,607	1.48
				04 Jan 2019	(123,465)	Market Sale	3,985,142	1.44
				11 Jan 2019	(2,513)	Market Sale	3,982,629	1.44
				18 Jan 2019	(137,033)	Market Sale	3,845,596	1.39
				25 Jan 2019	124	Market Purchase	3,845,720	1.39
				01 Feb 2019	(363,299)	Market Sale	3,482,421	1.26
				08 Feb 2019	620	Market Purchase	3,483,041	1.26
				15 Feb 2019	372	Market Purchase	3,483,413	1.26
				22 Feb 2019	(85,019)	Market Sale	3,398,394	1.23
				01 Mar 2019	(237,504)	Market Sale	3,160,890	1.14
				08 Mar 2019	48,000	Market Purchase	3,208,890	1.16
				15 Mar 2019	124	Market Purchase	3,209,014	1.16
				22 Mar 2019	(139)	Market Sale	3,208,875	1.16
				29 Mar 2019	(90,520)	Market Sale	3,118,355	1.12
	At the end of the year						3,118,355	1.12
10	HDFC Life Insurance Company Limited	2,483,897	0.90	06 Apr 2018	100,000	Market Purchase	2,583,897	0.93
				27 Apr 2018	100,000	Market Purchase	2,683,897	0.97
				11 May 2018	18,695	Market Purchase	2,702,592	0.98
				18 May 2018	(149)	Market Sale	2,702,443	0.97
				20 Jul 2018	24,035	Market Purchase	2,726,478	0.98
				27 Jul 2018	(3,122)	Market Sale	2,723,356	0.98

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				03 Aug 2018	24,450	Market Purchase	2,747,806	0.99
				10 Aug 2018	20	Market Purchase	2,747,826	0.99
				24 Aug 2018	50,000	Market Purchase	2,797,826	1.01
				31 Aug 2018	5,327	Market Purchase	2,803,153	1.01
				29 Sep 2018	66,444	Market Purchase	2,869,597	1.04
				05 Oct 2018	78,980	Market Purchase	2,948,577	1.06
				12 Oct 2018	25,550	Market Purchase	2,974,127	1.07
				19 Oct 2018	7,500	Market Purchase	2,981,627	1.08
				26 Oct 2018	6,895	Market Purchase	2,988,522	1.08
				02 Nov 2018	(40,641)	Market Sale	2,947,881	1.06
				09 Nov 2018	(9,267)	Market Sale	2,938,614	1.06
				16 Nov 2018	(30,521)	Market Sale	2,908,093	1.05
				23 Nov 2018	1,337	Market Purchase	2,909,430	1.05
				30 Nov 2018	(5,492)	Market Sale	2,903,938	1.05
				07 Dec 2018	3,538	Market Purchase	2,907,476	1.05
				14 Dec 2018	65	Market Purchase	2,907,541	1.05
				21 Dec 2018	8	Market Purchase	2,907,549	1.05
				28 Dec 2018	8	Market Purchase	2,907,557	1.05
				31 Dec 2018	(25,004)	Market Sale	2,882,553	1.04
				04 Jan 2019	127	Market Purchase	2,882,680	1.04
				11 Jan 2019	(10,202)	Market Sale	2,872,478	1.04
				18 Jan 2019	(13,278)	Market Sale	2,859,200	1.03
				25 Jan 2019	29	Market Purchase	2,859,229	1.03
				01 Feb 2019	52,127	Market Purchase	2,911,356	1.05
				08 Feb 2019	232	Market Purchase	2,911,588	1.05
				15 Feb 2019	55,210	Market Purchase	2,966,798	1.07
				22 Feb 2019	(19,577)	Market Sale	2,947,221	1.06
				01 Mar 2019	6,045	Market Purchase	2,953,266	1.07
				08 Mar 2019	(2,289)	Market Sale	2,950,977	1.06

Sr. No.	Name	Shareholding at the beginning of the year 2018-19		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2018-19	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				15 Mar 2019	45	Market Purchase	2,951,022	1.06
				29 Mar 2019	(261)	Market Sale	2,950,761	1.06
	At the end of the year						2,950,761	1.06

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 M. Telang	1,400	0.0005	1,400	0.0005

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

V. Indebtedness -

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

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
(₹ in Lacs)				
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	25,154	-	25,154
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	58	-	58
Total (i+ii+iii)	Nil	25,212	Nil	25,212
Change in Indebtedness during the financial year				
• Addition	-	5,803	-	5,803
• Reduction	-	-	-	-
Net Change	Nil	5,803	Nil	5,803
Indebtedness at the end of the financial year				
i) Principal Amount	-	30,916	-	30,916
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	99	-	99
Total (i+ii+iii)	Nil	31,015	Nil	31,015

VI. Remuneration of Directors and Key Managerial Personnel

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

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Mr. Sandeep Sinha, Managing Director	Total amount
1.	Gross salary		
	(a) Salary as per Provisions contained in section 17(1) of the Income Tax Act, 1961	238.27	
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	
	(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	-	
5.	Others, please specify	8.16	
	Total (A)	-	246.43
	Ceiling as per the Act	-	5,058.00

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	Mrs. Anjuly Chib Duggal	
1.	Independent Directors Fee for attending board / committee meetings	5.00	5.75	5.75	5.75	4.75	2	29.00
	Commission	15.00	15.00	15.00	15.00	15.00	3.75	78.75
	Others, (please specify)	-	-	-	-	-	-	-
	Total(1)							107.75
2.	Other Non-Executive Directors Fee for attending board / committee meetings	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-
	Others, (please specify)	-	-	-	-	-	-	-
	Total(2)							-
	Total(B)=(1+2)							107.75
	Total Managerial Remuneration	-	-	-	-	-	-	354.18
	Overall Ceiling as per the Act	-	-	-	-	-	-	1,012

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 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	NA	135.07	290.31	425.38
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission- as % of profit	-	-	-	-
5.	Others, (please specify)	-	-	-	-
	Total	NA	135.07	290.31	425.38

* Remuneration paid to Mr. K. Venkata Ramana, Company Secretary, is for the period April 01, 2018 to December 31, 2018, excluding ex-gratia payment.

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 its 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 upto 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 Rs. 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 a 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;

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

10.8 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;

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

10.10 Recommend any necessary changes to the Board; and

10.11 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 – DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Introduction

This Dividend Distribution Policy (hereinafter referred to as “the Policy”) has been adopted by the Board of Directors of Cummins India Limited (hereinafter referred to as “the Company”) in the meeting held on February 01, 2017, pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter referred to as “the SEBI Regulations”).

Dividend

Dividend means distribution of profits, earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them. Under Companies Act 2013 (the “Act”), a Company can either declare dividend during the year, which is called interim dividend, or can declare dividend after the end of financial year, which is called final dividend.

Interim dividend can be declared by the Board of Directors during the financial year by passing a resolution at its meeting. Final dividend is recommended by the Board of Directors for approval by the shareholders at the annual general meeting. This policy applies to declaration of interim dividend and recommendation of final dividend by the Board.

The dividend for any financial year shall normally be paid:

- out of the profits for the year (arrived at after providing for depreciation in accordance with law and transferring such amount to reserves as may be considered appropriate by the Board of Directors of the Company); and/or
- out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

Factors affecting dividend declaration

The Board of Directors considers the following factors while arriving at the dividend amount:

- **internal factors**
 - profits earned during the year
 - distributable surplus available with the Company
 - Company’s liquidity position, future cash flow requirements for operations and reserve for any contingencies
 - capital expenditure requirements for expansion and growth
 - history of dividends distributed by the Company
 - loan covenants, if any
- **external factors**
 - dividends distributed by other comparable companies
 - taxation policy and any amendments expected thereof
 - cost and availability of alternative sources of financing
 - state of economy and nature of industry
 - macroeconomic and business conditions in general
 - any other relevant factors that the Board may deem fit

Utilisation of retained earnings

The portion of profits not distributed among the shareholders as dividends are used for the business activities of the Company.

Review & modification

The Board is authorised to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

Disclaimer

This Policy shall not be construed as a solicitation for investments in the Company's securities and shall neither act as an assurance of guaranteed returns (in any form), on investments in the Company's securities.

Annexures to the Directors' Report

Annexure 9 – 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, 5 Promoter (Non-Executive) Directors and 6 Independent (Non-Executive) Directors.
- b. Details of remuneration paid to Mr. Sandeep Sinha, Managing Director of the Company:

(₹ in Lacs)

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
2018-19	-	238.27	-	-	-	-	8.16	246.43
% increase in remuneration over 2017-18#								3.00%

#The percentage increase in remuneration is computed based on actual increment on the guaranteed cash component effective July 01, 2018.

- c. Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 01, 2018 to March 31, 2019:

(₹ in Lacs)

Name of the Director	2017-18		2018-19		% increase in remuneration over 2017-18	Total (2018-19)
	Sitting fees	Annual Commission	Sitting fees	Annual Commission		
Mr. Nasser Munjee	4.00	15.00	5.00	15.00	-	20.00
Mr. P. S. Dasgupta	4.00	15.00	5.75	15.00	-	20.75
Mr. P. M. Telang	3.00	15.00	5.75	15.00	-	20.75
Mr. Rajeev Bakshi	4.00	15.00	5.75	15.00	-	20.75
Mr. Venu Srinivasan	3.00	15.00	4.75	15.00	-	19.75
*Mrs. Anjuly Chib Duggal	NA	NA	2.00	3.75	-	5.75

*Commission paid on pro-rata basis.

d. Other details:

- The median remuneration of employees of the Company during the FY 2018-19 was ₹ 891,969/-
- the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year is 1:30
- Percentage increase in remuneration of Chief Financial Officer and Company Secretary in the Financial Year 2018-19:

(₹ in Lacs)

Name & Designation of other KMP	Remuneration 2018-19	% increase in remuneration over 2017-18*
Mr. Rajiv Batra, Chief Financial Officer	290.31	9.5%
Mr. K. Venkata Ramana, Company Secretary [#]	135.07	6.0%

*The percentage increase in remuneration is computed based on actual increment on the guaranteed cash component effective July 01, 2018.

[#] The Salary paid to Mr. K. Venkata Ramana is for the period April 01, 2018 to December 31, 2018, excluding ex-gratia payment.

- In the Financial Year, there was an increase of 9.5% in the median remuneration of employees as well as the Key Managerial Personnel excluding Managing Director.
- Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.

The average percentage increase for Key Managerial Personnel : 9.5 %
The average percentage increase of employees other than the managerial personnel : 9.5%

The average percentage increase in the salaries is primarily on account of market movement based increase in salaries.
- There were 3,732 permanent employees on the rolls of Company as on March 31, 2019.
- The Profit before Tax for the Financial Year ended March 31, 2019 increased by 13% whereas the % increase in median remuneration of the employees as well as the Key Managerial Personnel (excluding Managing Director) was 9.5%.
- 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 10 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[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, 2019 ('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, 2019 according to the

- (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) The 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 and 2018 **(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 and 2018 **(Not applicable to the Company during the Audit Period).**
- (vi) I further report that no law is applicable specifically to the Company.

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

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India; and
- (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, regulations, guidelines, standards.

Place : Pune
Date : May 22, 2019

Dr. K R Chandratre
FCS No. 1370, C P No: 5144

This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

Annexure to the Secretarial Audit Report

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

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test-check basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test-check basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Pune
Date : May 22, 2019

Dr. K. R. Chandratre
FCS No. 1370, C P No: 5144

Secretarial compliance report of Cummins India Limited for the year ended 31 March, 2019.

I have examined:

- (a) all the documents and records made available to us and explanation provided by Cummins India Limited (“the listed entity”),
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity,
- (d) any other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended 31 March, 2019 (“Review Period”) in respect of compliance with the provisions of :

- (a) the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **(Not applicable to the Company during the Review Period);**
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not applicable to the Company during the Review Period);**
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during the Review Period);**
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Review Period);**
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 **(Not applicable to the Company during the Review Period);**
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and circulars/ guidelines issued thereunder;

and based on the above examination, I hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.
- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my examination of those records.
- (c) The following are the details of actions the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

Sr. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any
NIL				

(d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
Not applicable				

Place : Pune
Date : May 22, 2019

Dr. K. R. Chandratre
FCS No. 1370, C P No: 5144

Annexures to the Directors' Report

Annexure 11 – 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:-

Our CSR initiatives are aligned to our Cummins India Foundation ('the Foundation') mission of 'Building more prosperous communities'. Your Company is focused on working on projects that have a high impact on the communities in which we live and operate.

The three focus areas include Higher Education, Energy and Environment and Equality of Opportunity across all your Company's locations. In addition, your Company is also actively involved in key new strategic projects – Cummins Powers Women, Clean Air Delhi, Monsoon Resilient Maharashtra and Phaltan Model Town under the CSR umbrella.

Cummins employees participate in Corporate Responsibility through the company's Every Employee Every Community (EEEEC) program. EEEEC enables each employee to use at least four work hours to contribute to local projects and partners by leveraging and unleashing their unique skillsets. This year, 97% of your employees participated in Every Employee Every Community initiatives.

CSR Committee:-

The Board of Directors of your Company have re-constituted the CSR Committee on May 24, 2018 which comprises of the following Members:-

1. Mr. Prakash M. Telang – Chairman
2. Mr. P. S. Dasgupta – Member
3. Mr. Nasser Munjee – Member
4. Mr. Venu Srinivasan – Member
5. Mr. Mark Levett – Member

CSR Policy and Project: -

The Committee has formulated a CSR Policy indicating the activities to be undertaken by your Company as per the Companies Act, 2013. It reviews and recommends the amount of expenditure to be incurred on the activities to be undertaken by your Company in addition to monitoring the CSR Policy of your Company from time to time. Details of the Policy of your Company are available at <https://www.cumminsindia.com/investors/corporate-governance>.

Details of various CSR initiatives undertaken by your Company are provided in the Business Responsibility Report of the Company for FY 2018-19 and are also available at <https://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 2015-16, 2016-17 and 2017-18	807.92
2.	Prescribed CSR Expenditure (i.e., 2% of the amount mentioned above)	16.16
3.	Details of the CSR Spent during the Financial Year 2018-19	
	a. Total amount spent for the Financial Year	16.16
	b. Amount unspent, if any	Nil

Your Company manages CSR activities through '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, the Foundation has made significant contributions in FY 2018-19 with projects on Education, Rural Development, Watershed Management, Afforestation, Solid Waste Management, Scholarship Program, Cummins Powers Women and Monsoon Resilient Maharashtra.

CeRIE - Centre for Research and Intellectual Entrepreneurship set up last year with an aim to inculcate a culture of research and innovation amongst faculty and students is now fully operational and is getting new projects from industries. Continuing our Scholarship program of the Nurturing Brilliance, this year as well we awarded 200 meritorious students with scholarship to pursue professional degree and diploma courses. Our association with ITI's through a global community initiative of TEC -Technical Education for Communities has come a long way. Our engagement with the SMAK ITI at Kolhapur has been recently adjudged as the top ITI in Maharashtra by CRISIL who evaluated ITI's across the country.

The Company tries to contribute towards environment sustainability through implementation of various large-scale environment projects. To address the issues of Solid waste management, the Company with the support of the local municipal corporation, replicated a successful model of Zero waste ward at different wards. Zero Waste is a philosophy that encourage redesign of resource life cycles so that all products are reused and that no trash is send to Landfills or incinerators.

Every year thousands of devotees participate in the 250 kms trail of procession of Pandharpur wari. To avoid use of plastic and thermocol during this historically important pilgrimage, your Company promotes the use of green plates- utensils made from dried leaves of Sal tree through Patravali project. Tons of Patravali collected from Wari is then converted to organic compost and distributed free to local farmers for improving their farm yield. Complementing to the nationwide afforestation program, we also continued the watershed management projects at various sites of Khadakwasla and Aundh.

As part of the EmpowerHER, an initiative to aid income generation activities for the women at model villages, this year the Company scaled up its intervention and introduced new Self Help Group (SHG) models. The Company launched a new project Udgam which aims at creating awareness about Sanitary Hygiene, usage of sanitary napkins and enabling Entrepreneurship by setting sanitary pads production machine which will produce eco-friendly napkin at lower cost.

Organic farming was encouraged with an intention of minimizing the use of environmentally harmful chemicals. The farmers were trained by subject matter experts on the best practices of farming.

The Company also partnered with multiple new organizations supporting the differently abled and underprivileged of the society for providing better living conditions and facilities to the residents.

'Cummins Powers Women program' a Global community initiative aiming to partner with a network of best in class non-profit organizations to accelerate the empowerment of the women and girls in the community was launched in India. This is one of the most ambitious community initiative ever, where Cummins will continue to invest for creating large-scale impact in the lives of women and girls globally.

Through our project of Monsoon Resilient Maharashtra - MRM, concerted effort was made to build capabilities within the community to enhance engagement during the watershed implementation.

During the Financial Year 2018-19, the Foundation has spent ₹ 26.68 Crores, details of which are as follows:-

Cummins India Foundation spend details for FY 2018-19

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	36,200,000	43,152,493	-	43,152,493	-	43,152,493
2	Vocational Education	Higher Education	17,700,000	3,121,257	-	3,121,257	-	3,121,257
3	Women Education and Employability	Higher Education	15,100,000	17,441,946	-	17,441,946	-	17,441,946
4	Afforestation	Energy & Environment	13,300,000	11,823,141	-	11,823,141	-	11,823,141
5	Solid Waste Management	Energy & Environment	16,200,000	16,864,323	-	16,864,323	-	16,864,323
6	Water Neutrality	Energy & Environment	17,200,000	19,441,704	-	19,441,704	-	19,441,704
7	Air Pollution	Energy & Environment	4,500,000	3,772,551	-	3,772,551	-	3,772,551
8	Renewable Energy	Energy & Environment	2,000,000	1,500,000	-	1,500,000	-	1,500,000
9	Local Community Care	Equality of Opportunity	7,000,000	6,655,150	-	6,655,150	-	6,655,150
10	Neighbourhood Outreach	Equality of Opportunity	4,100,000	2,907,440	-	2,907,440	-	2,907,440
11	Rural Development	Equality of Opportunity	39,300,000	39,502,137	-	39,502,137	-	39,502,137
12	Women's Initiatives	Strategic Initiative	5,000,000	441,265	-	441,265	-	441,265
13	Monsoon Resilient Maharashtra	Strategic Initiative	44,000,000	40,118,634	-	40,118,634	-	40,118,634
14	Clean Air Delhi	Strategic Initiative	7,700,000	7,670,000	-	7,670,000	-	7,670,000
15	Phaltan Model Town	Strategic Initiative	5,000,000	3,938,276	-	3,938,276	-	3,938,276
16	Administrative exp. & overheads	-	48,000,000	48,494,969	-	48,494,969	-	48,494,969
		TOTAL	282,300,000	266,845,286	-	266,845,286	-	266,845,286

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

Spends were 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, projects worth ₹ 26.68 Crores were identified and reasonable and judicious spends were made as per project requirements. Your Company is committed to focus on employee engagement across all levels, 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 (CSR Policy) Rules, 2014, it is stated on behalf of the CSR 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 FY 2018-19.

For and on behalf of the Board of Directors,

	Mark Levett Chairman	Sandeep Sinha Managing Director	P. M. Telang Chairman of CSR Committee
Place : Mumbai	DIN: 00368287	DIN: 02400175	DIN: 00012562
Date : May 22, 2019			

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

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, 2019, 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 notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements").

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended, ("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, 2019, its profit, including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition and recoverability of certain trade receivables (refer note 1(i) (accounting policy), note 11 and note 27 (financial disclosures), note 36 (significant judgments and estimates) and note 45(b) (credit risk) to the standalone Ind AS financial statements)	
Revenue for the year ended March 31, 2019 amounted to Rs. 565,900 lakhs. Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition.	Our audit procedures included: <ul style="list-style-type: none"> ● We obtained and read customer contracts and confirmed our understanding of the Company's sales process from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls. ● We read and understood the Company's accounting policy for recognition of revenue and impairment of receivables.

Key audit matters	How our audit addressed the key audit matter
<p>Given the nature of industry in which the Company operates, ascertainment of timing of revenue recognition is a key audit consideration for sales transactions occurring near to the year end.</p> <p>Further, sales to certain customers may lead to recoverability issues due to unforeseen circumstances.</p> <p>The adequacy of the provision for doubtful debts is subjective due to the high degree of judgement applied by management in determining the impairment provision. Due to currency restrictions currently in certain geographies, the Central Bank has restricted remittances of USD to other countries. Consequently, this has put pressure on the Company's customers' ability to repay their outstanding account balances.</p> <p>As at the March 31, 2019, the outstanding balances from customers in such geographies amounted to Rs. 4,220 lakhs, out of the total trade receivable balance of Rs. 127,269 lakhs.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, and the related estimation uncertainty in collectability due to currency restrictions in certain geographies, this is considered as a key audit matter.</p>	<ul style="list-style-type: none"> ● We performed transactions testing based on a representative sampling of the sales orders to assess revenue recognition and recognition of trade receivables including transactions occurring on and around the year end. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. ● We tested the ageing of trade receivables including receivables from certain customers located in geographies where currency restrictions continued to exist as at year end. ● We requested for and obtained independent balance confirmations from the Company's customers on sample basis. For amounts receivable from customers located in certain geographies where currency restrictions exist, we read the financial support letter obtained by the Company. For such receivables, we evaluated compliance with FEMA regulations relating to realization and repatriation of foreign currency proceeds. ● We assessed the trade receivables impairment methodology applied in the current year, and compared the Company's provisioning rates against historical collection data. We assessed whether the time value of money was considered in the expected credit loss impairment model and tested the mathematical accuracy of the calculations. ● We also performed various analytical procedures to identify any unusual sales trends for further testing.
<p>Significant judgments and estimates - warranty provision and classification of tangible assets as investment property <i>(refer note 1(n) and note 1(d) (accounting policy), note 3, note 20 and note 41(i) (financial disclosures) and note 36 (significant judgments and estimates) to the Ind AS financial statements)</i></p>	
<p>The Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term; the reserve for product warranties includes the expected costs of warranty obligations imposed by the contract, as well as the expected costs for policy coverage. In addition, the Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical claim experience for the Company's engines. We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the financial statements.</p> <p>The Company also owns various immovable properties that have been let out to Group Companies/ third parties for varied lease periods. Ind AS 40 'Investment Property' requires assets to be classified as Investment Property in case certain conditions are met. This involves significant judgment and estimation with respect to the lease term, management intention etc., basis which the assets</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained understanding of the warranty process, and the assumptions used by the management in the process of calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls. ● We evaluated management's methodology and assumptions used in the warranty provision calculations. ● We tested completeness, arithmetical accuracy and validity of the data used in the warranty calculations. ● We assessed the disclosure of warranty provision made in the standalone Ind AS financial statements. ● We obtained an understanding of financial statement closure process, including the process of assessment and classification of immovable properties and preparation of relevant disclosures. We also understood design and implementation of controls, tested the operating effectiveness of these controls, including validation of management review controls. ● We assessed various lease agreements entered into by the Company with group Companies / third parties and evaluated terms of agreements, along with requirements of Ind AS.

Key audit matters	How our audit addressed the key audit matter
<p>are classified either as property, plant and equipment or investment property in the Balance sheet.</p> <p>We have considered this as a key audit matter on account of the significant judgement involved in classification of properties, and the related disclosure requirements.</p>	<ul style="list-style-type: none"> ● We read the judgements and assumptions made by the management with respect to classification of investment properties. ● We assessed the disclosure of investment property made in the standalone Ind AS financial statements.
<p>Transactions with related parties (refer note 43(financial disclosures) to the standalone Ind AS financial statements)</p>	
<p>In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of Companies Act, 2013 and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained an understanding of the Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls. ● We assessed whether approvals have been obtained by the management, as required by Companies Act, 2013 and LODR. ● On a sample basis, we tested whether transactions with related parties are at arm's length basis. ● We read the status of tax assessments and litigation with respect to related party transactions. ● We evaluated the disclosures in the standalone Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's statement, Managing Director's statement, Director's Report including Annexures to the Director's Report and the Business Responsibility Report of the Annual Report of the Company, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those charged with Governance 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 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 the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 purposes 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, the 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 Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2019 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
 - (h) 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, as amended, 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 standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. During the year ended March 31, 2019, the Company has duly transferred the amounts required to be transferred to the Investor Education and Protection Fund, except for one instance of delay in transfer of Rs. 27.25 lakhs in respect of interim dividend declared for the financial year 2010-2011 (Deposit date: June 6, 2018; Delay: 58 days).

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 22, 2019

Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone Ind AS financial statements

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 and investment properties 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 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, and the repayment/ receipts of principal and interest are regular.
- (c) There are no amounts of loan granted to a 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) Undisputed statutory dues including provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and service tax, cess, and other statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and service 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, goods and service tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in Lakhs) #*	Period to which the amount pertains	Forum where the dispute is pending
Finance Act, 1994	Demand for short / non-payment of Service tax	849	FY 2009 - 10 to FY 2014-15	CESTAT
Finance Act, 1994	Disallowance of CENVAT credit on input services	186	FY 2010-11 to FY 2015-16	Commissioner (Appeals)
Central Excise Act, 1944	Disallowance of CENVAT credit on scrap sales / input services	12	FY 2011-12 to FY 2014-15	Commissioner (Appeals)
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	1,781	FY 2011-12 and FY 2012-13	Income tax Appellate Tribunal, Pune
Income Tax Act, 1961	Demand on account of various disallowances	Nil (Amount recoverable from department Rs. 879)	FY 2013-14	Commissioner of Income Tax (Appeals)
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 (Net of amount recoverable from department Rs. 28)	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	991 (Net of amount paid under protest of Rs. 207 and refund amount recoverable from department Rs. 1,085)	FY 1999-00 to FY 2002-03, FY 2004-05, FY 2006-07 to FY 2008-09	Maharashtra Sales Tax Tribunal, Pune
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	59 (Net of amount recoverable from department Rs. 2,202)	FY 2007-08 to FY 2014-15	Joint Commissioner of Sales Tax, Appeal-1, Pune

Name of the statute	Nature of dues	Amount (Rs.in Lakhs) #*	Period to which the amount pertains	Forum where the dispute is pending
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	Nil (Net of amount paid under protest Rs. 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 2005-06	Joint Commissioner (Appeals) at Asansol
Jharkhand Value Added Tax Act, 2005	Demand on account of sales suppression and difference between road permit value and actual stock transfer value	11	FY 2010-11	Joint Commissioner (Appeals) at Ranchi
The Madhya Pradesh VAT Act, 2002	Demand on account of disallowances	221	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Central Sales Tax Act, 1956	Demand on account of disallowances	13	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Entry Tax Act, 1976	Demand on account of disallowances	35	FY 2015-16	Assistant Commercial Tax Officer at Singrauli

Amounts disclosed above are excluding interest and penalty.

*Not yet deposited

- (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 22, 2019

Annexure 2 referred to in paragraph 2 (f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone Ind AS financial statements

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, 2019 in conjunction with our audit of the standalone Ind AS 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 (the “Guidance Note”), issued by the Institute of Chartered Accountants of India (ICAI). 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 with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with 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 ICAI. 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 with reference to these standalone Ind AS financial statements 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 over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Standalone Ind AS Financial Statements

A company’s internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 with reference to these standalone Ind AS financial statements 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 with Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at March 31, 2019, 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 issued by the ICAI.

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 22, 2019

Standalone and Consolidated Financial Statements 2018-19

BALANCE SHEET AS AT MARCH 31, 2019

₹ Lacs

Particulars	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	128,229	128,275
Capital work-in-progress (including investment property in progress)		15,851	3,795
Investment properties	3	72,802	73,110
Intangible assets	2.2	246	540
Investments in a subsidiary, joint ventures and an associate	4	3,735	3,735
Financial assets			
Investments	4	522	533
Other financial assets	5	1,886	446
Income tax assets (net)	6	9,279	8,918
Other non-current assets	7	11,997	12,821
		244,547	232,173
Current assets			
Inventories	8	62,536	53,748
Financial assets			
Investments	9	24,272	50,601
Loans	10	-	12,866
Trade receivables	11	127,269	132,625
Cash and cash equivalents	12	19,534	15,231
Other bank balances	13	54,259	31,857
Other current financial assets	14	35,957	7,001
Other current assets	15	16,597	16,609
Assets classified as held for sale	16	386	412
		340,810	320,950
	TOTAL	585,357	553,123
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	5,544	5,544
Other equity	18		
Retained earnings		292,447	278,201
Other reserves		115,054	114,862
		413,045	398,607
Non-current liabilities			
Other financial liabilities	19	2,677	2,842
Provisions	20	7,267	4,288
Deferred tax liabilities (net)	21	9,876	2,988
Other non-current liabilities	22	206	213
		20,026	10,331
Current liabilities			
Financial liabilities			
Borrowings	23	30,916	25,154
Trade Payables	24		
Total outstanding dues from micro and small enterprises		2,371	847
Total outstanding dues of creditors other than micro and small enterprises		80,140	74,955
Other current financial liabilities	25	15,948	22,392
Other current liabilities	26	5,892	5,604
Provisions	20	17,019	15,233
		152,286	144,185
	TOTAL	585,357	553,123

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

₹ Lacs

Particulars	Notes	Year Ended March 31, 2019	Year Ended March 31, 2018
Revenue from operations	27	565,900	516,106
Other income	28	29,277	22,847
Total income		595,177	538,953
Expenses:			
Cost of materials consumed	29.1	270,601	253,136
Purchases of traded goods		94,687	68,673
Change in inventories of finished goods, work-in-progress and traded goods	29.2	(3,942)	4,001
Excise duty on sale of goods		-	7,856
Employee benefits expense	30	54,580	49,791
Finance costs	31	1,620	1,483
Depreciation and amortisation expense	2 & 3	11,032	9,379
Other expenses	32	63,564	59,404
Total expenses		492,142	453,723
Profit before exceptional items and tax		103,035	85,230
Exceptional items	48	-	5,612
Profit before tax		103,035	90,842
Tax expense	21		
Current tax		29,384	18,874
Deferred tax		1,394	921
Tax for earlier years		-	200
Total tax expense		30,778	19,995
Profit after tax		72,257	70,847
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods :			
Remeasurement (loss) / gain on defined benefit plans		(1,844)	190
Income tax effect		644	(67)
Net other comprehensive (expense) / income not to be reclassified to profit or loss in subsequent periods		(1,200)	123
Other comprehensive (expense) / income for the year, net of tax		(1,200)	123
Total comprehensive income for the year, net of tax		71,057	70,970
Earnings per equity share:			
Basic and diluted earnings per share (₹)	33	26.07	25.56
(Nominal value per share ₹ 2)			

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2019

A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2017	5,544
Changes in equity share capital during the year ended March 31, 2018	-
As at March 31, 2018	5,544
Changes in equity share capital during the year ended March 31, 2019	-
As at March 31, 2019	5,544

B) Other equity

₹ Lacs

Particulars	Retained earnings (Refer note 18)	Other reserves			Total
		General reserve (Refer note 18)	Capital redemption reserve (Refer note 18)	Equity contribution from Cummins Inc.- Share based payments* (Refer note 18)	
Balance as at April 1, 2017	253,940	114,202	70	461	368,673
Add: Profit for the year	70,847	-	-	-	70,847
Add: Equity contribution during the year	-	-	-	129	129
Other comprehensive Income	123	-	-	-	123
Total comprehensive income for the year	70,970	-	-	129	71,099
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2016-2017	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2018	278,201	114,202	70	590	393,063
Add: Profit for the year	72,257	-	-	-	72,257
Add: Equity contribution during the year	-	-	-	192	192
Other comprehensive income	(1,200)	-	-	-	(1,200)
Total comprehensive income for the year	71,057	-	-	192	71,249
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2017-2018	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2019	292,447	114,202	70	782	407,501

* Scheme managed and administered by the Holding Company.

As per our report of even date

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

For and on behalf of the Board

per Tridevwal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2019

₹ Lacs

Particulars	Year Ended March 31, 2019	Year Ended March 31, 2018
I. Cash generated from operations :		
Profit before tax	103,035	90,842
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	11,032	9,379
Finance costs	1,620	1,483
Interest income	(5,293)	(1,829)
Dividend income	(6,091)	(9,604)
(Gain)/loss on assets sold, discarded, etc.	(70)	468
(Gain)/loss on redemption /sale of investments (net)	(2,356)	49
Equity contribution from Holding company	192	129
Unrealised foreign exchange fluctuation (net)	129	(388)
Mark to market ('MTM') of financial instruments	(419)	181
Provision for doubtful debts (net)	239	268
Exceptional items	-	(5,612)
	<u>(1,017)</u>	<u>(5,476)</u>
b) Working capital adjustments		
Trade receivable	4,567	(36,747)
Inventories	(8,788)	2,458
Other bank balances	(402)	(322)
Current and non-current financial assets	(28,061)	(941)
Other current and non-current assets	5,828	11,021
Trade payable	7,258	14,790
Current and non-current financial liabilities	(7,011)	7,821
Other current and non-current liabilities	281	(1,249)
Current and non-current provisions	2,515	(530)
	<u>(23,813)</u>	<u>(3,699)</u>
Total adjustments (a+b)	(24,830)	(9,175)
Cash generated from operations	78,205	81,667
Tax paid (net of refunds)	(23,607)	(18,226)
Net cash generated from operations	54,598	63,441
II. Cash flows used in investing activities :		
Purchase of property, plant and equipment and investment property	(28,228)	(18,971)
Proceeds from sale of property, plant and equipment	892	9,925
Interest received	3,377	1,346
Dividend received	6,091	9,604
Proceeds from loan given	12,866	-
Investments		
Sale/(Purchase) of short term investments (net)	28,696	15,822
Term deposits with Banks (more than 3 months but less than 1 year)	(22,000)	(31,000)
Net cash (used in) investing activities	1,694	(13,274)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

₹ Lacs

Particulars	Year Ended March 31, 2019	Year Ended March 31, 2018
III. Cash flows from financing activities :		
Proceeds from borrowings (net)	5,762	76
Finance costs	(1,214)	(1,003)
Dividend paid (including tax on dividend)	(56,409)	(46,387)
Net cash (used in) financing activities	(51,861)	(47,314)
IV. Net change in cash and cash equivalents (I+II+III)	4,431	2,853
V. Net foreign exchange difference	(128)	2
VI. Cash and cash equivalents at the beginning of the year	15,231	12,376
VII. Cash and cash equivalents at the end of the year (IV+V+VI)	19,534	15,231
Components of cash and cash equivalents		
Cash on hand	1	1
Bank Balances		
In current accounts	19,533	15,230
Total cash and cash equivalents (refer note 12)	19,534	15,231

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

Notes to Standalone Financial Statements for the year ended March 31, 2019

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. The Company's 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 engaged in the business of manufacturing, trading and selling of engines and allied activities. (CIN : L29112PN1962PLC012276)

The standalone financial statements for the year ended March 31, 2019 were authorised for issue in accordance with the resolution of the directors on May 22, 2019.

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 from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013 (Ind AS compliant schedule III).

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:

Notes to Standalone Financial Statements for the year ended March 31, 2019

- 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) (refer note 4, 9 to 14)

Investment properties (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 hierarchy 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 properties

Property plant and equipment, capital work in progress and investment properties are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss. 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. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciated them separately based on their specific useful lives.

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 properties	Upto 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 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.

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

Notes to Standalone Financial Statements for the year ended March 31, 2019

there is an indication that the intangible asset may be impaired.

Software's 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 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, and are disclosed as assets held for disposal in financial statements. Such assets, once classified as held for sale, are not depreciated. 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, and are valued at weighted average cost basis. 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**

i) **Revenue from sale of products**

Revenue from contracts with customers for sale of products is recognised, generally at a point in time, when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding taxes or duties collected on behalf of the government e.g. goods and service tax (GST). The Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 36.

ii) **Volume rebates**

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

Notes to Standalone Financial Statements for the year ended March 31, 2019

iii) **Warranty obligations**

The Company typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.

iv) **Sale of services - installation services**

The Company provides installation services that can be either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the product sold.

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative standalone selling prices of the products and installation services. The Company recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

v) **Sale of services - service contracts**

The Company has long-term service contracts with customers. Revenue from service contracts is recognised over time i.e based on the proportionate completion method. Provision is made for any loss in the period in which it is foreseen. The Company considers that output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under Ind AS 115.

In case of other service contracts, revenue is recognized over time, using input/output method, when services are rendered and on receipt of confirmation from customers, as the case may be.

vi) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

vii) **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due when billing has been done) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

viii) **Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

ix) Interest income is recognised using effective interest rate 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 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 Other Income in the Statement of Profit and Loss.

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

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

Notes to Standalone Financial Statements for the year ended March 31, 2019

j) Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Company is classified as a finance lease.

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 under operating leases is recognised on 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 lease are amortised over the lease 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 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 an independent actuary. The actuarial method used for measuring the liability is 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.

Notes to Standalone Financial Statements for the year ended March 31, 2019

B) Other employee benefit (unfunded)

Liability for compensated absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used for measuring the liability is 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 have terms approximately the terms of the related obligation.

l) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

m) Income tax

The tax expense for the year 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, as the case may be.

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

Notes to Standalone Financial Statements for the year ended March 31, 2019

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-current financial assets

The Company tests non-current financial assets for impairment 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 on hand and at bank and demand deposits with banks.

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 either recorded as deferred income and is recognised as income on a systematic and rational basis over the useful life of the asset, or adjusted against the cost of the asset.

When the Company receives non-monetary grants, the asset and the grant are recorded at fair value 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.

Notes to Standalone Financial Statements for the year ended March 31, 2019

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: A 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 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. 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) Derecognition

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 e.g. 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

Notes to Standalone Financial Statements for the year ended March 31, 2019

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. This amount is reflected under the head 'Other Expenses' in Statement of Profit and Loss. 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 Company'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 FVTPL 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 EIR method. Gains and losses are recognized in statement of 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 EIR. 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 or 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 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 the Statement of Profit and 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,

Notes to Standalone Financial Statements for the year ended March 31, 2019

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 FVTPL category.

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 Statement of Profit and 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.

u) Earning per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the Company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the Company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.1 Changes in accounting policies and disclosures

The Company has applied Ind AS 115 for the first time. The nature and the effect of the changes as a result of adoption of these new accounting standards are described below:

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 was issued on March 28, 2018 and supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In addition, the standard requires extensive disclosures.

The Company adopted Ind AS 115 using the modified retrospective method of adoption. There is no significant impact of transition to Ind AS 115 on retained earnings as on April 1, 2018.

Notes to Standalone Financial Statements for the year ended March 31, 2019

2.1 Property, plant and equipment

Particulars	Gross block				Depreciation and Amortisation				Net block		
	As at April 1, 2018	Additions	Adjustment	Deductions / Write-off	As at March 31, 2019	As at April 1, 2018	For the year	Adjustment	Deductions / Write-off	As at March 31, 2019	As at March 31, 2019
Land											
- Freehold @	5,022	-	-	57	4,965	-	-	-	-	-	4,965
- Leasehold **	1,564	-	-	-	1,564	103	14	-	-	117	1,447
Leasehold Improvements	614	-	-	-	614	39	6	-	-	45	569
Roads	2,717	12	-	1	2,728	1,300	254	-	1	1,553	1,175
Buildings #	99,307	2,405	31	197	101,546	10,517	2,031	2	59	12,491	89,055
Plant and machinery #	93,110	5,680	965	3,526	96,229	65,186	5,097	762	2,945	68,100	28,129
Furniture and fittings #	4,648	174	-	197	4,625	1,805	304	-	157	1,952	2,673
Vehicles	509	25	28	100	462	266	49	25	94	246	216
	207,491	8,296	1,024	4,078	212,733	79,216	7,755	789	3,256	84,504	128,229
2.2 Intangible assets											
Software	2,477	32	-	160	2,349	1,937	326	-	160	2,103	246
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,537	32	-	160	4,409	3,997	326	-	160	4,163	246

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for 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.

Includes certain assets given on cancellable/ non-cancellable operating lease (Refer note 39 for lease details).

The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only. The total accumulated depreciation / amortisation as at April 1, 2015 was 64,905 lacs.

Notes to Standalone Financial Statements for the year ended March 31, 2019

2.1 Property, plant and equipment (Contd.)

Particulars	Gross block						Depreciation and Amortisation				Net block
	As at April 1, 2017	Additions	Adjustment	Deductions / Write-off	As at March 31, 2018	As at April 1, 2017	For the year	Adjustment	Deductions / Write-off	As at March 31, 2018	As at March 31, 2018
Land											
- Freehold @	5,021	-	1	-	5,022	-	-	-	-	-	5,022
- Leasehold **	1,564	-	-	-	1,564	87	16	-	-	103	1,461
Leasehold Improvements	614	-	-	-	614	33	6	-	-	39	575
Roads	2,214	513	-	10	2,717	1,062	248	-	10	1,300	1,417
Buildings #	94,228	5,310	-	231	99,307	8,605	2,084	-	172	10,517	88,790
Plant and machinery #	87,520	7,357	1,677	3,444	93,110	61,678	5,022	1,033	2,547	65,186	27,924
Furniture and fittings #	3,914	755	94	115	4,648	1,439	387	64	85	1,805	2,843
Vehicles	418	61	92	62	509	189	50	87	60	266	243
	195,493	13,996	1,864	3,862	207,491	73,093	7,813	1,184	2,874	79,216	128,275
2.2 Intangible assets											
Software	2,436	41	-	-	2,477	1,614	323	-	-	1,937	540
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,496	41	-	-	4,537	3,674	323	-	-	3,997	540

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for 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.

Includes certain assets given on cancellable/ non-cancellable operating lease (Refer note 39 for lease details).

The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only. The total accumulated depreciation / amortisation as at April 1, 2015 was 64,905 lacs.

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
3 Investment properties		
Gross		
Opening balance	74,620	27,056
Additions	2,643	47,564
Closing balance	77,263	74,620
Depreciation		
Opening balance	1,510	267
Depreciation	2,951	1,243
Closing balance	4,461	1,510
Net	72,802	73,110

Information regarding income and expenditure of investment properties

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Rental income derived from investment properties	5,605	2,717
Direct operating expenses (including repairs and maintenance) generating rental income	742	216
Profit arising from investment properties before depreciation and indirect expenses	4,863	2,501
Less: Depreciation	2,951	1,243
Profit arising from investment properties before indirect expenses	1,912	1,258

The investment properties consist of Cummins Technical Centre in India (CTCI) and office building. As at March 31, 2019 the fair value of the properties is ₹ 78,048 lacs (As at March 31, 2018: ₹ 77,246 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties.

The Company has no restrictions on the realisability of its investment properties 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 46.

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

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2019	Range (weighted average) March 31, 2018
Income approach (Discounted Cashflow (DCF) method)	Estimated rental value per sq ft per month Rent growth p.a. Discount rate	₹ 55 - ₹ 75 15% every 3 years 11.70% to 12.27%	₹ 55 - ₹ 75 15% every 3 years 11.31% to 11.81%

As per the DCF method, fair 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 flows, the free cash flows from subject properties 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 properties 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 properties.

Notes to Standalone Financial Statements for the year ended March 31, 2019

4 Non Current Investments :

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
			Investment in subsidiary, joint- ventures and associate		
			<i>Unquoted equity instruments (at cost)</i>		
			Investment in subsidiary (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	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	804	804
114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	11	11
			Investment in associate (fully paid up)		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	1,720	1,720
			Total	3,735	3,735
			Other investments (fully paid up)		
			<i>Unquoted equity instruments (Fair value through profit and loss)</i>		
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	0	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	0	0
			Aggregate value of unquoted investments *	0	0
			Valued at amortised cost		
			<i>Quoted Government of India Bonds</i>		
50,000,000	50,000,000	1	8.35% Government of India 2022	522	533
			Aggregate book value / market value of quoted investments	522	533
			Total	522	533

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

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
5 Other non-current financial assets (carried at amortised cost)		
Unsecured, considered good;		
Security deposits	1,886	446
Total	1,886	446
6 Income tax asset (net)		
Advance income tax (net of provision for taxation)	9,279	8,918
Total	9,279	8,918
7 Other non-current assets		
Unsecured, considered good;		
Capital advances	7,049	2,057
Balances with statutory/government authorities	4,948	10,764
Total	11,997	12,821
8 Inventories		
Raw materials and components (includes goods in transit)	33,455	28,597
Work-in-progress (includes goods with third parties)	11,141	9,853
Finished goods (includes goods in transit and lying with third parties) *	15,841	13,075
Traded goods (includes goods in transit)	875	987
Stores and spares	707	783
Loose tools	517	453
Total	62,536	53,748

* During the year ended March 31, 2019 ₹ (81) Lacs (March 31, 2018: ₹ (18) Lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

Notes to Standalone Financial Statements for the year ended March 31, 2019

9 Non Current Investments :

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
			Current portion of long term investments		
			a) Quoted equity instrument (fair value through profit and loss)		
9,811	9,811	2	Kirloskar Oil Engines Limited	17	32
913	913	10	Kirloskar Industries Limited	7	11
				24	43
			b) Quoted Corporate Bonds (amortised cost)		
-	12	1,250,000	6.68% Power Grid Corporation of India 2019	-	148
				-	148
			Aggregate book value / market value of quoted investments	24	191
			Current investments		
			Unquoted mutual funds valued at fair value through profit and loss		
-	4,919,730	10	Axis Short Term Fund - Direct Weekly Dividend Reinvestment	-	506
96,964	-	1,000	Axis Liquid Fund - Growth	2,002	-
-	74,260,984	10	Aditya Birla Sun life Corporate Bond Fund - Monthly Dividend-Direct Plan -Reinvestment-(Previously Birla Sun Life Short Term Fund - Monthly Dividend-Direct Plan - Reinvestment)	-	8,634
684,365	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	2,046	-
806,992	-	100	Aditya Birla Sun Life Money Manager Fund - Growth-Direct Plan	2,031	-
-	20,845,624	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	-	2,136
55,625	-	1,000	HDFC Liquid Fund - Regular Plan - Growth	2,036	-
51,217	-	1,000	HDFC Money Market Fund - Direct Plan - Growth Option	2,007	-
-	75,320,464	10	ICICI Prudential Corporate Bond Fund - Direct Plan - Daily Dividend (Previously ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend)	-	7,616
-	10,482,842	10	ICICI Prudential Corporate Bond Fund - Daily Dividend (Previously ICICI Prudential Ultra Short Term - Daily Dividend)	-	1,060
-	9,568,699	10	ICICI Prudential Short Term - Direct Plan - Monthly Dividend	-	1,217
780,490	-	100	ICICI Money Market Fund - Growth Direct	2,031	-
-	35,063,379	10	IDFC Corporate Bond Fund Direct Plan-Monthly Dividend	-	3,604
-	24,848,034	10	IDFC Corporate Bond Fund Regular Plan-Monthly Dividend	-	2,622
-	20,467,722	10	Kotak Bond (Short Term) - Monthly Dividend (Regular Plan)	-	2,086
53,981	-	1,000	Kotak Liquid Regular Plan Growth	2,037	-
65,331	-	1,000	Kotak Money Market Scheme - Direct Plan - Growth	2,016	-
			Carried forward	16,206	29,481

Notes to Standalone Financial Statements for the year ended March 31, 2019

9 Non Current Investments :

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
			Brought forward	16,206	29,481
-	4,253,853	10	Reliance Quarterly Interval Fund - Series II - Direct Growth Plan Growth Option	-	1,021
88,403	-	1,000	Reliance liquid Fund - Direct plan growth plan - growth option	4,033	-
-	20,097,845	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	-	2,093
68,719	-	1,000	SBI Liquid Fund Regular Growth	2,004	-
-	27,217,447	10	Tata Short Term Bond Fund Direct Plan - Monthly Dividend	-	4,286
-	32,098,445	10	Tata Short Term Bond Fund Regular Plan - Monthly Dividend	-	4,859
-	59,204,465	10	UTI - Short Term Income Fund - Institutional Option - Direct Quarterly Dividend Plan Reinvestment	-	7,660
-	4,725,094	10	UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan- Retail Option - Direct Plan - Growth	-	1,010
65,696	-	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	2,005	-
-	36	1,000	UTI-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment *	-	0
			Aggregate value of unquoted investments	24,248	50,410
			Total	24,272	50,601

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

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
10 Current financial assets - Loans (carried at amortised cost)		
Unsecured, considered good;		
Loan to related party (Refer note 38 and 43)	-	12,866
Total	-	12,866
Loan given to related party is at an interest rate based on SBI lending rate.		
11 Trade receivables (carried at amortised cost)		
Trade receivables	90,653	78,067
Receivables from related parties (Refer note 43)	36,616	54,558
Total	127,269	132,625
Break up for security details		
Secured, considered good	29,089	24,650
Unsecured, considered good	98,460	108,366
Trade receivable which have significant increase in credit risk	-	-
Trade receivable - credit impaired	165	263
	127,714	133,279
Impairment allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	-	-
Provision for impairment	(280)	(391)
Trade receivable - credit impaired	(165)	(263)
	(445)	(654)
Total	127,269	132,625
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 ₹ 2,316 lacs (March 31, 2018: ₹ 2,201 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
For terms and conditions and transactions with related parties refer note 43.		
12 Cash and cash equivalents (carried at amortised cost)		
Cash on hand	1	1
Bank balances		
In current accounts	19,533	15,230
Total	19,534	15,231
13 Other bank balances (carried at amortised cost)		
Unpaid dividend account (restricted)	1,259	857
Deposits with Banks (original maturity more than 3 months but less than 1 year)	53,000	31,000
Total	54,259	31,857

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
14 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)		
Unsecured, considered good:		
Security deposits	1,294	956
Deposits with Banks (with residual maturity less than 12 months)	27,000	-
Contract assets	2,116	2,040
Foreign exchange forward contracts #	419	-
Interest accrued on investments and deposits	2,510	594
Others *	2,618	3,411
Total	35,957	7,001
# 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, export incentives receivable, 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 ₹ 1,923 lacs (March 31, 2018: ₹ 2,264 lacs). Refer note 43 for related party transactions.		
15 Other current assets		
Unsecured, considered good:		
Balances with statutory/government authorities	14,326	12,115
Others *	2,271	4,494
Total	16,597	16,609
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
16 Assets classified as held for sale		
Assets held for sale (at lower of cost or fair value less cost to sell) *	386	412
Total	386	412

* Includes land, building, plant and machinery held for sale where the Company is in the process of disposal.

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
17 Equity share capital		
Authorised :		
400,000,000 equity shares of ₹ 2 each	<u>8,000</u>	<u>8,000</u>
Issued, subscribed and fully paid-up shares:		
277,200,000 equity shares of ₹ 2 each	<u>5,544</u>	<u>5,544</u>
Total	<u>5,544</u>	<u>5,544</u>

a. Reconciliation of number of shares

Equity shares:

	As at March 31, 2019		As at March 31, 2018	
	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

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. 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, 2018 : 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, 2019		As at March 31, 2018	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	141,372,000	51.00%	141,372,000	51.00%

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
18 Other equity		
Retained earnings	292,447	278,201
	292,447	278,201
Other reserves		
Capital redemption reserve	70	70
General reserve	114,202	114,202
Equity contribution from Holding Company	782	590
Total	115,054	114,862
a) Retained earnings		
	Year Ended March 31, 2019 ₹ Lacs	Year Ended March 31, 2018 ₹ Lacs
Opening balance as at April 1	278,201	253,940
Add: Profit for the year	72,257	70,847
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	(1,200)	123
	349,258	324,910
Less:		
Interim dividend paid	19,404	13,860
Tax on interim dividend	3,989	2,822
Final dividend paid for the financial years ended March 31, 2018 and March 31, 2017	27,720	24,948
Tax on final dividend for the financial years ended March 31, 2018 and March 31, 2017	5,698	5,079
	56,811	46,709
Closing balance as at March 31	292,447	278,201

During the years March 31, 2019 and March 31, 2018, the Company paid dividend to its shareholders. This 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.

Dividend not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended payment of final dividend of **₹ 33,418 lacs** for the year ended March 31, 2019 (March 31, 2018: ₹ 33,418 lacs) which is **₹ 10** per fully paid up share (March 31, 2018: ₹ 10 per fully paid up share) and applicable tax on dividend. 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, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ 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 reserve denotes 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	590	461
Add: Movement during the year	192	129
Closing balance as at March 31	782	590
19 Other non-current financial liabilities		
Non current financial liabilities carried at amortised cost		
Dealer deposit	2,007	2,099
Retention money	670	743
Total	2,677	2,842
20 Provisions		
Provision for post retirement benefit and compensated absences (Refer note 42)	10,192	7,168
Warranties (Refer note 41 (i))	9,330	8,686
Statutory matters (Refer note 41 (ii))	2,556	1,821
New Engine Performance Inspection (NEPI) (Refer note 41 (iii))	2,208	1,846
	24,286	19,521
Current provisions	17,019	15,233
Non-current provisions	7,267	4,288
Total	24,286	19,521

Notes to Standalone Financial Statements for the year ended March 31, 2019

21 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of profit and loss	
	As at March 31, 2019	As at March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2018
	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
Deferred tax assets				
MAT credit entitlement	-	5,494	-	-
Provision for employee benefits	2,350	3,402	(1,052)	758
Other timing differences	876	771	105	(114)
Total deferred tax assets	3,226	9,667	(947)	644
Deferred tax liabilities				
Depreciation	13,000	11,897	1,103	924
Other timing differences	102	758	(656)	708
Total deferred tax liabilities	13,102	12,655	447	1,632
Deferred tax (expense)/income			(1,394)	(988)
Net deferred tax liabilities	9,876	2,988		

b) The major components of income tax expenses for the years ended March 31, 2019 and March 31, 2018 are:

Statement of Profit and Loss

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Profit and loss section		
Current income tax:		
Current income tax charge	29,384	18,874
Adjustments in respect of current income tax of previous year	-	200
Deferred tax:		
Relating to origination and reversal of temporary differences	1,394	921
Income tax expenses reported in the Statement of Profit and Loss	30,778	19,995
OCI section		
Tax related to items recognised in OCI during the year	(644)	67
Net (gain)/loss on remeasurements of defined benefit plans	(644)	67

Notes to Standalone Financial Statements for the year ended March 31, 2019

21 Income taxes (Contd.)

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2019 and March 31, 2018		
Accounting profit before tax	103,035	90,842
At India's statutory Income tax rate	34.94%	34.61%
Tax at full rate	36,000	31,440
Adjustments:		
Research and development expenses allowance	(625)	(538)
Income of SEZ unit (not subject to tax)	(4,208)	(6,828)
Dividend income (not subject to tax)	(2,128)	(3,324)
Capital gains	(79)	(1,732)
Others (deductible, non-deductible items, net)	1,818	977
Total	(5,222)	(11,445)
Income tax expenses reported in the Statement of Profit and Loss for the current year	30,778	19,995
d) Deferred tax		
Reconciliation of deferred tax liabilities (net) :		
Opening balances as at April 1	2,988	239
Tax expense/(income) during the year recognised in Statement of Profit and Loss	1,394	921
MAT credit utilisation	5,494	1,761
Tax expense/(income) during the year recognised in OCI	-	67
Closing balance as at March 31	9,876	2,988

During the years March 31, 2019 and March 31, 2018, the Company paid dividend to its shareholders. This 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.

Notes to Standalone Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
22 Other non-current liabilities		
Contract Liabilities	206	213
Total	206	213
23 Borrowings		
Working capital loan from bank	30,916	25,154
Total	30,916	25,154
<p>The loan is unsecured and repayable within one year. Interest is payable @ 6.00%-6.50% (T-Bill) adjusted by a reasonable spread p.a. The Company has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.</p>		
24 Trade payables		
Trade payables of micro and small enterprises (Refer note 35)	2,371	847
Trade payables other than micro and small enterprises	45,864	44,227
Trade payables of related parties (Refer note 43)	34,276	30,728
Total	82,511	75,802
<p>Trade payables are non interest bearing and are normally settled in 30 to 60 days terms.</p> <p>For terms and conditions and transactions with related parties refer note 43.</p>		
25 Other current financial liabilities		
Unpaid dividend	1,259	857
Royalty and cess thereon (Refer note 43)	5,996	6,524
Support services payable (Refer note 43)	3,816	9,254
Retention money	2,426	1,235
Others including salaries, wages, bonus payable	2,451	4,522
Total	15,948	22,392
<p>Other current financial liabilities are non interest bearing and have an average term of 6 months.</p>		
26 Other current liabilities		
Statutory dues including tax deducted at source	3,321	3,317
Contract Liabilities	2,571	2,287
Total	5,892	5,604

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
27 Revenue from operations		
Sale of products (including excise duty as applicable)	524,537	476,832
Sale of services	28,034	26,202
	552,571	503,034
Other operating revenue		
Scrap sales	737	701
Export incentives	6,024	5,839
Others *	6,568	6,532
	13,329	13,072
Revenue from operations	565,900	516,106

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

Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2019 is not comparable with March 31, 2018.

Disaggregated revenue information

Set out below is the disaggregation of the Companies revenue from contracts with customers

	Year ended March 31, 2019 ₹ Lacs
Location	
India	410,062
Outside India	149,814
Total revenue from contracts with customers *	559,876
Timing of revenue recognition	
Goods transferred at a point in time	525,477
Services transferred over time	34,399
Revenue from contract with customers *	559,876
Set out below is the amount of revenue recognised from	
Amounts included in contract liabilities at the beginning of the year	2,500
Performance obligations satisfied in previous years	387
Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price	
Revenue as per contracted price	570,593
Adjustments	
Sales return	(3,836)
Discounts	(4,776)
Liquidated damages	(1,147)
Others	(958)
Revenue from contract with customers *	559,876

* Excludes export incentives

The Company has applied Ind AS 115 for the first time for the year ended March 31, 2019 and accordingly disclosures for Disaggregated revenue information has been furnished only for year ended March 31, 2019.

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
28 Other income		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	51	53
	<u>51</u>	<u>53</u>
Dividend Income		
- On current investments designated at fair value through profit and loss	320	2,883
- On investments in associate and joint ventures carried at cost	5,771	6,721
	<u>6,091</u>	<u>9,604</u>
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	2,356	-
	<u>2,356</u>	<u>-</u>
Interest on loan given and others	5,242	1,776
Rent (Refer note 3 for rent on investment properties)	11,744	8,316
Exchange gain (net)	1,602	998
Net gain on fixed assets sold or discarded	70	-
Miscellaneous income	2,121	2,100
	<u>20,779</u>	<u>13,190</u>
Total	<u><u>29,277</u></u>	<u><u>22,847</u></u>
29.1 Cost of material consumed		
Inventory at the beginning of the year	28,597	27,294
Add : Purchases	275,459	254,439
Less : Inventory at the end of the year	33,455	28,597
Cost of materials consumed	<u><u>270,601</u></u>	<u><u>253,136</u></u>

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
29.2 Changes in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 8)		
Work-in-progress	11,141	9,853
Finished goods	15,841	13,075
Traded goods	875	987
Subtotal (A)	27,857	23,915
Inventories at the beginning of the year (Refer note 8)		
Work-in-progress	9,853	10,465
Finished goods	13,075	14,118
Traded goods	987	3,333
Subtotal (B)	23,915	27,916
(Increase) / decrease (B-A)	(3,942)	4,001
30 Employee benefits expense		
Salaries, wages and bonus	45,544	42,235
Contribution to provident and other funds (Refer note 42)	5,227	4,475
Staff welfare expenses	3,809	3,081
Total	54,580	49,791
31 Finance costs		
Interest on borrowings and others	1,214	1,003
Unwinding of discount and effect of changes in discount rate on provisions and liabilities (Refer note 41)	406	480
Total	1,620	1,483

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
32 Other expenses		
Commission on sales	3,018	2,458
Consumption of stores and spare parts	4,803	4,869
Warranty expenses (Refer note 41)	8,489	7,970
Consumption of tools and gauges	572	684
Repairs to buildings	2,890	2,368
Repairs to machinery	981	739
Other repairs	354	435
Power and fuel	2,933	3,033
Rent (Refer note 39)	216	289
Rates and taxes	1,352	902
Insurance	837	587
Outside processing charges	3,536	2,672
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 43 and 44)	1,616	1,661
Royalties (Refer note 43)	5,073	5,260
Support services (Refer note 43)	8,934	7,606
Computer and other services (Refer note 39)	7,433	6,253
Payment to auditors (Refer details below)	117	118
Net loss on fixed assets sold / discarded	-	468
Loss on sale/redemption of investments	-	49
Bad Debts		
Bad debts written off	448	29
Provision for bad and doubtful debts	239	268
Amount withdrawn from provisions	(448)	(29)
	<u>239</u>	<u>268</u>
Other expenses (net of expenses recovered) (Refer note 43)	10,171	10,715
Total	63,564	59,404
Payment to Auditors:		
Statutory audit (including limited reviews)	90	90
Other services (including tax audit)	18	18
Reimbursement of expenses	9	10
Total	117	118

Notes to Standalone Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ 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)	72,257	70,847
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	26.07	25.56
Face value per share (₹ 2 per share)	2	2
	As at March 31, 2019	As at March 31, 2018
	₹ Lacs	₹ 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	26,721	20,356
Total	26,721	20,356
35 Trade payables include:		
Total outstanding dues of micro and small enterprises	2,371	847
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	2,371	847
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	360	353
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	4	4
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.

Notes to Standalone Financial Statements for the year ended March 31, 2019

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

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Company provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer. The Company determined that both the equipment and installation are capable of being distinct.

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Operating lease commitments – Company as lessor

The Company has leased out commercial properties (investment properties) 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

Notes to Standalone Financial Statements for the year ended March 31, 2019

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 46 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.

Unutilised MAT credit entitlement as per return of income for the year ended March 31, 2018 was ₹ 6,507 Lacs. The Company has a MAT credit entitlement of ₹ Nil as at March 31, 2019 after utilising the entire MAT credit entitlement as per books of account.

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

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

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
37 Contingent liabilities		
a. Income tax matters*	882	3,232
b. Central excise duty/service tax matters*	1,058	950
c. Duty drawback matters	2,604	2,604
d. Sales Tax matters*	2,145	4,484
e. Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	9	9
f. Civil liability / secondary civil liability in respect of suits filed against the Company	216	283
Total	6,914	11,562

* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appeal process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Company has implemented SC decision prospectively.

The Company has various on-going litigations by/or against the Company with respect to tax and other legal matters, other than those disclosed above. The Company believes that they have sufficient and strong arguments, accordingly no provision/disclosure in this regard has been considered in the financial statements.

Notes to Standalone Financial Statements for the year ended March 31, 2019

- 38** Loans to related party includes an amount of ₹ Nil (March, 31 2018: ₹ 12,866 Lacs) provided to Cummins Technologies India Private Limited, a fellow subsidiary, at an interest rate based on SBI lending rate. Maximum amount due during the year ₹ **12,866 Lacs** (March 31, 2018: ₹ 12,866 Lacs).

39 Operating Leases

Lease commitments as a Lessee

The Company has entered into non-cancellable operating leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in period between 36 months and 108 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 ₹ **5,215 Lacs** (March 31, 2018: ₹ 5,673 Lacs).

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

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
Within one year	215	71
After one year but not more than five years	326	166
More than five years	57	80
Total	598	317

Operating lease commitments as a lessor

The Company has entered into operating leases on its investment properties consisting of buildings and other related assets. 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, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
Within one year	3,611	3,288
After one year but not more than five years	13,133	14,390
More than five years	3,311	5,644
Total	20,055	23,322

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, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
On capital account	83	26
On revenue account	3,329	2,892
Total	3,412	2,918

Notes to Standalone Financial Statements for the year ended March 31, 2019

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.

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	8,686	8,529
Additions	8,489	7,970
Utilisation	8,187	8,229
Unwinding of discount and changes in the discount rate	342	416
Balance as at the end of the year	<u>9,330</u>	<u>8,686</u>
Classified as non-current	2,340	1,958
Classified as current	<u>6,990</u>	<u>6,728</u>

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.

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	1,821	1,821
Additions	735	-
Utilisation	-	-
Unwinding of discount and changes in the discount rate	-	-
Balance as at the end of the year	<u>2,556</u>	<u>1,821</u>
Classified as non-current	-	-
Classified as current	<u>2,556</u>	<u>1,821</u>

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.

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	1,846	1,574
Additions	1,136	1,041
Utilisation	838	833
Unwinding of discount and changes in the discount rate	64	64
Balance as at the end of the year	<u>2,208</u>	<u>1,846</u>
Classified as non-current	1,575	856
Classified as current	<u>633</u>	<u>990</u>

Notes to Standalone Financial Statements for the year ended March 31, 2019

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	1,115 1,645
Contribution to management superannuation fund	1,704 1,488

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

a. Net Balance Sheet position

		₹ Lacs					
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	March 31,2019	15,081	2,039	56	48	21,964
		March 31,2018	12,138	1,775	51	47	19,674
ii)	Fair value of Plan assets	March 31,2019	12,267	1,739	-	-	21,964
		March 31,2018	11,236	1,474	-	-	19,674
iii)	Funded status surplus/ -deficit	March 31,2019	(2,814)	(300)	(56)	(48)	-
		March 31,2018	(902)	(301)	(51)	(47)	-
iv)	Effect of asset ceiling	March 31,2019	-	0	-	-	-
		March 31,2018	-	(344)	-	-	-
Net defined benefit asset /-liability		March 31,2019	(2,814)	(300)	(56)	(48)	-
		March 31,2018	(902)	(645)	(51)	(47)	-

b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

		₹ Lacs					
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening defined benefit obligation	March 31,2019	12,138	1,775	51	47	19,674
		March 31,2018	11,845	1,750	53	51	17,638
i)	Current service cost	March 31,2019	975	73	2	2	1,054
		March 31,2018	961	73	2	2	911
ii)	Interest cost	March 31,2019	894	129	4	3	1,706
		March 31,2018	783	116	3	3	1,558
iii)	Actuarial -gains / losses- experience	March 31,2019	1,566	59	2	(2)	-
		March 31,2018	522	45	4	(3)	-
iv)	Actuarial -gains / losses - demographic changes	March 31,2019	-	-	-	-	-
		March 31,2018	-	-	-	-	-
v)	Actuarial -gains / losses - financial assumptions	March 31,2019	246	27	1	1	-
		March 31,2018	(641)	(11)	(2)	(2)	-
vi)	Benefits paid	March 31,2019	(635)	(162)	(4)	(3)	(2,621)
		March 31,2018	(1,346)	(199)	(9)	(4)	(2,659)
vii)	Past service cost	March 31,2019	-	138	-	-	-
		March 31,2018	-	-	-	-	(45)
viii)	Acquisitions (credit)/cost	March 31,2019	(103)	-	-	-	464
		March 31,2018	14	1	-	-	798
ix)	Contributions by employees	March 31,2019	-	-	-	-	1,687
		March 31,2018	-	-	-	-	1,473
Closing defined benefit obligation		March 31,2019	15,081	2,039	56	48	21,964
		March 31,2018	12,138	1,775	51	47	19,674

Notes to Standalone Financial Statements for the year ended March 31, 2019

c. Reconciliation of opening and closing balances of the fair value of plan assets

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening fair value of plan assets	March 31,2019	11,236	1,474	-	-	19,674
		March 31,2018	9,965	1,556	-	-	17,631
i)	Interest income on plan assets	March 31,2019	859	117	-	-	1,730
		March 31,2018	714	102	-	-	1,573
ii)	Return on plan asset greater /-lesser than discount rate	March 31,2019	45	9	-	-	-
		March 31,2018	102	15	-	-	-
iii)	Actuarial gains / -losses	March 31,2019	-	-	-	-	-
		March 31,2018	-	-	-	-	-
iv)	Contribution by the employer	March 31,2019	902	301	-	-	1,054
		March 31,2018	1,881	-	-	-	911
v)	Benefits paid	March 31,2019	(635)	(162)	-	-	(2,621)
		March 31,2018	(1,346)	(199)	-	-	(2,659)
vi)	Acquisition adjustment	March 31,2019	(140)	-	-	-	469
		March 31,2018	(80)	-	-	-	806
vii)	Contribution by employee	March 31,2019	-	-	-	-	1,687
		March 31,2018	-	-	-	-	1,473
viii)	Other adjustments	March 31,2019	-	-	-	-	(29)
		March 31,2018	-	-	-	-	(61)
	Closing fair value of plan assets	March 31,2019	12,267	1,739	-	-	21,964
		March 31,2018	11,236	1,474	-	-	19,674

d. Total defined benefit cost

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31,2019	975	212	2	2	1,054
		March 31,2018	961	73	2	2	866
ii)	Net interest cost	March 31,2019	35	12	4	3	(24)
		March 31,2018	69	14	3	5	(15)
iii)	Actuarial -gains / losses recognised in OCI	March 31,2019	1,767	77	2	(1)	-
		March 31,2018	(221)	34	2	(5)	-
	Total defined benefit cost	March 31,2019	2,777	301	8	4	1,030
		March 31,2018	809	121	7	2	851

e. Statement of Profit and Loss

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31,2019	975	212	2	2	1,054
		March 31,2018	961	73	2	2	866
ii)	Net interest cost	March 31,2019	35	12	4	3	(24)
		March 31,2018	69	14	3	5	(15)
	Cost recognised in profit and loss	March 31,2019	1,010	224	6	5	1,030
		March 31,2018	1,030	87	5	7	851

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, 2019

f. Other comprehensive income

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	March 31,2019	1,566	59	2	(2)	-
		March 31,2018	522	45	4	(3)	-
ii)	Actuarial -gain / loss due to assumption change	March 31,2019	246	27	1	1	-
		March 31,2018	(641)	(11)	(2)	(2)	-
iii)	Return on plan assets -greater / less than discount rate	March 31,2019	(45)	(9)	-	-	-
		March 31,2018	(102)	(15)	-	-	-
Actuarial -gain/ loss recognised in OCI		March 31,2019	1,767	77	2	(1)	-
		March 31,2018	(221)	19	2	(5)	-
Adjustment for limit of net asset		March 31,2019	-	-	-	-	-
		March 31,2018	-	15	-	-	-

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%	48.92%	52.13%
ii)	Corporate bonds	0.00%	0.00%	0.00%	0.00%	39.54%	45.85%
iii)	Special deposit scheme	0.00%	0.00%	0.00%	0.00%	7.63%	0.00%
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%	3.91%	2.02%
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	As at	Gratuity	Pension	Ex-Gratia	PRMB
i)	Expected employer contribution for next year	March 31,2019	2,824	300	NA	NA
		March 31,2018	902	649	NA	NA

Notes to Standalone Financial Statements for the year ended March 31, 2019

i. Following are the principal actuarial assumption used as at the balance sheet date

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2019	7.40%	7.40%	7.40%	7.40%	7.40%
March 31, 2018	7.60%	7.60%	7.60%	7.60%	7.60%
Expected rate of return on plan assets	8.00%	8.00%	NA	NA	NA
	8.00%	8.00%	NA	NA	NA
Expected return on assets for exempt PF fund					
2019-20	NA	NA	NA	NA	8.65%
	NA	NA	NA	NA	8.75%
2020-21	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.60%
2021 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 - 2026 and thereafter	NA	NA	NA	6 %	NA
	NA	NA	NA	6 %	NA
Long term EPFO rate					
2018-19	NA	NA	NA	NA	8.65%
	NA	NA	NA	NA	8.55%
2019 and thereafter	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.55%

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

Particulars	Current Year Previous Year	₹ Lacs					
		March 31, 2020 March 31, 2019	March 31, 2021 March 31, 2020	March 31, 2022 March 31, 2021	March 31, 2023 March 31, 2022	March 31, 2024 March 31, 2023	2025- 2029 2028
Gratuity	March 31,2019 March 31,2018	1,094 968	1,246 854	1,521 1,101	1,263 1,344	1,764 1,113	9,744 8,033
Pension	March 31,2019 March 31,2018	158 141	132 130	201 121	116 184	196 106	1,607 1,364
Ex gratia	March 31,2019 March 31,2018	4 4	5 5	7 5	4 6	6 3	46 42
PRMB	March 31,2019 March 31,2018	3 3	3 3	3 3	3 3	4 3	34 31
PF	March 31,2019 March 31,2018	110 86	112 85	110 85	108 84	108 79	516 384

Notes to Standalone Financial Statements for the year ended March 31, 2019

k. A quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs						
Assumptions Sensitivity level	Discount Rate		Future salary increase		Withdrawal Rate	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2019	(602)	646	651	(597)	(640)	1,046
March 31, 2018	(493)	530	534	(502)	(511)	833
Pension						
March 31, 2019	(67)	70	NA	NA	(23)	25
March 31, 2018	(61)	64	NA	NA	(26)	29
Ex Gratia						
March 31, 2019	(2)	2	NA	NA	(15)	18
March 31, 2018	(2)	2	NA	NA	(14)	18
PF						
March 31, 2019	(19)	20	-	-	-	-
March 31, 2018	(11)	12	-	-	-	-
Assumptions Sensitivity level	Discount Rate		Medical Inflation		Withdrawal Rate	
	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2019	(2)	2	4	(4)	(13)	16
March 31, 2018	(2)	2	4	(4)	(13)	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, 2019

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	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2019

			₹ Lacs	
Transaction	Name of the Party		Total	
Purchase of goods	Cummins Inc.	March 31, 2019	25,219	
		March 31, 2018	17,946	
	Tata Cummins Private Limited	March 31, 2019	105,458	
		March 31, 2018	79,210	
	Cummins Technologies India Private Limited	March 31, 2019	24,859	
		March 31, 2018	18,123	
	Others	March 31, 2019	29,573	
		March 31, 2018	29,892	
	Sale of goods	Cummins Limited	March 31, 2019	50,757
			March 31, 2018	62,428
		Cummins Technologies India Private Limited	March 31, 2019	21,383
			March 31, 2018	10,166
Others		March 31, 2019	70,087	
		March 31, 2018	70,638	
Purchase of assets	Cummins Inc.	March 31, 2019	45	
		March 31, 2018	-	
	Cummins Technologies India Private Limited	March 31, 2019	5	
		March 31, 2018	45	
	Others	March 31, 2019	4	
		March 31, 2018	-	
Sale of assets	Tata Cummins Private Limited	March 31, 2019	-	
		March 31, 2018	139	
	Cummins Technologies India Private Limited	March 31, 2019	74	
		March 31, 2018	217	
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2019	3,587	
		March 31, 2018	3,477	
	Valvoline Cummins Private Limited	March 31, 2019	3,783	
		March 31, 2018	3,473	
	Cummins Technologies India Private Limited	March 31, 2019	10,233	
		March 31, 2018	6,858	
	Tata Cummins Private Limited	March 31, 2019	2,600	
		March 31, 2018	2,501	
	Others	March 31, 2019	369	
		March 31, 2018	293	

Notes to Standalone Financial Statements for the year ended March 31, 2019

43 Related Party Disclosures (Contd.)

			₹ Lacs
Transaction	Name of the Party		Total
Services received (Refer note vii)	Cummins Sales & Service Private Limited	March 31, 2019	896
		March 31, 2018	924
	Cummins Inc.	March 31, 2019	923
		March 31, 2018	1,334
	Cummins Technologies India Private Limited	March 31, 2019	1,436
		March 31, 2018	737
Others	March 31, 2019	57	
	March 31, 2018	129	
Royalty	Cummins Inc.	March 31, 2019	5,073
		March 31, 2018	5,260
Support services	Cummins Inc.	March 31, 2019	8,934
		March 31, 2018	7,606
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2019	9,923
		March 31, 2018	8,074
	Cummins Inc.	March 31, 2019	1,895
		March 31, 2018	1,964
	Cummins Power Generation Limited	March 31, 2019	508
		March 31, 2018	1,565
Others	March 31, 2019	1,776	
	March 31, 2018	1,088	
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2019	8,080
		March 31, 2018	7,044
	Cummins Generator Technologies India Private Limited	March 31, 2019	1,023
		March 31, 2018	868
	Tata Cummins Private Limited	March 31, 2019	1,275
		March 31, 2018	1,121
Others	March 31, 2019	1,050	
	March 31, 2018	1,041	
Remuneration paid (Refer note iii)	Anant J. Talaulicar (upto November 08, 2017)	March 31, 2019	-
		March 31, 2018	270
	Sandeep Sinha	March 31, 2019	307
		March 31, 2018	216
	Rajiv Batra	March 31, 2019	299
		March 31, 2018	287
K.Venkata Ramana (upto December 31, 2018)	March 31, 2019	196	
	March 31, 2018	163	
Interest on loan given	Cummins Technologies India Private Limited	March 31, 2019	435
		March 31, 2018	1,060

Notes to Standalone Financial Statements for the year ended March 31, 2019

43 Related Party Disclosures (Contd.)

			₹ Lacs
Transaction	Name of the Party		Total
Dividend received	Cummins Generator Technologies India Private Limited	March 31, 2019	546
		March 31, 2018	546
	Valvoline Cummins Private Limited	March 31, 2019	5,225
		March 31, 2018	6,175
Dividend paid	Cummins Inc.	March 31, 2019	24,033
		March 31, 2018	19,791
Donations paid	Cummins India Foundation	March 31, 2019	1,616
		March 31, 2018	1,661
Contributions paid	Cummins India Limited Officers Provident Fund	March 31, 2019	1,054
		March 31, 2018	911
	Cummins Group Employees Superannuation Scheme	March 31, 2019	1,704
		March 31, 2018	1,488
	Cummins Group Officers Gratuity Scheme	March 31, 2019	902
	March 31, 2018	1,881	
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2019	20
		March 31, 2018	19
	Prakash Telang	March 31, 2019	21
		March 31, 2018	18
	Priya Dasgupta	March 31, 2019	21
		March 31, 2018	19
	Rajeev Bakshi	March 31, 2019	21
		March 31, 2018	19
	Venu Srinivasan	March 31, 2019	20
		March 31, 2018	18
	Anjuly Chib Duggal (w.e.f. December 19, 2018)	March 31, 2019	6
		March 31, 2018	-
Equity contribution - share based payments	Cummins Inc.	March 31, 2019	192
		March 31, 2018	129

Notes to Standalone Financial Statements for the year ended March 31, 2019

43 Related Party Disclosures (Contd.)

c) Amounts outstanding as at March 31, 2019

			₹ Lacs
Transaction	Name of the Party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2019	2,774
		March 31, 2018	4,118
	Cummins Inc.	March 31, 2019	8,422
		March 31, 2018	4,734
	Cummins Limited	March 31, 2019	4,227
		March 31, 2018	3,255
	Cummins Technologies India Private Limited	March 31, 2019	10,179
		March 31, 2018	9,825
	Tata Cummins Private Limited	March 31, 2019	3,425
		March 31, 2018	3,072
	Others	March 31, 2019	5,386
		March 31, 2018	5,724
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2019	9,812
		March 31, 2018	15,778
	Others	March 31, 2019	118
		March 31, 2018	158
Trade receivables	Cummins Angola Limited	March 31, 2019	1,569
		March 31, 2018	3,797
	Cummins Limited	March 31, 2019	5,953
		March 31, 2018	14,185
	Cummins Technologies India Private Limited	March 31, 2019	11,669
		March 31, 2018	13,407
	Cummins West Africa Limited	March 31, 2019	1,033
		March 31, 2018	1,958
	Cummins Inc.	March 31, 2019	3,115
		March 31, 2018	2,237
	Others	March 31, 2019	13,277
		March 31, 2018	18,974
Other current financial assets	Cummins Technologies India Private Limited	March 31, 2019	557
		March 31, 2018	1,371
	Valvoline Cummins Private Limited	March 31, 2019	1,002
		March 31, 2018	948
	Tata Cummins Private Limited	March 31, 2019	921
		March 31, 2018	1,317
	Cummins Inc.	March 31, 2019	569
		March 31, 2018	408
	Others	March 31, 2019	106
		March 31, 2018	168
Loan given	Cummins Technologies India Private Limited	March 31, 2019	-
		March 31, 2018	12,866

Notes to Standalone Financial Statements for the year ended March 31, 2019

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 (with which there are transactions during the year)	Beijing Foton Cummins Engine Co., Ltd.
	Chongqing Cummins Engine Co. Limited
	Consolidated Diesel Company
	Cummins (China) Investment Co. Limited
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Limited
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Commercializadora S.De R.L
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Limited
	Cummins DKSH (Thailand) Limited
	Cummins East Asia Research & Development Co. Limited
	Cummins Eastern Canada LP
	Cummins Engine (Shanghai) Trading & Services Co. Limited
	Cummins Fuel Systems Wuhan Co. Limited
	Cummins Generator Technologies Australia Pty Limited
	Cummins Generator Technologies Limited
	Cummins Ghana Limited
	Cummins Hong Kong Limited
	Cummins Italia SPA
	Cummins Japan Limited
	Cummins Limited
	Cummins Makina Sanayi Ve Ticaret Limited
	Cummins Middle East FZE
	Cummins Mid-South LLC
	Cummins Natural Gas Engines Inc.
	Cummins Norte de Colombia S.A.S.
	Cummins Npower LLC
	Cummins NV
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Limited
	Cummins Power Generation (S) Pte. Limited
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Limited

Notes to Standalone Financial Statements for the year ended March 31, 2019

43 Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Sdn. Bhd.
	Cummins Sales and Service Singapore Pte Limited
	Cummins South Africa (Pty.) Limited
	Cummins South Pacific Pty Limited
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Limited
	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 Guatemala, Ltda.
	Distribuidora Cummins Centroamerica Honduras, S.de R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins SA
	Distribuidora Cummins Sucursal Paraguay SRL
	OOO Cummins
	Shanghai Cummins Trade Co. Limited
	Taiwan Cummins Sales & Services Co. Limited
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director (upto November 8, 2017)
	Sandeep Sinha - Chief Operating Officer (upto January 31, 2018) and Managing Director (w.e.f. February 1, 2018)
	Rajiv Batra (Chief Financial Officer)
	K. Venkata Ramana (Group Vice President - Legal & Company Secretary) (upto December 31, 2018)
	Mark Levett (Chairman of the Board w.e.f. March 2, 2018)
	Antonio Leitao
	Norbert Nusterer
	Mark Smith (upto May 24, 2018)
	Suzanne Wells
	Hemiksha Bhojwani (Company Secretary w.e.f. April 1, 2019)
	Donald Jackson (w.e.f. October 30, 2018)
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan
	- Anjuly Chib Duggal (w.e.f. December 19, 2018)

Notes to Standalone Financial Statements for the year ended March 31, 2019

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 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 (upto November 8, 2017) Tata Hitachi Construction Machinery Company Private Limited (upto November 2, 2018) Valvoline Cummins 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

Terms and conditions of transactions with related parties:

- ii) 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, 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2018: 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) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Company as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

- 44 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute **₹ 1,616 Lacs** (March 31, 2018: ₹ 1,661 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 **₹ 1,616 Lacs** (March 31, 2018: ₹ 1,661 Lacs) to Cummins India Foundation towards eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

Notes to Standalone Financial Statements for the year ended March 31, 2019

45 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 seek 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 has appropriate skills, experience and supervision. As per 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 manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Company uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2019	March 31, 2018
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	108	5
Euro	1%	17	25
Others	1%	3	6
Total		128	36

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 underlying 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 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.

Notes to Standalone Financial Statements for the year ended March 31, 2019

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 approved by the Board of Directors.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

		₹ Lacs	
	% change	March 31, 2019	March 31, 2018
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.5%	121	252

Profit after tax 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 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 and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Company 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 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, 9, 10, 12, 13 and 14.

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 ₹ 24,248 Lacs (March 31, 2018: ₹ 50,410 Lacs) and other liquid assets of ₹ 19,534 Lacs (March 31, 2018: ₹ 15,231 Lacs) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to Standalone Financial Statements for the year ended March 31, 2019

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

₹ Lacs			
As at March 31, 2019	On demand	Less than 12 months	1-5 years
Borrowings	-	30,916	-
Trade payables	-	82,511	-
Royalty and support services	-	9,812	-
Unpaid dividend	1,259	-	-
Retention money	-	2,426	302
Dealer deposits	-	-	2,375
Others	-	2,451	-
As at March 31, 2018	On demand	Less than 12 months	1-5 years
Borrowings	-	25,154	-
Trade payables	-	75,802	-
Royalty and support services	-	15,778	-
Unpaid dividend	857	-	-
Retention money	-	1,235	743
Dealer deposits	-	-	2,099
Others	-	4,522	-

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 reserves attributable to equity shareholders of the Company.

₹ Lacs		
	March 31, 2019	March 31, 2018
Borrowings	30,916	25,154
Less: Cash and cash equivalents	19,534	15,231
Net debt	11,382	9,923
Equity	413,045	398,607
Gearing Ratio (times)	0.03	0.02

Notes to Standalone Financial Statements for the year ended March 31, 2019

46 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, 2019 ₹ Lacs	March 31, 2018 ₹ Lacs	March 31, 2019 ₹ Lacs	March 31, 2018 ₹ Lacs
Financial assets				
FVTPL of investments in mutual funds	24,248	50,410	24,248	50,410
FVTPL of investments in equity	24	43	24	43
FVTPL of Foreign exchange forward contracts	419	-	419	-
Financial liabilities				
FVTPL of Foreign exchange forward contracts	-	181	-	181
Non-current assets				
Investment properties	72,802	73,110	78,048	77,246

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 is based on the price quotation at the reporting date derived from quoted market prices in active market. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

Notes to Standalone Financial Statements for the year ended March 31, 2019

46 Fair values (contd.)

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, 2019	-	24,248	-	24,248
March 31, 2018	-	50,410	-	50,410
Investments in equity				
March 31, 2019	24	-	-	24
March 31, 2018	43	-	-	43
Forward contracts assets				
March 31, 2019	-	419	-	419
March 31, 2018	-	-	-	-
Financial liabilities at FVTPL				
Forward contracts liability				
March 31, 2019	-	-	-	-
March 31, 2018	-	181	-	181
Non-current assets				
Investment properties				
March 31, 2019	-	-	78,048	78,048
March 31, 2018	-	-	77,246	77,246

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 properties, refer note 3.

Notes to Standalone Financial Statements for the year ended March 31, 2019

47 Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs ('MCA') has issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 amending the following standards:

A. Ind AS 116 - Lease

Ind AS 116 Leases was notified on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company continues to evaluate the available transition methods and its lease contractual arrangements. The ultimate impact resulting from the application of Ind AS 116 will be subject to assessments that are dependent on terms of lease contractual arrangements .

B. Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 and does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. In determining the approach that better predicts the resolution of the uncertainty, an entity might consider, for example, (a) how it prepares its income tax filings and supports tax treatments; or (b) how the entity expects the taxation authority to make its examination and resolve issues that might arise from that examination.

The interpretation is effective for annual reporting periods beginning on or after April 1, 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date. The Company does not expect to have any material impact on its financial statements.

Notes to Standalone Financial Statements for the year ended March 31, 2019

C. Amendments to Ind AS 19: Plan Amendment, Curtailment or settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after April 1, 2019. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company. The Company does not expect to have any material impact on its financial statements.

48 Exceptional items represent profit on sale of assets.

49 Segment Information

In accordance with paragraph 4 of notified Ind AS 108 “Operating segments”, the Company has disclosed segment information only on the basis of the consolidated financial statements.

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

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 2019, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

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 Companies Act, 2013, as amended ("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, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p>Revenue recognition and recoverability of certain trade receivables (refer note 1(j) (accounting policy), note 11 and note 27 (financial disclosures), note 36 (significant judgments and estimates) and note 48(b) (credit risk) to the consolidated Ind AS financial statements)</p>	
<p>Revenue for the year ended March 31, 2019 amounted to ₹ 569,731 lakhs. Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Holding Company expects to be entitled in exchange for those goods or services. The Holding Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition. Given the nature of industry in which the Holding Company operates, ascertainment of timing of revenue recognition is a key audit consideration for sales transactions occurring near to the year end.</p> <p>Further, sales to certain customers may lead to recoverability issues due to unforeseen circumstances.</p> <p>The adequacy of the provision for doubtful debts is subjective due to the high degree of judgement applied by management in determining the impairment provision. Due to currency restrictions currently in certain geographies, the Central Bank has restricted remittances of USD to other countries. Consequently, this has put pressure on the Holding Company's customers' ability to repay their outstanding account balances.</p> <p>As at the March 31, 2019, the outstanding balances from customers in such geographies amounted to ₹ 4,220 lakhs, out of the total trade receivable balance of ₹ 128,359 lakhs.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, and the related estimation uncertainty in collectability due to currency restrictions in certain geographies, this is considered as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained and read customer contracts and confirmed our understanding of the Holding Company's sales process from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls. ● We read and understood the Holding Company's accounting policy for recognition of revenue and impairment of receivables. ● We performed transactions testing based on a representative sampling of the sales orders to assess revenue recognition and recognition of trade receivables including transactions occurring on and around the year end. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. ● We tested the ageing of trade receivables including receivables from certain customers located in geographies where currency restrictions continued to exist as at year end. ● We requested for and obtained independent balance confirmations from the Holding Company's customers on sample basis. For amounts receivable from customers located in certain geographies where currency restrictions exist, we read the financial support letter obtained by the Holding Company. For such receivables, we evaluated compliance with FEMA regulations relating to realization and repatriation of foreign currency proceeds. ● We assessed the trade receivables impairment methodology applied in the current year, and compared the Holding Company's provisioning rates against historical collection data. We assessed whether the time value of money was considered in the expected credit loss impairment model and tested the mathematical accuracy of the calculations. ● We also performed various analytical procedures to identify any unusual sales trends for further testing.
<p>Significant judgments and estimates - warranty provision and classification of tangible assets as investment property (refer note 1(o) and note 1(e) (accounting policy), note 3, note 20 and note 41(i) (financial disclosures) and note 36 (significant judgments and estimates) to the consolidated Ind AS financial statements)</p>	
<p>The Holding Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term; the reserve for product warranties includes the expected costs of warranty obligations imposed by the contract, as well as the expected costs for policy coverage. In addition, the Holding Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained understanding of the warranty process, and the assumptions used by the management in the process of calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls. ● We evaluated management's methodology and assumptions used in the warranty provision calculations. ● We tested completeness, arithmetical accuracy and validity of

Key audit matters	How our audit addressed the key audit matter
<p>claim experience for the Holding Company's engines. We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the financial statements.</p> <p>The Holding Company also owns various immovable properties that have been let out to Group Companies/ third parties for varied lease periods. Ind AS 40 'Investment Property' requires assets to be classified as Investment Property in case certain conditions are met. This involves significant judgment and estimation with respect to the lease term, management intention etc., basis which the assets are classified either as property, plant and equipment or investment property in the Balance sheet.</p> <p>We have considered this as a key audit matter on account of the significant judgement involved in classification of properties, and the related disclosure requirements.</p>	<p>the data used in the warranty calculations. We assessed the disclosure of warranty provision made in the consolidated Ind AS financial statements.</p> <ul style="list-style-type: none"> ● We obtained an understanding of financial statement closure process, including the process of assessment and classification of immovable properties and preparation of relevant disclosures. We also understood design and implementation of controls, tested the operating effectiveness of these controls, including validation of management review controls. ● We assessed various lease agreements entered into by the Holding Company with group Companies / third parties and evaluated terms of agreements, along with requirements of Ind AS. ● We read the judgements and assumptions made by the management with respect to classification of investment properties. ● We assessed the disclosure of investment property made in the consolidated Ind AS financial statements.
Transactions with related parties (refer note note 45(financial disclosures) to the consolidated Ind AS financial statements)	
<p>In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of Companies Act, 2013 and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained an understanding of the Holding Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls. ● We assessed whether approvals have been obtained by the management, as required by Companies Act, 2013 and LODR. ● On a sample basis, we tested whether transactions with related parties are at arm's length basis. ● We read the status of tax assessments and litigation with respect to related party transactions. ● We evaluated the disclosures in the consolidated Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.
Other Information	

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's statement, Managing Director's statement, Director's Report including Annexures to the Director's Report and the Business Responsibility Report of the Annual Report of the Holding Company, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of 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 the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with 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; 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 consolidated Ind AS 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.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for assessing the ability of the Group and of its associate and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in the Group and its associate and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its associate and joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate and joint ventures to continue as a going concern. If we conclude that

a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate and joint ventures to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate and joint ventures of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

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 Rs. 3,578 lakhs as at March 31, 2019, and total revenues of Rs. 10,143 lakhs and net cash (inflows) of Rs. 10 lakhs for the year ended on that date. These Ind AS financial statements and other financial information have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net profit of Rs. 9,264 lakhs for the year ended March 31, 2019, 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.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, 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.

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 report 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 purposes 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 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, the 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 Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 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, none of the directors of the Group's companies, its associate and joint ventures incorporated in India is disqualified as on March 31, 2019 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 with reference to these consolidated Ind AS financial statements 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) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiary, associate and joint ventures incorporated in India, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company, its subsidiary, associate and joint ventures incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) 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, as amended, 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 in its consolidated Ind AS financial statements – Refer Note 37 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, 2019;
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the subsidiary and joint ventures incorporated in India during the year ended March 31, 2019. For delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company and the associate company incorporated in India during the year ended March 31, 2019, refer note 52 to the consolidated Ind AS financial statements.

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 22, 2019

Annexure 1 referred to in paragraph (f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the consolidated Ind AS financial statements of Cummins India Limited

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, 2019, 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 ventures, 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 ventures, 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 (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI). 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 with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both, issued by the ICAI, 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 with reference to these consolidated Ind AS financial statements 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 over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, 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 over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Consolidated Ind AS Financial Statements

A company’s internal financial control over financial reporting with reference to these consolidated Ind AS financial statements 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 with reference to these consolidated Ind AS financial statements 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 with Reference to these Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, 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 with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements 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, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2019, 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 issued by the ICAI.

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 with reference to these consolidated Ind AS financial statements of the Holding Company, insofar as it relates to one subsidiary company, one associate company and two joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, associate and joint ventures 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 22, 2019

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2019

₹ Lacs

Particulars	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	128,396	128,435
Capital work-in-progress (including investment property in progress)		15,853	3,868
Investment properties	3	72,802	73,110
Intangible assets	2.2	314	547
Investments in joint ventures and an associate	4	22,026	19,716
Financial assets			
Investments	4	522	533
Other financial assets	5	1,919	484
Income tax assets (net)	6	9,341	8,955
Other non-current assets	7	11,997	12,821
		263,170	248,469
Current assets			
Inventories	8	63,285	54,438
Financial assets			
Investments	9	24,272	50,601
Loans	10	-	12,866
Trade receivables	11	128,359	133,818
Cash and cash equivalents	12	19,546	15,232
Other bank balances	13	54,259	31,857
Other current financial assets	14	36,052	7,064
Other current assets	15	16,698	16,721
Assets classified as held for sale	16	386	412
		342,857	323,009
	TOTAL	606,027	571,478
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	5,544	5,544
Other equity	18		
Retained earnings		307,700	291,454
Other reserves		115,054	114,862
		428,298	411,860
Non-current liabilities			
Other financial liabilities	19	2,677	2,842
Provisions	20	7,467	4,440
Deferred tax liabilities (net)	21	13,966	6,525
Other non-current liabilities	22	206	213
		24,316	14,020
Current liabilities			
Financial liabilities			
Borrowings	23	31,259	25,684
Trade payables	24		
Total outstanding dues from micro and small enterprises		2,400	847
Total outstanding dues of creditors other than micro and small enterprises		80,141	75,106
Other current financial liabilities	25	16,123	22,555
Other current liabilities	26	6,460	6,161
Provisions	20	17,030	15,245
		153,413	145,598
	TOTAL	606,027	571,478

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Nasser Munjee
Director
DIN : 00010180

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

Particulars	Notes	₹ Lacs	
		Year Ended March 31, 2019	Year Ended March 31, 2018
Revenue from operations	27	569,731	519,045
Other income	28	23,507	16,131
Total income		593,238	535,176
Expenses:			
Cost of materials consumed	29.1	268,883	251,699
Purchases of traded goods		97,109	70,662
Change in inventories of finished goods, work-in-progress and traded goods	29.2	(4,001)	4,084
Excise duty on sale of goods		-	7,856
Employee benefits expense	30	56,191	51,125
Finance costs	31	1,677	1,519
Depreciation and amortisation expense	2 & 3	11,110	9,438
Other expenses	32	64,644	60,328
Total expenses		495,613	456,711
Profit before exceptional items, share of profit of joint ventures and associate and tax		97,625	78,465
Exceptional items	51	-	5,612
Profit after exceptional items before share of profit of joint ventures and associate and before tax		97,625	84,077
Share of profit of joint ventures and associate after tax		9,264	8,578
Profit before tax		106,889	92,655
Tax expense	21		
Current tax		30,693	20,332
Deferred tax		1,947	976
Tax for earlier years		(12)	165
Total tax expense		32,628	21,473
Profit after tax		74,261	71,182
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement (loss)/ gain on defined benefit plans		(1,854)	199
Income tax effect		647	(69)
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		(1,207)	130
Share in joint venture's and associate's OCI after tax (net) not to be reclassified to profit or loss in subsequent periods		3	18
Other comprehensive income/ (expense) for the year, net of tax		(1,204)	148
Total comprehensive income for the year, net of tax		73,057	71,330
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	33	26.79	25.68

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Nasser Munjee
Director
DIN : 00010180

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2019

A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2017	5,544
Changes in equity share capital during the year ended March 31, 2018	-
As at April 1, 2018	5,544
Changes in equity share capital during the year ended March 31, 2019	-
As at March 31, 2019	5,544

B) Other equity

₹ Lacs

Particulars	Retained earnings (Refer note 18)	Other reserves			Total
		General reserve (Refer note 18)	Capital redemption reserve (Refer note 18)	Equity contribution from Cummins Inc.- Share based payments* (Refer note 18)	
Balance as at April 1, 2017	266,833	114,202	70	461	381,566
Add: Profit for the year	71,182	-	-	-	71,182
Add: Equity contribution during the year	-	-	-	129	129
Other comprehensive income	148	-	-	-	148
Total comprehensive income for the year	71,330	-	-	129	71,459
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2016- 2017	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2018	291,454	114,202	70	590	406,316
Add: Profit for the year	74,261	-	-	-	74,261
Add: Equity Contribution during the year	-	-	-	192	192
Other comprehensive income	(1,204)	-	-	-	(1,204)
Total comprehensive income for the year	73,057	-	-	192	73,249
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2017- 2018	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2019	307,700	114,202	70	782	422,754

* Scheme managed and administered by the Holding Company.

As per our report of even date

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

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
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Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2019

₹ Lacs

Particulars	Year Ended March 31, 2019	Year Ended March 31, 2018
I. Cash generated from operations :		
Profit before tax	106,889	92,655
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	11,110	9,438
Finance costs	1,677	1,519
Interest income	(5,297)	(1,832)
Dividend income	(320)	(2,883)
(Gain)/loss on assets sold, discarded etc.	(70)	471
(Gain) on redemption /sale of investments (net)	(2,356)	49
Equity contribution from Holding company	192	129
Unrealised foreign exchange fluctuation (net)	129	(388)
Mark to market ('MTM') of financial instruments	(419)	181
Provision for doubtful debts and advances (net)	281	307
Exceptional items	-	(5,612)
Share of profit of joint ventures and associate	(9,264)	(8,578)
	<u>(4,337)</u>	<u>(7,199)</u>
b) Working capital adjustments		
Trade receivables	4,873	(36,916)
Inventories	(8,847)	2,542
Other bank balances	(402)	(322)
Current and non-current financial assets	(28,088)	(954)
Other current and non-current assets	5,839	10,950
Trade payables	6,889	14,636
Current and non-current financial liabilities	(6,999)	7,844
Other current and non-current liabilities	332	(1,201)
Current and non-current provisions	2,515	(497)
	<u>(23,888)</u>	<u>(3,918)</u>
Total adjustments (a+b)	<u>(28,225)</u>	<u>(11,117)</u>
Cash generated from operations	78,664	81,538
Tax paid (net of refunds)	(23,743)	(18,348)
Net cash from operating activities	54,921	63,190
II. Cash flows used in investing activities		
Purchase of property, plant and equipment and investment property	(28,302)	(19,104)
Proceeds from sale of property, plant and equipment	892	9,929
Interest received	3,381	1,350
Dividend received (including received from associate and joint ventures)	6,091	9,604
Proceeds from loan given	12,866	-
Investments		
(Purchase)/sale of short term investments (net)	28,696	15,822
Term deposits with Banks (more than 3 months but less than 1 year)	(22,000)	(31,000)
Net cash (used in) investing activities	1,624	(13,399)

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

₹ Lacs

Particulars	Year Ended March 31, 2019	Year Ended March 31, 2018
III. Cash flows from financing activities		
Proceeds from borrowings, net	5,575	470
Finance costs	(1,269)	(1,039)
Dividend paid (including tax on dividend)	(56,409)	(46,387)
Net cash (used in) financing activities	(52,103)	(46,956)
IV. Net change in cash and cash equivalents (I+II+III)	4,442	2,835
V. Net foreign exchange difference	(128)	2
VI. Cash and cash equivalents at the beginning of the year	15,232	12,395
Cash and cash equivalents at the end of the year (IV+V+VI)	19,546	15,232
Components of cash and cash equivalents		
Cash on hand	2	2
Bank balances		
In current accounts	19,533	15,230
Cheque in hand	11	-
Total cash and cash equivalents (Refer note 12)	19,546	15,232

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
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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, 2019. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company's 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, 2019 were authorised for issue in accordance with the resolution of the directors on May 22, 2019.

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 from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013 (Ind AS compliant schedule III).

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) 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 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 profit or 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 is not 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 or 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, 2019

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 or 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 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, 2019		As on March 31, 2018	
	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%

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 36 and 49
Financial instruments (including those carried at amortised cost)	Note no 4, 9 to 14
Investment Properties	Note no 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 hierarchy 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.

e) **Property, plant and equipment and Investment properties**

Property plant and equipment, capital work in progress and investment properties 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 properties 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.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciated them separately based on their specific useful lives.

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 properties	upto 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.

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.

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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.

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, and are disclosed as assets held for disposals in the financial statements. Such assets, once classified as held for sale, are not depreciated. Any expected loss is recognised immediately in the Statement of Profit and Loss.

h) **Inventories**

Inventories are stated at lower of cost and net realisable value after providing for obsolescence and are valued at weighted average cost basis. 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 CIL and subsidiary's functional currency.

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.

j) **Revenue recognition**

i) **Revenue from sale of products**

Revenue from contracts with customers for sale of products is recognised, generally at a point in time when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding taxes or duties collected on behalf of the government e.g. goods and service tax (GST). The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 36.

ii) **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

iii) **Warranty obligations**

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

iv) **Sale of services - installation services**

The Group provides installation services that can be either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the product sold.

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative standalone selling prices of the products and installation services. The Group recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

v) **Sale of services - service contracts**

The Group has long-term service contracts with customers. Revenue from service contracts is recognised over time i.e based on the proportionate completion method. Provision is made for any loss in the period in which it is foreseen. The Group considers that output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under Ind AS 115.

In case of other service contracts, revenue is recognized over time, using input/output method, when services are rendered and on receipt of confirmation from customers, as the case may be.

vi) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

vii) **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due when billing has been done) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

viii) **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

ix) 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.

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

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

k) **Leases**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Company is classified as a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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.

Group 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 lessor expected inflationary cost increase.

Group as a lessor: Rental income under operating leases 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 leases are amortised over the leased term.

I) 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 (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 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

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

n) Income tax

The tax expense for the year 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, as the case may be.

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

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 then difference is reversed, but not higher than the amount provided for.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and demand deposits with banks.

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 either recorded as deferred income and is recognised as income on a systematic and rational basis over the useful life of the asset, or adjusted against the cost 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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.

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 and 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) Derecognition

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 e.g. 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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. This amount is reflected under the head 'other expenses' in the statement of profit and loss. 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 on 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 or 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 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.

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 stand-alone 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 and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 Statement of Profit and 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.

v) Earning per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the parent company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the parent company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.1 Changes in accounting policies and disclosures

The Group has applied Ind AS 115 for the first time. The nature and the effect of the changes as a result of adoption of these new accounting standards are described below:

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 was issued on March 28, 2018 and supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In addition, the standard requires extensive disclosures. The Group adopted Ind AS 115 using the modified retrospective method of adoption. There is no significant impact of transition to Ind AS 115 on retained earnings as on April 1, 2018.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

2.1 Property, plant and equipment

Particulars	Gross block				Depreciation and Amortisation				Net block	
	As at April 1, 2018	Additions	Adjustment	Deductions / Write-off	As at March 31, 2019	For the year	Adjustment	Deductions / Write-off	As at March 31, 2019	As at March 31, 2019
Tangible Assets:										
Land										
- Freehold @	5,022	-	-	57	4,965	-	-	-	-	4,965
- Leasehold **	1,564	-	-	-	1,564	14	-	-	117	1,447
Leasehold improvements	709	15	-	-	724	13	-	-	124	600
Roads	2,717	12	-	1	2,728	254	-	1	1,553	1,175
Buildings #	99,307	2,405	31	197	101,546	2,031	2	59	12,491	89,055
Plant and machinery #	93,348	5,712	965	3,529	96,496	5,134	762	2,948	68,283	28,213
Furniture and fittings #	4,708	179	-	200	4,687	310	-	159	1,986	2,701
Vehicles	543	39	28	100	510	57	25	94	270	240
	207,918	8,362	1,024	4,084	213,220	7,813	789	3,261	84,824	128,396
2.2 Intangible assets										
Software	2,550	113	-	160	2,503	346	-	160	2,189	314
Technical knowhow	2,060	-	-	-	2,060	-	-	-	2,060	-
	4,610	113	-	160	4,563	346	-	160	4,249	314

NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for 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.

Includes certain assets given on cancellable/ non-cancellable operating lease (Refer note 39 for lease details).

The Group had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only. The total accumulated depreciation / amortisation as at April 1, 2015 was 64,905 Lacs.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

2.1 Property, plant and equipment (Contd.)

Particulars	Gross block						Depreciation and Amortisation				Net block
	As at April 1, 2017	Additions	Adjustment	Deductions / Write-off	As at March 31, 2018	As at April 1, 2017	For the year	Adjustment	Deductions / Write-off	As at March 31, 2018	As at March 31, 2018
Tangible Assets:											
Land											
- Freehold @	5,021	-	1	-	5,022	-	-	-	-	-	5,022
- Leasehold **	1,564	-	-	-	1,564	87	16	-	-	103	1,461
Leasehold improvements *	711	8	-	10	709	105	16	-	10	111	598
Roads	2,214	513	-	10	2,717	1,062	248	-	10	1,300	1,417
Buildings #	94,228	5,310	-	231	99,307	8,605	2,084	-	172	10,517	88,790
Plant and machinery #	87,723	7,407	1,677	3,459	93,348	61,814	5,050	1,033	2,562	65,335	28,013
Furniture and fittings #	3,975	761	94	122	4,708	1,467	393	64	89	1,835	2,873
Vehicles	446	67	92	62	543	199	56	87	60	282	261
	195,882	14,066	1,864	3,894	207,918	73,339	7,864	1,184	2,903	79,483	128,435
2.2 Intangible assets											
Software	2,509	41	-	-	2,550	1,672	331	-	-	2,003	547
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,569	41	-	-	4,610	3,732	331	-	-	4,063	547

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 39 for lease commitment details).

The Group had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only. The total accumulated depreciation / amortisation as at April 1, 2015 was 64,905 Lacs.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
3 Investment properties		
Gross		
Opening balance	74,620	27,056
Additions	2,643	47,564
Closing balance	77,263	74,620
Depreciation		
Opening balance	1,510	267
Depreciation	2,951	1,243
Closing balance	4,461	1,510
Net	72,802	73,110
Information regarding income and expenditure of investment properties		
	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Rental income derived from investment properties	5,605	2,717
Direct operating expenses (including repairs and maintenance) generating rental income	742	216
Profit arising from investment properties before depreciation and indirect expenses	4,863	2,501
Less: Depreciation	2,951	1,243
Profit arising from investment properties before indirect expenses	1,912	1,258

The investment properties consist of Cummins Technical Centre in India (CTCI) and office building. As at March 31, 2019 the fair value of the properties is ₹ **78,048 lacs** (As at March 31, 2018: ₹ 77,246 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Group considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties.

The Group has no restrictions on the realisability of its investment properties 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 properties

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2019	Range (weighted average) March 31, 2018
Income approach (Discounted Cashflow ('DCF') method)	Estimated rental value per sq. ft. per month	₹ 55 - ₹ 75	₹ 55 - ₹ 75
	Rent growth p.a.	15% every 3 years	15% every 3 years
	Discount rate	11.70% to 12.27%	11.31% to 11.81%

As per the DCF method, fair 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 properties 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 properties 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 properties.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

4 Non Current Investments

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
			Non - current investments		
			<i>Unquoted equity instruments</i>		
			Investments in joint ventures and an associate		
			Investments in joint ventures (fully paid up)(Refer note 42)		
9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	10,919	10,456
114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	238	252
			Investment in associate (fully paid up)(Refer note 43)		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	10,869	9,008
			Total	22,026	19,716
			Other investments (fully paid up)		
			<i>Unquoted equity instruments</i> <i>(Fair value through profit and loss)</i>		
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	0	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	0	0
			Aggregate value of unquoted investments *	0	0
			Valued at amortised cost		
			<i>Quoted Government of India Bonds</i>		
50,000,000	50,000,000	1	8.35% Government of India 2022	522	533
			Aggregate book value / market value of quoted investments	522	533
			Total	522	533

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

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
5 Other non-current financial assets (carried at amortised cost)		
Unsecured, considered good;		
Security deposits	1,919	484
Total	1,919	484
6 Income tax assets (net)		
Advance income tax (net of provision for taxation)	9,341	8,955
Total	9,341	8,955
7 Other non-current assets		
Unsecured, considered good;		
Capital advances	7,049	2,057
Balances with statutory/government authorities	4,948	10,764
Total	11,997	12,821
8 Inventories		
Raw materials and components (includes goods in transit)	33,455	28,597
Work-in-progress (includes lying with third party)	11,141	9,853
Finished goods (includes goods in transit and lying with third party) *	15,841	13,075
Traded goods (includes goods in transit)	1,624	1,677
Stores and spares	707	783
Loose tools	517	453
Total	63,285	54,438

* During the year ended March 31, 2019 ₹ (73) Lacs (March 31, 2018: ₹ (2) 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, 2019

9 Current Investments

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
Current portion of long term investments					
a) Quoted equity instrument (fair value through profit and loss)					
9,811	9,811	2	Kirloskar Oil Engines Limited	17	32
913	913	10	Kirloskar Industries Limited	7	11
				24	43
b) Quoted Corporate Bonds (amortised cost)					
-	12	1,250,000	6.68% Power Grid Corporation of India 2019	-	148
				-	148
			Aggregate book value / market value of quoted investments	24	191
Current investments					
Unquoted mutual funds valued at fair value through profit and loss					
-	4,919,730	10	Axis Short Term Fund - Direct Weekly Dividend Reinvestment	-	506
96,964	-	1,000	Axis Liquid Fund - Growth	2,002	-
-	74,260,984	10	Aditya Birla Sun life Corporate Bond Fund - Monthly Dividend-Direct Plan -Reinvestment-(Previously Birla Sun Life Short Term Fund - Monthly Dividend-Direct Plan - Reinvestment)	-	8,634
684,365	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	2,046	-
806,992	-	100	Aditya Birla Sun Life Money Manager Fund - Growth-Direct Plan	2,031	-
-	20,845,624	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	-	2,136
55,625	-	1,000	HDFC Liquid Fund - Regular Plan - Growth	2,036	-
51,217	-	1,000	HDFC Money Market Fund - Direct Plan - Growth Option	2,007	-
-	75,320,464	10	ICICI Prudential Corporate Bond Fund - Direct Plan - Daily Dividend (Previously ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend)	-	7,616
-	10,482,842	10	ICICI Prudential Corporate Bond Fund - Daily Dividend (Previously ICICI Prudential Ultra Short Term - Daily Dividend)	-	1,060
-	9,568,699	10	ICICI Prudential Short Term - Direct Plan - Monthly Dividend	-	1,217
780,490	-	100	ICICI Money Market Fund - Growth Direct	2,031	-
-	35,063,379	10	IDFC Corporate Bond Fund Direct Plan - Monthly Dividend	-	3,604
-	24,848,034	10	IDFC Corporate Bond Fund Regular Plan - Monthly Dividend	-	2,622
-	20,467,722	10	Kotak Bond (Short Term) - Monthly Dividend (Regular Plan)	-	2,086
53,981	-	1,000	Kotak Liquid Regular Plan Growth	2,037	-
65,331	-	1,000	Kotak Money Market Scheme - Direct Plan - Growth	2,016	-
			Carried forward	16,206	29481

Notes to Consolidated Financial Statements for the year ended March 31, 2019

9 Current Investments (Contd.):

As at March 31, 2019 Units	As at March 31, 2018 Units	Face value per unit ₹		As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
			Brought forward	16,206	29,481
-	4,253,853	10	Reliance Quarterly Interval Fund - Series II - Direct Growth Plan Growth Option	-	1,021
88,403	-	1,000	Reliance Liquid Fund - Direct plan growth plan - growth option	4,033	-
-	20,097,845	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	-	2,093
68,719	-	1,000	SBI Liquid Fund Regular Growth	2,004	-
-	27,217,447	10	Tata Short Term Bond Fund Direct Plan - Monthly Dividend	-	4,286
-	32,098,445	10	Tata Short Term Bond Fund Regular Plan - Monthly Dividend	-	4,859
-	59,204,465	10	UTI - Short Term Income Fund - Institutional Option - Direct Quarterly Dividend Plan Reinvestment	-	7,660
-	4,725,094	10	UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan-Retail Option - Direct Plan - Growth	-	1,010
65,696	-	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	2,005	-
-	36	1,000	UTI-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment *	-	0
			Aggregate value of unquoted investments	24,248	50,410
			Total	24,272	50,601

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

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
10 Current financial assets - Loans (carried at amortised cost)		
Unsecured, considered good;		
Loan to related party (Refer note 38 and 45)	-	12,866
Total	-	12,866
Loan given to related party is at an interest rate based on SBI lending rate.		
11 Trade receivables (carried at amortised cost)		
Trade receivables	92,135	79,377
Receivables from related parties (Refer note 45)	36,224	54,441
Total	128,359	133,818
Break up for security details		
Secured, considered good	29,089	24,650
Unsecured, considered good	99,550	109,559
Trade receivable which have significant increase in credit risk	-	-
Trade receivable - credit impaired	222	273
	128,861	134,482
Impairment allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	-	-
Provision for impairment	(280)	(391)
Trade receivable - credit impaired	(222)	(273)
Total	128,359	133,818
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 ₹ 2,316 Lacs (March 31, 2018: ₹ 2,201 Lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
For terms and conditions and transactions with related parties refer note 45.		
12 Cash and cash equivalents (carried at amortised cost)		
Cash on hand	2	2
Bank balances		
In current accounts	19,533	15,230
Cheques in hand	11	-
Total	19,546	15,232

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
13 Other bank balances (carried at amortised cost)		
Unpaid dividend account (restricted)	1,259	857
Deposits with Banks (original maturity more than 3 months but less than 1 year)	53,000	31,000
Total	54,259	31,857
14 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)		
Unsecured, considered good:		
Security deposits	1,382	1,014
Deposits with Bank (with residual maturity less than 12 months)	27,000	-
Contract assets	2,116	2,040
Foreign exchange forward contracts #	419	-
Interest accrued on investments and deposits	2,512	594
Others *	2,623	3,416
Total	36,052	7,064
# 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, export incentives receivable, 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 ₹ 1,923 Lacs (March 31, 2018: ₹ 2,264 Lacs). Refer note 45 for related party transactions.		
15 Other current assets		
Unsecured, considered good:		
Balances with statutory/government authorities	14,368	12,178
Others *	2,330	4,543
Total	16,698	16,721
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
16 Assets classified as held for sale		
Assets held for sale (at lower of cost or fair value less cost to sell) *	386	412
Total	386	412

* Includes land, building, plant and machinery held for sale where the Group is in the process of disposal.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
17 Equity share capital		
Authorised :		
400,000,000 equity shares of 2 each	8,000	8,000
Issued, Subscribed and Fully paid-up shares :		
277,200,000 equity shares of 2 each	5,544	5,544
Total	5,544	5,544

a. Reconciliation of number of shares

Equity shares:

	As at March 31, 2019		As at March 31, 2018	
	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

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, 2018 : 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, 2019		As at March 31, 2018	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid Cummins Inc., the holding company	141,372,000	51.00%	141,372,000	51.00%

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
18 Other equity		
Retained earnings	307,700	291,454
	307,700	291,454
Other reserves		
Capital redemption reserve	70	70
General reserve	114,202	114,202
Equity contribution from holding company	782	590
Total	115,054	114,862
a) Retained earnings		
Opening balance as at April 1	291,454	266,833
Add: Profit for the year	74,261	71,182
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	(1,204)	148
	364,511	338,163
Less:		
Interim dividends paid	19,404	13,860
Tax on interim dividends	3,989	2,822
Final dividends paid for the financial years ended March 31, 2018 and March 31, 2017	27,720	24,948
Tax on final dividends for the financial years ended March 31, 2018 and March 31, 2017	5,698	5,079
	56,811	46,709
Closing balance as at March 31	307,700	291,454

During the year March 31, 2019 and March 31, 2018 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.

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended payment of final dividend of ₹ **33,418 lacs** for the year ended March 31, 2019 (March 31, 2018: ₹ 33,418 lacs) which is 10 per fully paid up share (March 31, 2018: 10 per fully paid up share) and applicable tax on dividend. 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, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
18 Other equity (Contd.)		
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	590	461
Add: Movement during the year	192	129
Closing balance as at March 31	782	590
19 Other non-current financial liabilities		
Non current financial liabilities carried at amortised cost		
Dealer deposit	2,007	2,099
Retention money	670	743
Total	2,677	2,842
20 Provisions		
Provision for post retirement benefit and compensated absences (Refer note 44)	10,403	7,333
Warranties (Refer note 41 (i))	9,330	8,686
Statutory matters (Refer note 41 (ii))	2,556	1,820
New Engine Performance Inspection (NEPI) (Refer note 41 (iii))	2,208	1,846
	24,497	19,685
Current provisions	17,030	15,245
Non - current provisions	7,467	4,440
Total	24,497	19,685

Notes to Consolidated Financial Statements for the year ended March 31, 2019

21 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of Profit and Loss	
	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs	Year Ended March 31, 2019 ₹ Lacs	Year Ended March 31, 2018 ₹ Lacs
Deferred tax assets				
MAT credit entitlement	-	5,494	-	-
Provision for employee benefits	2,409	3,448	(1,039)	757
Other timing differences	1,140	1,045	95	(25)
Total deferred tax asset	3,549	9,987	(944)	732
Deferred tax liability				
Depreciation	12,976	11,872	1,104	923
Deferred tax on share in reserves of joint ventures and associate	4,435	3,882	553	146
Other timing differences	104	758	(654)	708
Total deferred tax liabilities	17,515	16,512	1,003	1,777
Deferred tax income/(expense)			(1,947)	(1,045)
Net deferred tax liabilities	13,966	6,525		

Unutilised MAT credit entitlement as per return of income for the year ended March 31, 2018 was ₹ 6,507 Lacs. The Company has a MAT credit entitlement of ₹ Nil as at March 31, 2019 after utilising the entire MAT credit entitlement as per books of account.

b) The major components of income tax expenses for the years ended March 31, 2019 and March 31, 2018 are:

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
Statement of Profit and Loss		
Profit and loss section		
Current income tax:		
Current income tax charge	30,693	20,332
Adjustments in respect of current income tax of previous year	(12)	165
Deferred tax:		
Relating to origination and reversal of temporary differences	1,947	976
Income tax expenses reported in the Statement of profit and loss	32,628	21,473
OCI section		
Tax related to items recognised in OCI during the year	(647)	69
Net loss/ (gain) on remeasurments of defined benefit plans	(647)	69

Notes to Consolidated Financial Statements for the year ended March 31, 2019

21 Income taxes (Contd.)

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2019 and March 31, 2018		
Accounting profit before tax	106,889	92,655
Less: Share of profit of joint ventures and associate after tax	9,264	8,578
	97,625	84,077
At India's statutory income tax rate	34.94%	34.61%
Tax at full rate	34,110	29,099
Adjustments:		
i. Research and development expenses allowance	(625)	(538)
ii. Income of SEZ unit (not subject to tax)	(4,208)	(6,828)
iii. Dividend income (not subject to tax)	(112)	(998)
iv. Capital gains	(79)	(1,732)
v. Deferred tax on share in reserves of joint ventures and associates	553	146
vi. Dividend distribution tax paid on dividends distributed by joint ventures and associate	1,186	1,368
vii. Tax for earlier years	(12)	165
viii. Other (deductible, non-deductible items, net)	1,815	791
	32,628	21,473
Income tax expenses reported in the Statement of Profit and Loss for the current year	32,628	21,473
d) Deferred tax		
Reconciliation of deferred tax liabilities (net)		
Opening balances as at April 1	6,525	3,719
Tax expense/(income) during the year recognised in Statement of MAT credit utilisation	1,947	976
	5,494	1,761
Tax (income) / expense during the year recognised in OCI	-	69
Closing balance as at March 31	13,966	6,525
22 Other non-current liabilities		
Contract liabilities	206	213
Total	206	213

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
23 Borrowings		
Working capital loan from bank *	30,916	25,154
Cash credit and demand loan #	343	530
Total	31,259	25,684
* The loan is unsecured and repayable within one year. Interest is payable @ 6.00%-6.50%(T-Bill) adjusted by a reasonable spread p.a. The Group has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.		
# Cash credit and demand loan availed for working capital financing, being repayable on demand, against hypothecation of stocks and book debts (ageing less than equal to 90 days). Rate of interest is calculated on 365 days basis and ranges between 7% to 9% per annum.		
24 Trade payables		
Trade payables of micro and small enterprises (Refer note 35)	2,400	847
Trade payables other than micro and small enterprises	46,083	44,415
Trade payables to related parties (Refer note 45)	34,058	30,691
Total	82,541	75,953
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 45.		
25 Other current financial liabilities		
Unpaid dividend	1,259	857
Royalty and cess thereon (Refer note 45)	5,996	6,524
Support services payable (Refer note 45)	3,816	9,254
Retention money	2,426	1,235
Others including salaries, wages, bonus payable	2,626	4,685
Total	16,123	22,555
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	3,367	3,356
Contract liabilities	3,093	2,805
Total	6,460	6,161

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
27 Revenue from operations		
Sale of products (including excise duty as applicable)	526,267	478,115
Sale of services	30,188	27,905
	556,455	506,020
Other operating revenue		
Scrap sales	737	701
Export incentives	6,024	5,839
Others *	6,515	6,485
	13,276	13,025
Revenue from operations	569,731	519,045

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

Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Group collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2019 is not comparable to March 31, 2018.

Disaggregated revenue information

Set out below is the disaggregation of the Companies revenue from contracts with customers

	Year ended March 31, 2019 ₹ Lacs
Location	
India	413,893
Outside India	149,814
Total revenue from contracts with customers *	563,707
Timing of revenue recognition	
Goods transferred at a point in time	527,207
Services transferred over time	36,500
Revenue from contract with customers *	563,707
Set out below is the amount of revenue recognised from	
Amounts included in contract liabilities at the beginning of the year	2,931
Performance obligations satisfied in previous years	666
Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price	
Revenue as per contracted price	574,856
Adjustments	
Sales return	(4,219)
Discounts	(4,776)
Liquidated damages	(1,147)
Others	(1,007)
Revenue from contract with customers	563,707

* Excludes export incentives

The Company has applied Ind AS 115 for the first time for the year ended March 31, 2019 and accordingly disclosures for 'Disaggregated revenue information has been furnished only for year ended March 31, 2019.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
28 Other income		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	51	53
	<u>51</u>	<u>53</u>
Dividend income		
- On current investments designated at fair value through profit and loss	320	2,883
	<u>320</u>	<u>2,883</u>
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	2,356	-
	<u>2,356</u>	<u>-</u>
Interest on loan given and others	5,246	1,779
Rent (Refer note 3 for rent on investment properties)	11,744	8,316
Exchange gain (net)	1,602	998
Net gain on fixed assets sold or discarded	70	-
Miscellaneous income	2,118	2,102
	<u>20,780</u>	<u>13,195</u>
Total	<u><u>23,507</u></u>	<u><u>16,131</u></u>
29.1 Cost of raw materials consumed		
Inventory at the beginning of the year	28,597	27,295
Add: Purchases	273,741	253,001
Less: Inventory at the end of the year	33,455	28,597
Total	<u><u>268,883</u></u>	<u><u>251,699</u></u>

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
29.2 Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 8)		
Work-in-progress	11,141	9,853
Finished goods	15,841	13,075
Traded goods	1,624	1,677
Subtotal (A)	28,606	24,605
Inventories at the beginning of the year (Refer note 8)		
Work-in-progress	9,853	10,465
Finished goods	13,075	14,118
Traded goods	1,677	4,106
Subtotal (B)	24,605	28,689
(Increase)/ decrease (B-A)	(4001)	4,084
30 Employee benefits expense		
Salaries, wages and bonus	46,988	43,438
Contribution to provident and other funds (Refer note 44)	5,335	4,567
Staff welfare expenses	3,868	3,120
Total	56,191	51,125
31 Finance costs		
Interest on borrowings and others	1,271	1,039
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 41)	406	480
Total	1,677	1,519

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
32 Other expenses		
Commission on sales	3,000	2,458
Consumption of stores and spare parts	4,803	4,869
Warranty expenses (Refer note 41)	8,489	7,970
Consumption of tools and gauges	572	684
Repairs to buildings	2,895	2,374
Repairs to machinery	981	739
Other repairs	396	462
Power and fuel	2,956	3,053
Rent (Refer note 39)	381	402
Rates and taxes	1,352	902
Insurance	889	614
Outside processing charges	3,536	2,672
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 45 and 47)	1,616	1,661
Royalties (Refer note 45)	5,073	5,260
Support services (Refer note 45)	8,934	7,606
Computer and other services (Refer note 39)	7,433	6,253
Payment to auditors (Refer details below)	128	128
Net loss on fixed assets sold / discarded	-	471
Loss on sale/redemption of investments	-	49
Bad debts		
Bad debts written off	443	58
Provision for bad and doubtful debts	281	307
Amount withdrawn from provisions	(443)	(58)
Other expenses (net of expenses recovered) (Refer note 45)	10,929	11,394
Total	64,644	60,328
Payment to auditors:		
Statutory audit (including limited reviews)	98	98
Other services (including tax audit)	20	20
Reimbursement of expenses	10	10
Total	128	128

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	March 31, 2019	March 31, 2018
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)	74,261	71,182
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (basic and diluted) (₹)	26.79	25.68
Face value per share (₹)	2	2

Notes to Consolidated Financial Statements for the year ended March 31, 2019

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ 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	26,721	20,364
Total	26,721	20,364
35 Trade payables include:		
Total outstanding dues of micro and small enterprises	2,400	847
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	2,371	847
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	360	353
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006(Section 16)	4	4
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 Group 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 Group's 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 financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Group provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part

Notes to Consolidated Financial Statements for the year ended March 31, 2019

of the negotiated exchange between the Group and the customer. The Group determined that both the equipment and installation are capable of being distinct.

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Operating lease commitments – Group as lessor

The Group has leased out commercial properties (investment properties) 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 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.

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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.

Unutilised MAT credit entitlement as per return of income for the year ended March 31, 2018 was ₹ 6,507 Lacs. The Group has a MAT credit entitlement of ₹ Nil as at March 31, 2019 after utilising the entire MAT credit entitlement as per books of account.

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

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

	As at March 31, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
37 Contingent liabilities		
a. Income tax matters*	882	3,232
b. Central excise duty/service tax matters*	1,061	953
c. Duty drawback matters	2,604	2,604
d. Sales tax matters*	2,145	4,484
e. Claims against the Group not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	9	9
f. Civil liability / secondary civil liability in respect of suits filed against the Group*	216	283
g. Bank guarantees	22	34
Total	<u>6,939</u>	<u>11,599</u>

* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Group is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Group has implemented the SC decision prospectively.

The Group has various on-going litigations by/or against the Group with respect to tax and other legal matters, other than those disclosed above. The Group believes that they have sufficient and strong arguments on facts as well as on point of law and accordingly no provision / disclosure in this regard has been considered in the financial statements.

- 38** Loan to related party includes an amount of ₹ Nil (March, 31 2018: ₹ 12,866 Lacs) provided to Cummins Technologies India Private Limited, a fellow subsidiary, at an interest rate based on SBI lending rate. Maximum amount due during the year ₹ **12,866 Lacs** (March 31, 2018: ₹ 12,866 Lacs).

Notes to Consolidated Financial Statements for the year ended March 31, 2019

39 Operating leases

Lease commitments as a lessee

The Group has entered into non-cancellable operating leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in period between 36 months and 108 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 **₹ 5,380 Lacs** (March 31, 2018: ₹ 5,787 Lacs).

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

	As at March 31, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
Within one year	215	71
After one year but not more than five years	326	166
More than five years	57	80
Total	598	317

Operating lease commitments as a lessor

The Group has entered into operating leases on its investment properties consisting of building and other related assets. 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, 2019 ₹ Lacs	As at March 31, 2018 ₹ Lacs
Within one year	3,611	3,288
After one year but not more than five years	13,133	14,390
More than five years	3,311	5,644
Total	20,055	23,322

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

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

	Year ended March 31, 2019 ₹ Lacs	Year ended March 31, 2018 ₹ Lacs
On capital account	83	26
On revenue account	3,329	2,892
Total	3,412	2,918

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 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, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	8,686	8,529
Additions	8,489	7,970
Utilisation	8,187	8,229
Unwinding of discount and changes in the discount rate	342	416
Balance as at the end of the year	9,330	8,686
Classified as non-current	2,340	1,958
Classified as current	6,990	6,728

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, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	1,820	1,820
Additions	736	-
Utilisation	-	-
Unwinding of discount and changes in the discount rate	-	-
Balance as at the end of the year	2,556	1,820
Classified as non-current	-	-
Classified as current	2,556	1,820

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	1,846	1,574
Additions	1,136	1,041
Utilisation	838	833
Unwinding of discount and changes in the discount rate	64	64
Balance as at the end of the year	2,208	1,846
Classified as non-current	1,575	856
Classified as current	633	990

42 Investment in joint ventures

The Group has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited (CRTI) and Valvoline Cummins Private Limited (VCPL), both 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, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Valvoline Cummins Private Limited		
Non - current assets		
Property, plant and equipment	10,952	12,085
Capital work-in-progress	407	315
Intangible assets	215	401
Other financial assets	371	336
Other non-current assets	1,561	1,146
	13,506	14,283

Notes to Consolidated Financial Statements for the year ended March 31, 2019

42 Investment in joint ventures (contd.)

	As at March 31, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Current assets		
Inventories	13,575	12,914
Financial assets		
(i) Investments	3,458	2,558
(ii) Trade receivables	12,778	10,353
(iii) Cash and cash equivalents	2,274	3,360
(iv) Other financial assets	223	192
Other current assets	1,842	1,873
	34,150	31,250
Non current liabilities		
Provisions	453	387
Deferred tax liabilities (net)	366	557
	819	944
Current liabilities		
Trade payables	20,815	20,275
Other financial liabilities	2,662	1,720
Other current liabilities	1,386	1,351
Provisions	52	48
Current tax liabilities (net)	-	196
	24,915	23,590
Equity		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment *	10,919	10,456
Capital commitments	170	170
Contingent liabilities	1,591	2,454
Cummins Research and Technology India Private Limited		
Non current assets		
Income tax assets (net)	-	30
	-	30

Notes to Consolidated Financial Statements for the year ended March 31, 2019

42 Investment in joint ventures (contd.)

	As at March 31, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Current assets		
Cash and cash equivalents	497	408
Other financial assets	-	75
	<u>497</u>	<u>483</u>
Current liabilities		
Trade payables	19	8
	<u>19</u>	<u>8</u>
Equity		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment *	238	252
	<u>238</u>	<u>252</u>

* Adjusted for inter company transactions

Summarised statement of profit and loss

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Valvoline Cummins Private Limited		
Revenue from operations	133,276	128,006
Interest income	198	55
Other income	171	445
Cost of raw material and components	76,380	71,633
Depreciation and amortisation expense	1,553	1,606
Finance costs	45	45
Employee benefits expense	6,785	6,287
Other expenses	28,125	26,575
Profit before tax	20,757	22,360
Tax expense	7,242	7,767
Profit for the year	13,515	14,593
Other comprehensive income	3	39
Total comprehensive income for the year	13,518	14,632

Notes to Consolidated Financial Statements for the year ended March 31, 2019

Cummins Research and Technology India Private Limited

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Other income	0	36
Other expenses	20	87
Loss before tax	(20)	(51)
Tax expense	7	-
Loss for the year	(27)	(51)
Other comprehensive income	-	-
Total comprehensive income for the year	(27)	(51)

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, 2019	As at March 31, 2018
	₹ Lacs	₹ Lacs
Non current assets	7,876	7,491
Current assets	29,797	25,044
Non current liabilities	914	797
Current liabilities	14,104	12,812
Equity	22,655	18,926
Proportion of the Group's ownership	48.54%	48.54%
Carrying amount of the investment *	10,869	9,008
Capital commitments	1,357	545
Contingent liabilities	739	1,146

Notes to Consolidated Financial Statements for the year ended March 31, 2019

Summarised statement of profit and loss

	Year ended March 31, 2019	Year ended March 31, 2018
	₹ Lacs	₹ Lacs
Revenue from operations	74,361	63,807
Other income	804	627
Cost of raw material and components	51,656	46,417
Depreciation and amortisation expense	728	745
Finance costs	31	26
Employee benefits expense	6,188	5,639
Other expenses	8,656	7,425
Profit before tax	7,906	4,182
Tax expense	2,824	1,466
Profit for the year	5,082	2,716
Other comprehensive income	3	(3)
Total comprehensive income for the year	5,085	2,713

* Adjusted for inter company transactions

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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	1,199 1,712
Contribution to management superannuation fund	1,704 1,488

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	March 31, 2019	15,251	2,039	56	48	21,964
		March 31, 2018	12,268	1,775	51	47	19,674
ii)	Fair value of plan assets	March 31, 2019	12,267	1,739	-	-	21,964
		March 31, 2018	11,237	1,474	-	-	19,674
iii)	Funded status (surplus/ -deficit)	March 31, 2019	(2,985)	(300)	(56)	(48)	-
		March 31, 2018	(1,031)	(301)	(51)	(47)	-
v)	Effect of asset ceiling	March 31, 2019	-	0	-	-	-
		March 31, 2018	-	(344)	-	-	-
Net defined benefit asset /-liability			(2,984)	(300)	(56)	(48)	-
			(1,031)	(645)	(51)	(47)	-

- 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	March 31, 2019	12,268	1,775	51	47	19,674
		March 31, 2018	11,954	1,750	53	49	17,638
i)	Current service cost	March 31, 2019	1008	73	2	2	1,054
		March 31, 2018	990	73	2	2	911
ii)	Interest cost	March 31, 2019	903	129	4	3	1,706
		March 31, 2018	790	116	3	5	1,558
iii)	Actuarial -gains / losses - experience	March 31, 2019	1,577	59	2	-2	-
		March 31, 2018	514	45	4	-3	-
iv)	Actuarial -gains / losses - demographic changes	March 31, 2019	-	-	-	-	-
		March 31, 2018	-	-	-	-	-
v)	Actuarial -gains / losses - financial assumptions	March 31, 2019	246	27	1	1	-
		March 31, 2018	(641)	(11)	(2)	(2)	-
vi)	Benefits paid	March 31, 2019	(648)	(162)	(4)	(3)	(2,621)
		March 31, 2018	(1,353)	(199)	(9)	(4)	(2,659)
vii)	Past service cost	March 31, 2019	-	138	-	-	-
		March 31, 2018	-	-	-	-	(45)
viii)	Acquisitions / transfer out	March 31, 2019	(103)	-	-	-	464
		March 31, 2018	14	1	0	-	797
ix)	Contributions by employees	March 31, 2019	-	-	-	-	1,687
		March 31, 2018	-	-	-	-	1,473
Closing defined benefit obligation			15,251	2,039	56	48	21,964
			12,268	1,775	51	47	19,674

Notes to Consolidated Financial Statements for the year ended March 31, 2019

44 Employee benefit plans (contd.)

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	March 31, 2019	11,237	1,474	-	-	19,674
		March 31, 2018	9,965	1,556	-	-	17,631
i)	Interest income on plan assets	March 31, 2019	859	117	-	-	1,730
		March 31, 2018	714	102	-	-	1,573
ii)	Return on plan asset greater /-lesser than discount rate	March 31, 2019	45	9	-	-	-
		March 31, 2018	103	15	-	-	-
iii)	Actuarial gains / -losses	March 31, 2019	-	-	-	-	-
		March 31, 2018	-	-	-	-	-
iv)	Contribution by the employer	March 31, 2019	902	301	-	-	1,054
		March 31, 2018	1,881	-	-	-	911
v)	Benefits paid	March 31, 2019	(636)	(162)	-	-	(2,621)
		March 31, 2018	(1,346)	(199)	-	-	(2,659)
vi)	Acquisition / transfer out	March 31, 2019	(140)	-	-	-	469
		March 31, 2018	(80)	-	-	-	806
vii)	Contribution by employee	March 31, 2019	-	-	-	-	1,687
		March 31, 2018	-	-	-	-	1,473
viii)	Other adjustments	March 31, 2019	-	-	-	-	(29)
		March 31, 2018	-	-	-	-	(61)
	Closing fair value of plan assets		12,267	1,739	-	-	21,964
			11,237	1,474	-	-	19,674

d. Total defined benefit cost

			₹ Lacs				
Sr. No.	Particulars		Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31, 2019	1008	212	2	2	1,054
		March 31, 2018	990	73	2	2	866
ii)	Net interest cost	March 31, 2019	44	12	4	3	(24)
		March 31, 2018	76	14	3	5	(15)
iii)	Actuarial -gains / losses recognised in OCI	March 31, 2019	1,778	77	3	(1)	-
		March 31, 2018	(230)	34	2	(5)	-
	Total defined benefit cost		2,830	301	9	4	1,030
			836	121	7	2	851

e. Statement of Profit and Loss

			₹ Lacs				
Sr. No.	Particulars		Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31, 2019	1008	212	2	2	1054
		March 31, 2018	990	73	2	2	866
ii)	Net interest cost	March 31, 2019	44	12	4	3	(24)
		March 31, 2018	76	14	3	5	(15)
	Cost recognised in profit and loss		1052	224	6	5	1030
			1066	87	5	7	851

All of the above have been included in the line 'Contribution to provident and other funds', in note 31 of the Statement of Profit and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

44 Employee benefit plans (contd.)

f. Other comprehensive income

		₹ Lacs				
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to March 31, 2019	1577	59	2	(2)	-
	DBO experience March 31, 2018	514	45	4	(3)	-
ii)	Actuarial -gain / loss due to March 31, 2019	246	27	1	1	-
	assumption change March 31, 2018	(641)	(11)	(2)	(2)	-
iii)	Return on plan assets March 31, 2019	(45)	(9)	-	-	-
	-greater / less than March 31, 2018	(104)	(15)	-	-	-
	discount rate					
	Actuarial -gain/ loss recognised in OCI	1,778 (231)	77 19	3 2	(1) (5)	- -
	Adjustment for limit of net asset	-	14 15	-	-	-

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, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
i)	Government of India securities	0.00%	0.00%	0.00%	0.00%	48.92%	52.13%
ii)	Corporate bonds	0.00%	0.00%	0.00%	0.00%	39.54%	45.85%
iii)	Special deposit scheme	0.00%	0.00%	0.00%	0.00%	7.63%	0.00%
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%	3.91%	2.02%
	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	2,824 902	300 649	NA NA	NA NA

Notes to Consolidated Financial Statements for the year ended March 31, 2019

44 Employee benefit plans (contd.)

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, 2019	7.40%	7.40%	7.40%	7.40%	7.40%
	March 31, 2018	7.60%	7.60%	7.60%	7.60%	7.60%
	Expected rate of return on plan assets	8.00%	8.00%	NA	NA	NA
	Expected return on assets for exempt PF fund	8.00%	8.00%	NA	NA	NA
	2019-20	NA	NA	NA	NA	8.65%
		NA	NA	NA	NA	8.60%
	2020-21	NA	NA	NA	NA	8.60%
		NA	NA	NA	NA	8.60%
	2021 and thereafter	NA	NA	NA	NA	8.60%
		NA	NA	NA	NA	8.60%
	Salary escalation rate - management staff	10.00%	NA	NA	NA	NA
		10.00%	NA	NA	NA	NA
	Salary escalation rate - non-management staff	7.00%	NA	NA	NA	NA
		7.00%	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 2021- 2025	NA	NA	NA	8 %	NA
		NA	NA	NA	8 %	NA
	Annual increase in healthcare costs - 2026 and thereafter	NA	NA	NA	6 %	NA
		NA	NA	NA	6 %	NA
	Long term EPFO rate					
	2018-19	NA	NA	NA	NA	8.65%
		NA	NA	NA	NA	8.55%
	2019 and thereafter	NA	NA	NA	NA	8.60%
		NA	NA	NA	NA	8.55%

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

Particulars		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	2025-2029
		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	2024-2028
Gratuity	March 31, 2019	1,106	1,262	1,543	1,284	1,791	9,934
	March 31, 2018	977	868	1,117	1,365	1,134	8,189
Pension	March 31, 2019	158	132	201	116	196	1,607
	March 31, 2018	141	130	121	184	106	1,364
Ex-gratia	March 31, 2019	4	5	7	4	6	46
	March 31, 2018	4	5	5	6	3	42
PRMB	March 31, 2019	3	3	3	3	4	34
	March 31, 2018	3	3	3	3	3	31
PF	March 31, 2019	110	112	110	108	108	516
	March 31, 2018	86	85	85	84	79	384

₹ Lacs

Notes to Consolidated Financial Statements for the year ended March 31, 2019

44 Employee benefit plans (contd.)

k. Quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs						
Assumptions Sensitivity level	Discount Rate		Future salary increase		Withdrawal Rate	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2019	(609)	655	659	(605)	(650)	1,063
March 31, 2018	(499)	536	540	(508)	(518)	845
Pension						
March 31, 2019	(67)	70	NA	NA	(23)	25
March 31, 2018	(61)	64	NA	NA	(26)	29
Ex Gratia						
March 31, 2019	(2)	2	NA	NA	(15)	18
March 31, 2018	(2)	2	NA	NA	(14)	18
PF						
March 31, 2019	(19)	20	-	-	-	-
March 31, 2018	(11)	12	-	-	-	-
Assumptions Sensitivity level	Discount Rate		Medical Inflation		Withdrawal Rate	
	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2019	(2)	2	4	(4)	(13)	16
March 31, 2018	(2)	2	4	(4)	(13)	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, 2019

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	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2019

			₹ Lacs	
Transaction	Name of the Party		Total	
Purchase of goods	Cummins Inc.	March 31, 2019	25,219	
		March 31, 2018	17,946	
	Tata Cummins Private Limited	March 31, 2019	105,458	
		March 31, 2018	79,210	
	Cummins Technologies India Private Limited	March 31, 2019	24,859	
		March 31, 2018	18,123	
	Others	March 31, 2019	30,652	
		March 31, 2018	31,105	
	Sale of goods	Cummins Limited	March 31, 2019	50,757
			March 31, 2018	62,428
		Cummins Technologies India Private Limited	March 31, 2019	21,413
			March 31, 2018	10,166
Others		March 31, 2019	65,578	
		March 31, 2018	66,779	
Purchase of assets	Cummins Inc.	March 31, 2019	45	
		March 31, 2018	-	
	Cummins Technologies India Private Limited	March 31, 2019	5	
		March 31, 2018	45	
	Others	March 31, 2019	4	
		March 31, 2018	-	
Sale of assets	Tata Cummins Private Limited	March 31, 2019	-	
		March 31, 2018	139	
	Cummins Technologies India Private Limited	March 31, 2019	74	
		March 31, 2018	217	
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2019	3,587	
		March 31, 2018	3,477	
	Valvoline Cummins Private Limited	March 31, 2019	3,793	
		March 31, 2018	3,484	
	Cummins Technologies India Private Limited	March 31, 2019	10,237	
		March 31, 2018	6,859	
	Tata Cummins Private Limited	March 31, 2019	2,600	
		March 31, 2018	2,501	
	Others	March 31, 2019	301	
		March 31, 2018	231	

Notes to Consolidated Financial Statements for the year ended March 31, 2019

45. Related Party Disclosures (Contd.)

			₹ Lacs
Transaction	Name of the Party		Total
Services received (Refer note vii)	Cummins Inc.	March 31, 2019	927
		March 31, 2018	1,334
	Cummins Technologies India Private Limited	March 31, 2019	1,436
		March 31, 2018	737
	Others	March 31, 2019	57
		March 31, 2018	129
Royalty	Cummins Inc.	March 31, 2019	5,073
		March 31, 2018	5,260
Support services	Cummins Inc.	March 31, 2019	8,934
		March 31, 2018	7,606
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2019	9,923
		March 31, 2018	8,074
	Cummins Inc.	March 31, 2019	1,895
		March 31, 2018	1,964
	Cummins Power Generation Limited	March 31, 2019	508
		March 31, 2018	1,565
	Others	March 31, 2019	1,324
		March 31, 2018	590
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2019	8,080
		March 31, 2018	7,044
	Cummins Generator Technologies India Private Limited	March 31, 2019	1,023
		March 31, 2018	868
	Tata Cummins Private Limited	March 31, 2019	1,275
		March 31, 2018	1,121
	Others	March 31, 2019	851
		March 31, 2018	819
Remuneration paid (Refer note iii)	Anant J. Talaulicar (upto November 08, 2017)	March 31, 2019	-
		March 31, 2018	270
	Sandeep Sinha	March 31, 2019	307
		March 31, 2018	216
	Rajiv Batra	March 31, 2019	299
		March 31, 2018	287
	K.Venkata Ramana (upto December 31, 2018)	March 31, 2019	196
		March 31, 2018	163
Interest on loan given	Cummins Technologies India Private Limited	March 31, 2019	435
		March 31, 2018	1,060
Dividend paid	Cummins Inc.	March 31, 2019	24,033
		March 31, 2018	19,791
Donations paid	Cummins India Foundation	March 31, 2019	1,616
		March 31, 2018	1,661

Notes to Consolidated Financial Statements for the year ended March 31, 2019

45. Related Party Disclosures (Contd.)

			₹ Lacs
Transaction	Name of the Party		Total
Contributions paid	Cummins India Limited Officers	March 31, 2019	1,054
	Provident Fund	March 31, 2018	911
	Cummins Group Employees	March 31, 2019	1,704
	Superannuation Scheme	March 31, 2018	1,488
	Cummins Group Officers Gratuity	March 31, 2019	902
	Scheme	March 31, 2018	1,881
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2019	20
		March 31, 2018	19
	Prakash Telang	March 31, 2019	21
		March 31, 2018	18
	Priya Dasgupta	March 31, 2019	21
		March 31, 2018	19
	Rajeev Bakshi	March 31, 2019	21
		March 31, 2018	19
	Venu Srinivasan	March 31, 2019	20
		March 31, 2018	18
Anjuly Chib Duggal (w.e.f. December 19, 2018)		March 31, 2019	6
		March 31, 2018	-
Equity contribution - share based payments	Cummins Inc.	March 31, 2019	192
		March 31, 2018	129

c) Amounts outstanding as at March 31, 2019

			₹ Lacs
Particulars	Name of the Party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2019	2,774
		March 31, 2018	4,118
	Cummins Inc.	March 31, 2019	8,422
		March 31, 2018	4,734
	Cummins Limited	March 31, 2019	4,227
		March 31, 2018	3,255
	Cummins Technologies India Private Limited	March 31, 2019	10,180
		March 31, 2018	9,825
	Tata Cummins Private Limited	March 31, 2019	3,425
		March 31, 2018	3,072
Others		March 31, 2019	5,167
		March 31, 2018	5,687
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2019	9,812
		March 31, 2018	15,778
	Others	March 31, 2019	118
		March 31, 2018	158

Notes to Consolidated Financial Statements for the year ended March 31, 2019

45. Related Party Disclosures (Contd.)

			₹ Lacs
Particulars	Name of the Party		Total
Trade receivables	Cummins Angola Limited	March 31, 2019	1,569
		March 31, 2018	3,797
	Cummins Limited	March 31, 2019	5,953
		March 31, 2018	14,185
	Cummins Technologies India Private Limited	March 31, 2019	11,669
		March 31, 2018	13,407
	Cummins West Africa Limited	March 31, 2019	1,033
		March 31, 2018	1,958
	Cummins Inc.	March 31, 2019	3,115
		March 31, 2018	2,237
	Others	March 31, 2019	12,885
		March 31, 2018	18,857
Other current financial assets	Cummins Technologies India Private Limited	March 31, 2019	557
		March 31, 2018	1,371
	Valvoline Cummins Private Limited	March 31, 2019	1,002
		March 31, 2018	948
	Tata Cummins Private Limited	March 31, 2019	921
		March 31, 2018	1,317
	Others	March 31, 2019	637
		March 31, 2018	576
Loan given	Cummins Technologies India Private Limited	March 31, 2019	-
		March 31, 2018	12,866

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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 (with which there are transactions during the year)	Beijing Foton Cummins Engine Co., Limited
	Chongqing Cummins Engine Co. Limited
	Consolidated Diesel Company
	Cummins (China) Investment Co. Limited
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Limited
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Comercializadora S.De R.L
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Limited
	Cummins DKSH (Thailand) Limited
	Cummins East Asia Research & Development Co. Limited
	Cummins Eastern Canada LP
	Cummins Engine (Shanghai) Trading & Services Co. Limited
	Cummins Fuel Systems Wuhan Co. Limited
	Cummins Generator Technologies Australia Pty Limited
	Cummins Generator Technologies Limited
	Cummins Ghana Limited
	Cummins Hong Kong Limited
	Cummins Italia SPA
	Cummins Japan Limited
	Cummins Limited
	Cummins Makina Sanayi Ve Ticaret Limited
	Cummins Middle East FZE
	Cummins Mid-South LLC
	Cummins Natural Gas Engines Inc.
	Cummins Norte de Colombia S.A.S.
	Cummins Npower LLC
	Cummins NV
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Limited
	Cummins Power Generation (S) Pte. Limited
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Limited
	Cummins Sales and Service Philippines Inc.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

45. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins Sales and Service Sdn. Bhd.
	Cummins Sales and Service Singapore Pte Limited
	Cummins South Africa (Pty.) Limited
	Cummins South Pacific Pty Limited
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Limited
	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 Guatemala, Ltda.
	Distribuidora Cummins Centroamerica Honduras, S.de R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins SA
	Distribuidora Cummins Sucursal Paraguay SRL
	OOO Cummins
	Shanghai Cummins Trade Co. Limited
	Taiwan Cummins Sales & Services Co. Limited
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director (upto November 8, 2017)
	Sandeep Sinha - Chief Operating Officer (upto January 31, 2018) and Managing Director (w.e.f. February 1, 2018)
	Rajiv Batra (Chief Financial Officer)
	K. Venkata Ramana (Group Vice President - Legal & Company Secretary) (upto December 31, 2018)
	Mark Levett (Chairman of the Board w.e.f. March 2, 2018)
	Antonio Leitao
	Norbert Nusterer
	Mark Smith (upto May 24, 2018)
	Suzanne Wells
	Hemiksha Bhojwani (Company Secretary w.e.f. April 1, 2019)
	Donald Jackson (w.e.f. October 30, 2018)
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan
	- Anjuly Chib Duggal (w.e.f. December 19, 2018)

Notes to Consolidated Financial Statements for the year ended March 31, 2019

45. 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 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 (upto November 8, 2017) Tata Hitachi Construction Machinery Company Private Limited (upto November 2, 2018) Valvoline Cummins 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

Terms and conditions of transactions with related parties:

- ii) 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, 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2018: 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) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Group as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Group and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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	Year ended	Elimination / Adjustments	Total
	March 31, 2019	March 31, 2019*		
	Engines	Lubes		
Sales	556,455	133,276	133,276	556,455
Profit before tax	100,131	20,758	14,000	106,889
Profit after tax *	67,503	13,516	6,758	74,261

Particulars	Year ended	Year ended	Elimination / Adjustments	Total
	March 31, 2018	March 31, 2018*		
	Engines	Lubes		
Sales	506,020	128,006	128,006	506,020
Profit before tax	85,359	22,360	15,064	92,655
Profit after tax *	63,885	14,594	7,297	71,182

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 relevant 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 2018: ₹ 1,661 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 ₹ 1,616 lacs (March, 31 2018: ₹ 1,661 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, 2019

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 are 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 to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Group uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2019	March 31, 2018
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	108	5
Euro	1%	17	25
Others	1%	3	6
Total		128	36

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 underlying 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

48 Financial risk management objectives and policies (Contd.)

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.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

	% change	₹ Lacs	
		March 31, 2019	March 31, 2018
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.50%	121	252

Profit after tax 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, contract assets, other receivables, deposits with banks and loans given.

Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer 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 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 5,10,13 and 14.

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.

As per the Group'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 Group held mutual funds of ₹ 24,248 lacs (March 31, 2018: ₹ 50,410 lacs) and other liquid assets of ₹ 19,546 lacs (March 31, 2018: ₹ 15,232 lacs) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

48 Financial risk management objectives and policies (Contd.)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

₹ Lacs			
As at March 31, 2019	On demand	Less than 12 months	1-5 years
Borrowings	343	30,916	-
Trade payables	-	82,541	-
Royalty and support services	-	9,812	-
Unpaid dividend	1,259	-	-
Retention money	-	2,426	302
Dealer deposits	-	-	2,375
Others	-	2,626	-
<hr/>			
As at March 31, 2018	On demand	Less than 12 months	1-5 years
Borrowings	530	25,154	-
Trade payables	-	75,953	-
Royalty and support services	-	15,778	-
Unpaid dividend	857	-	-
Retention money	-	1,235	743
Dealer deposits	-	-	2,099
Others	-	4,685	-

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.

₹ Lacs		
	March 31, 2019	March 31, 2018
Borrowings	31,259	25,684
Less: Cash and cash equivalents	19,546	15,232
Net surplus	11,713	10,452
Equity	428,298	411,860
Gearing ratio (times)	0.03	0.03

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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, 2019 ₹ Lacs	March 31, 2018 ₹ Lacs	March 31, 2019 ₹ Lacs	March 31, 2018 ₹ Lacs
Financial assets				
FVTPL of investments in mutual funds	24,248	50,410	24,248	50,410
FVTPL of investments in equity	24	43	24	43
FVTPL of Foreign exchange forward contracts	419	-	419	-
Financial liabilities				
FVTPL of Foreign exchange forward contracts	-	181	-	181
Non-current assets				
Investment properties	72,802	73,110	78,048	77,246

The Management assessed that cash and cash equivalents, other bank balances, 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. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

49 Fair values (Contd.)

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, 2019	-	24,248	-	24,248
March 31, 2018	-	50,410	-	50,410
Investments in equity				
March 31, 2019	24	-	-	24
March 31, 2018	43	-	-	43
Forward contracts asset				
March 31, 2019	-	419	-	419
March 31, 2018	-	-	-	-
Forward contracts liability				
March 31, 2019	-	-	-	-
March 31, 2018	-	181	-	181
Non-current assets				
Investment properties				
March 31, 2019	-	-	78,048	78,048
March 31, 2018	-	-	77,246	77,246

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 properties, refer note 3.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

50 Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs ('MCA') has issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 amending the following standards:

A. Ind AS 116 - Lease

Ind AS 116 Leases was notified on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Group continues to evaluate the available transition methods and its lease contractual arrangements. The ultimate impact resulting from the application of Ind AS 116 will be subject to assessments that are dependent on terms of lease contractual arrangements.

B. Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 and does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. In determining the approach that better predicts the resolution of the uncertainty, an entity might consider, for example, (a) how it prepares its income tax filings and supports tax treatments; or (b) how the entity expects the taxation authority to make its examination and resolve issues that might arise from that examination. The interpretation is effective for annual reporting periods beginning on or after April 1, 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. The Group does not expect to have any material impact on its financial statements.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

50 Standards issued but not yet effective (contd.)

C. Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after April 1, 2019. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group. The Group does not expect to have any material impact on its financial statements.

51 Exceptional items represent profit on sale of assets.

52 Delays in depositing dues of Investor Education & Protection Fund are as follows

Entity	Financial year	Dividend type	Dividend declaration date	Lacs	Due date of payment	Date of payment
Cummins India Limited	2010-2011	Interim	February 3, 2011	27.25	April 10, 2018	June 6, 2018
Cummins Generator Technologies India Private Limited (Associate)	2010-2011	Interim	February 21, 2011	1.20	April 27, 2018	May 9, 2018
Cummins Generator Technologies India Private Limited (Associate)	2010-2011	Final	July 28, 2011	0.45	October 1, 2018	November 12, 2018

The associate company is in the process of getting its physical shares dematerialised (requisite approvals taken in its Board Meeting dated October 15, 2018). Once the shares are dematerialised, the shares pertaining to unpaid or unclaimed dividend will be transferred to Investor Education & Protection Fund in accordance with section 124(6) of the Companies Act, 2013.

Notes to Consolidated Financial Statements for the year ended March 31, 2019

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, 2019	96.44%	413,045	97.30%	72,257	99.65%	(1,200)	97.26%	71,057
Balance as at March 31, 2018	96.78%	398,607	99.53%	70,847	83.11%	123	99.50%	70,970
Subsidiary (Indian)								
Cummins Sales & Service Private Limited								
Balance as at March 31, 2019	0.37%	1,601	0.33%	243	0.60%	(7)	0.32%	236
Balance as at March 31, 2018	0.33%	1,365	0.22%	156	4.30%	6	0.23%	162
Associate (Indian)								
Cummins Generator Technologies India Private Limited								
Balance as at March 31, 2019	-	22,655	3.32%	2,467	-0.11%	1	3.38%	2,468
Balance as at March 31, 2018	-	18,926	1.85%	1,318	-1.01%	(1)	1.85%	1,317
Joint Ventures (Indian)								
Valvoline Cummins Private Limited								
Balance as at March 31, 2019	-	21,920	9.10%	6,758	-0.11%	1	9.25%	6,760
Balance as at March 31, 2018	-	20,999	10.25%	7,297	13.23%	20	10.26%	7,317
Cummins Research and Technology India Private Limited								
Balance as at March 31, 2019	-	478	-0.02%	(14)	0.00%	-	-0.02%	(14)
Balance as at March 31, 2018	-	505	-0.04%	(25)	0.00%	-	-0.04%	(25)
Adjustments arising out of consolidation								
March 31, 2019	3.19%	13,652	-10.03%	(7,450)	-0.03%	1	-10.19%	(7,450)
March 31, 2018	2.89%	11,888	-11.82%	(8,411)	0.10%	0	-11.79%	(8,411)
Total for March 31, 2019	100.00%	428,298	100.00%	74,261	100.00%	(1,204)	100.00%	73,057
Total for March 31, 2018	100.00%	411,860	100.00%	71,182	100.00%	148	100.00%	71,330

* The net assets of the entity have not been consolidated under the equity method.

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

Hemiksha K. Bhojwani
Company Secretary
PAN : BFBPS6275J

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 22, 2019

Place: Mumbai
Date: May 22, 2019

Business
Responsibility
Report
2018-19

INTRODUCTION

Vision, Mission, Values and Principles

Mission

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

Vision

Innovating for our customers to power their success

Values

■ Integrity

Doing what you say you will do and doing what is right

■ Diversity and Inclusion

Valuing and including our differences in decision making is our competitive advantage

■ Caring

Demonstrating awareness and consideration for the wellbeing of others

■ Excellence

Always delivering superior results

■ Teamwork

Collaborating across teams, functions, businesses and borders to deliver the best work

Leadership Culture

Inspiring and encouraging all employees to achieve their full potential

Brand Promise

Powering our customers through innovation and dependability

Strategy

Delivering value to all stakeholders

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 : cil.investors@notes.cummins.com
- Financial Year reported : 2018-19

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 comprises of three businesses – Engine Business (serving the construction and compressor markets with Heavy, Medium and Light Duty engines), Power Systems (serving Mining, Marine, Rail, Oil & Gas, Defense and Power Generation) and Distribution Business.

A. Engine Business:

The Engine Business manufactures and markets diesel engines for on-highway and 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 for prime, standby and distributed power generation requirements. The diesel generators cater to a wide range of individual and institutional customers in various segments such as Infrastructure, IT/ITES, Data Centers, Realty, Healthcare and Hospitality in domestic market. It also provides customized integrated power solutions for Railways, Mining, Marine, Oil & Gas and Defense. 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, Maharashtra.

C. Distribution Business:

The Distribution Business provides products, services and solutions for uptime of Cummins equipment and engines. The 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 5,75,000 engines in the field covering more than 2.24 lakh customers.

The Distribution Business has a country-wide network of 22 dealerships with over 450 service points supported by a pool of more than 3,600 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.

Key Products of the Company as per Balance Sheet

The Company's primary products are Compression Ignition Internal Combustion engines, Generator set and Component Parts thereof, bearing ITC Code No. 8408, 8501 and 8409 respectively.

Locations from where business activity is undertaken by the Company

The Company has its operations spread across the country with its registered and corporate office in Pune - Cummins India Office Campus. Additionally, the Company has four zonal offices in Pune, Gurgaon, Kolkata and Bangalore and has area offices at 14 locations across India. The operations are carried out at multiple facilities situated in Pune, Chennai, Pirangut and the Megasite in 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	:	₹ 552,571 Lacs
Total Profit after Taxes	:	₹ 72,257 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

Cummins has a long history of corporate responsibility, based on the framework of linking the impact on our stakeholders to responsible business decisions. Our employees have invested talent, passion and resources in trying to solve problems in our communities and society since the inception of Cummins in 1919. This heritage is reflected in a statement made by former Cummins CEO J. Irwin Miller more than 40 years ago: *“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”*.

Far more than just philanthropy, Cummins Corporate Responsibility means not only making responsible business decisions, but affirmatively reaching out to help our communities and engage our workforce in addressing community needs.

Cummins believes a company 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.

The Company focuses its resources on three global priorities areas: Energy and Environment, Higher Education and Equality of Opportunity.

- **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 programs like the Education Assistance to Socially and Economically Weaker Sections, Women Education and Employability supported by the Cummins College of Engineering and Vocational Education- TEC.

- **Energy and Environment:** Ensuring that everything Cummins does leads to a cleaner, healthier and safer environment.

The rapid increase in population and economic development has led to severe environmental degradation, India has been no exception to this worldwide phenomenon. Cummins employees have a wealth of experience in reducing negative environmental impact – both in its products and facilities. Cummins takes that knowledge and commitment outside of their walls, thus working towards giving power to ‘all’. With the support of the local government bodies, expert NGOs and academia, Cummins has been working actively in the projects in the areas of Afforestation, Solid Waste Management, Water Conservation, Air pollution and Renewable Energy.

- **Equality of Opportunity:** Increasing opportunity and equity for those most in need.

This focus area concentrates on capacity building and enhancement of the communities around which Cummins operates. The Company believes in holistic and sustainable development of the societies by means of developmental activities in the villages around the plants. Your Company also has partnered with several non-profit institutions like the organizations serving the disabled and underprivileged with an intent of providing a better life to the residents.

In addition to the focus areas, Cummins also has identified and incorporated a few strategic projects namely Cummins Powers Women with Rise Up, Phaltan Model Town, Clean Air Delhi and Monsoon Resilient Maharashtra under the umbrella of its CSR projects.

The focus areas, their underlying themes and strategic projects are owned and driven by the leadership team who plays an instrumental role in setting the vision and direction for various initiatives. Employee engagement in the CSR initiatives also contribute significantly towards strengthening the communities. Employee engagements take place through:

- **Every Employee Every Community-** Cummins employees participate in Corporate Responsibility through the company’s Every Employee Every Community (EEEC) program. EEEEC enables each employee to use at least four work hours to contribute to local projects and partners by leveraging and unleashing their unique skillsets. Employees are encouraged to bring their family and friends to volunteer their time in project of their choice thereby becoming the brand ambassadors for the project cause.
- **Community Involvement Teams (CITs)** – They are organized, employee driven structures through which CSR initiatives are carried out in the communities in which the Company operates.
- Continuing the trend of the last year, Cummins has been recognized for all successful, high impact and sustainable community projects of CSR. Cummins was conferred with the CII-ITC award for significant achievement, we have won

this award for second consecutive year. Going a step ahead, your Company was awarded a Special Commendation for 'Golden Peacock Award' for Corporate Social Responsibility -2018. Also, our CR projects- TEC, Model Villages and Khadakwasla Rejuvenation featured in SIAM 2018 Compendium of CSR Activities of the Automobile Industry.

For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 11 attached to the Directors' Report for Financial Year 2018-19.

Section C

Other Details

To enhance the distribution capabilities, the Company has a wholly owned subsidiary Cummins Sales & Service Private Limited (formerly known as Cummins Svam Sales & Service Private Limited).

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, entities outside of Cummins, like its 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 implementation of the BR policy:

DIN Number : 02400175
Name : Mr. Sandeep Sinha
Designation : Managing Director
Email ID : cil.investors@notes.cummins.com

b. Details of the BR Head :

Name : Mr. Anubhav Kapoor
Designation : Group Vice President Legal & Group Company Secretary
Telephone : 020 6706 7000
Email ID : cil.investors@notes.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
Sr. 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? If 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 observed or are victims themselves as per the policy of the Company. The ethics helpline can be reached through the following modes:

- 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
- Contact entity Line HR Leader or India Master Investigator at fp023@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
Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
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 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: <https://www.cumminsindia.com/investors/annual-reports>

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 Cummins 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 India Leadership team where they mention, "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 Cummins 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 co-operates 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:

- New Hire and On-going Training and Compliance Certification
- Ethics Help-line, Organizational Support and Whistle Blower policy
- 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 employees 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's business or acting as an agent of Cummins.

New employees undergo 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.

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 Managing Director which involves the Vice President of HR, Legal and Regional Internal Audit Director. The Committee reviews trends across categories of violations and engages respective process owners to bring proactive measures by driving awareness sessions and communications as and when required. The Committee also supports and champions the Ethics investigation process with required resources based on need.

Internal Committee:

The Company has an Internal Committee constituted under Prevention of Sexual Harassment (POSH) across all our locations in India.

At Cummins, employees have several different measures 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 (April 01, 2018 - March 31, 2019):

Under the Ethics, Conflict of Interest, Theft, Bribery, Corruption and Fraud category and Improper supplier category, the Company received and closed 39 complaints during the year.

Under the Treatment of Each Other at Work Policy, the Company received and resolved 52 complaints during the year.

The Internal Committee resolved 2 complaints during the year.

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.

The Company continued its waste reduction efforts during the year through several initiatives such as undertaking returnable packaging projects, incorporating a "single waste vendor" approach to appropriately channelize waste streams and ensure suitable waste disposal.

Cummins' commitment to Health, Safety and Environment continued in 2018, reinforcing its responsibility towards employees, natural resources and the environment. Following is the incident rate recorded in 2018. The Company has strengthened its incident recordability criteria as per OSHA standard. There has been an improvement in the incident rate in 2018. Sites have taken efforts through various projects and have focused on training to strengthen the safety culture.

Safety	Employees		Contractors	
	2017	2018	2017	2018
Incident Rate	0.92	0.638	1.01	0.20
Severity Case Rate	0.26	0.25	-	-

All operational facilities of the Company diligently 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.

Your Company drives environment awareness across all its plants. Under this drive, the Company is focusing on Environment Day and celebrated Environment Week to reinforce its commitment to the environment. The Health, Safety and Environmental (HSE) department continues to focus on developing people on environment aspects, identify improvement opportunities, undertake Greenhouse Gases (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 is tracked as Key Performance Indicator (KPI) and every year targets are set on baseline.

The Company has generated 4978 MT waste, 22,146 MT of GHG and consumed 39,197 kilo gallons of water in 2018. The Company has taken efforts to improve its overall environment performance through waste inventorisation 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). GHG and water consumption decreased by 1% percent and 10% respectively and waste generation increased 17% percent, with respect to the 2017 baseline due to increased production demand and one time disposal of hazardous waste. On the waste recycling rate, the Company stood at 86.37%.

KEP has been recognized as the 2018 Ergonomics Regional winner. HHP was conferred with the "Embracing excellence in HSE" award at the ISCM awards. India Parts Distribution Center has been awarded the GreenCo Gold rating by CII in June 2018. In 2018, the Power Generation SEZ plant won the IGMC award in category of manufacturing industries.

Product safety is a key 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 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 efforts 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.

The 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.

The 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:-

- Reduce Waste
- Increase Waste Reuse/ Reduce Waste Disposed
- Increase 'Zero' Waste Sites

The 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.

The Company understands the importance of adopting a proactive approach to address issues like climate change and global warming. Environmental Champion training was conducted in past 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.

Energy saving initiatives like compressed air leaks prevention drives and replacement of light fixtures with LED lamps have been undertaken to reduce the energy consumption in plants. High energy consumption areas have been identified and many projects have been undertaken to conserve energy. For example: in Kothrud Engine Plant (KEP) projects like Installation of LED flameproof lights in paint booth and gas test cell (Qty-8 Nos), Installation of sequencer unit for Air compressors, Installation of Energy Management System for KEP Plant, etc. has led to an 4.5% reduction in GHG against 2017 baseline.

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 demands 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:

- General Management program: Two-year Executive MBA programs at different levels of leadership roles in partnership with institutes like S.P. Jain Institute of Management and Research - Mumbai and Kelley School of Business - Indiana, USA.
- Technical Development program: Two-year degree course in Masters in Automotive Engineering & a two-year Bachelors in Technology course in partnership with BITS Pilani.

A special certification in 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 Global Leadership Development Program, Authentic Leadership Program, Building Success in others, Front Line Leadership Development Program and Cummins Leadership Culture Sessions. Furthermore, Cummins also encourages job moves across functions, entities and locations to ensure varied exposure and growth of its employees.

Structured initiatives are also offered to develop and nurture women leaders across business units. The program focuses on enhancing leadership capabilities of high performing women employees. It involves career conversations, GAP analysis, mentoring sessions and function specific learning interventions.

Diversity & Inclusion

Last year, we had shared about our efforts on continuing to create an Inclusive Ecosystem that would reflect, Cummins in India as an 'Equal Opportunity Employer'. Focusing on the primary dimensions of Diversity, we launched last year new ERGs or Employee Resource Groups. We have moved from calling such groups as 'Affinity Group' to calling them 'Employee Resource Groups' to capture the value these groups bring to the business and promote the inclusive nature of such groups.

Today at Cummins in India, we have 5 active ERGs focusing on the visible and invisible aspects of Diversity i.e. LGBTQ, Differently abled, Generation, Culture and Gender (relaunched). These ERGs are led by members from the India leadership team and co-led by the next generation leaders. With them is a team of passionate volunteers (employees) who want to be a catalyst in the change. The focus of these ERGs is to roll our various initiatives, propose changes or initiate new policy/guidelines, propose infrastructural changes, sensitize employees on various aspects of diversity etc. These would help in ensuring that the diverse employees we hire have a smooth platform when they join where they can be heard, feel valued for the difference they bring to the organization and be engaged. In short, they can bring their full self to their workplace without any fear of being rejected for their differences.

Apart from the ERGs, we continue to ensure all our prime locations have an on-site day care center for both our female and male employees. As an organization, to have such a facility on site (both at our plants & office locations), does directly impact the morale of an employee in a positive way, helps to plug the leaking talent pipeline and improves productivity of the employee (as absenteeism reduces). But our objective in having such centers is beyond these. Reiterating the 'care' aspect of Cummins personality, we do understand that a child's early years are very important for its psychological development and shaping them into a strong individual and a good human being. Thus, we ensure our centers also has a curriculum that would help the child (enrolled in the daycare) in understanding and inculcating various educational and social needs.

To further support our employees, we continue to have a good bouquet of work life balance policies that our employees (both male and female) can avail.

Cummins Health and Wellness Program

Cummins continued its journey in the area of Health and Wellness, throughout 2018-19. Various initiatives are aligned with Cummins' wellbeing strategy – '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

Multiple programs were rolled out, which were aligned to these 7 levers namely, Yoga and Employee Assistance Program. Employees in Plant and Office locations at Phaltan Megasite, KEP Kothrud, CTCL, IOC Balewadi and Delhi NCR were covered for Program like Employee Assistance Program (EAP) Awareness, International Yoga Day and Theme based awareness Sessions.

EAP introduced at Cummins in 2015 saw significant results this year too. Since inception, over 1600 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, various communication programs were rolled out in 2018-19. The aim was 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, Cummins continued to provide employee outreach programs 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. Currently, approximately 15% of employees are actively using the EAP services.

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, we continue to motivate employees to invest in the National Pension System (NPS), which was introduced for the employees, in 2016. The Company is one of the first few organizations that has taken this step towards strengthening the financial wellbeing of its employees. Currently, there are 170 subscribers to the NPS scheme and a more positive response is expected in the future.

Programs such as Birth and Beyond for pregnant women, Anemia 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 Cummins India Office Campus at Balewadi, Pune, Maharashtra.

The programs were launched with the aim to:

- 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.
- Eradicate anemia, seen most prevalently deficient in women employees.
- Help employees attain good health through effective changes in lifestyle including weight management.
- Hypertension Control Drive has been added to the programs as it is one of the most prevalent diseases that is influenced by lifestyle and, can be a root cause of many life threatening diseases.
- Advice retiring employees on how they can take care of their physical and emotional health post retirement as part of the 'Health after Retirement' programme - this would help them to start planning for retirement right away.
- Many of the employees travel for the business reasons which can impact the health if not taken care. For these employees we have started with this health initiative to spread the message of taking care of their health.
- For the women employees working on the shop floor, we have an initiative to understand their health issues and help them in taking right care of themselves.
- We have started with a health initiative especially for cancer survivors, helping them with their lifestyle management.

Initiatives like the Healthy Living Module and Yoga launched in the Company earlier years, continue to run successfully.

The 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 like the Integrated Talent Management system.

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 4,252 persons out of whom, around 998 are women employees and two permanent employees with partial/full disabilities.

Apart from this, the Company also employs around 1050 contractual and 534 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 52% of the permanent employees of the Company.

Demonstrating Cummins' core value of Diversity and Inclusion, there is 35% women representation in the professional category employed in Cummins pan India. The organization strongly believes and advocates embracing the diverse perspectives of all people and honoring them with dignity and respect. In a bid towards further reinforcing gender equality across all our facilities, various entities across the Cummins group in India, recently introduced the B-shift for women employees on the shop-floor. This step will go a long way in improving gender representation for the organization and set a definitive benchmark for industries in the Automotive Sector. This step has been introduced after complete compliance with legal requirements as well as absolute adherence to the safety and security of women, further reinforcing Cummins as a 'great and safe place to work'.

Sr. No.	Category	No. of complaints filed during the Financial Year (April 2018 – March 2019)	No. of complaints pending as on the end of the Financial Year (April 2018 – March 2019)
1.	Child labor/ forced labor/ involuntary labor	NIL	NIL
2.	Sexual Harassment	2	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 it a great 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 the 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 Mission, Vision, Core Values and eight Leadership behaviors, 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, it has always been our effort to provide financial assistance to the economically weaker students, who have the vision to think big. Cummins has developed nurturing brilliance scholarship program 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.

Now in its 13th year, Cummins awarded 200 new meritorious and needy students in 2018-19 with scholarships to pursue technical courses, taking the total number of scholars to 1339. More than 50% of the beneficiaries of our scholarship program are women.

Beyond providing financial assistance, Cummins also entrusts these scholars to its senior employees, who as mentors provide guidance through the entire duration of the course. Our mentorship program looks at providing each scholar with a mentor who can help to make the right choices, provide them with relevant exposure and guide them in decisions which will shape their career. Many of our experienced employees and leaders are intensively involved in this program.

Local Community Care

Making efforts towards capacity building of institutions serving the underprivileged and disabled, Cummins has been supporting the holistic development of these institutes. We have partnered with organizations focused on disadvantaged sections of society like the ones serving the hearing impaired, visually impaired, orphans and old age-elderly.

To ensure a good quality of life to the residents we are relentlessly working together with the institutes to provide a healthy environment, safe infrastructure, multiple recreation facilities and good education. Activities are aligned to the playbook (standard reference book) and are focused on three primary areas of development: 1) Infrastructure Development & Health and Safety, 2) Conservation of resources and 3) Education, training & process improvement.

Cummins has been engaging with different institutes located close to our plant locations. Active employee participation and leadership involvement has enabled a successful project implementation across all institutes. Aligned to the strategy of 'organically grow and horizontally deploy the best practices in all locations', Cummins has this year partnered with new institutes at Ahmednagar and Pune sites. We shall continue our engagement with the existing NGOs while looking for more organizations where we would be able to support and enhance their development.

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.

The Company strictly forbids discrimination, harassment, 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 so. The Company respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

The 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 ways that reflect Cummins values and Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

Cummins Group in the past months has received four honors for its work in sustainability, ethics and diversity:

- Cummins was named again to Barron's list of America's 100 Most Sustainable Companies. Cummins finished 14th in the magazine's ranking, moving from no. 60 in its inaugural ranking in 2018.
- Cummins has also been named one of America's Top Corporations for Women's Business Enterprises by the Women's Business Enterprise National Council.
- Cummins was named one of the world's Most Ethical Companies by the Ethisphere Institute, a leader in defining and advancing the standards of ethical business practices. This is the 12th consecutive year that Cummins has made to Ethisphere's list.
- The company was also recently honored by the National Society of Black Engineers (NSBE), which presented Cummins with its prestigious Chairman's Award at the group's 45th annual convention last month in Detroit, Michigan (U.S.A.).
- The Society of Women Engineers (SWE) awarded Cummins its 'We Award' for Outstanding Professional Development.
- Cummins India also won the Golden Peacock for Business Excellence 2019.
- Cummins recently received three honors for its work in diversity and inclusion, including a perfect score for a 14th consecutive year from the educational arm of the largest LGBTQ civil rights organization in the United States. Cummins was among 571 businesses receiving perfect scores as part of the Human Rights Campaign's (HRC) Corporate Equality Index (CEI).

Principle 6: Businesses should respect, protect and make efforts to restore the environment

Every organization, large and small, is responsible towards the environment. Sustainable growth for Cummins is one that does not compromise on the environmental impact of its business. Needless to say, we vouch to remain environmentally-sustainable. Cummins has been engaged in diverse and varied Environmental projects- each impacting positively on different aspects of our environment.

The Monsoon Resilient Maharashtra (MRM)

The "Monsoon Resilient Maharashtra" project aims to help farmer communities, who rely on rain-fed agriculture for their livelihood, to become water secure and less dependent on monsoon. An important goal of our project is water budgeting or appropriate use of available water. In this, we manage both, the supply side i.e. improving the quantity of water available to the community, and the demand side, which includes instituting correct agricultural practices, training and protocols.

Droughts continue to haunt the state bringing acute challenges to the farmers. MRM was conceived to address this very problem. We have developed and piloted a unique model to address the scarcity of water in Maharashtra. The four-pronged approach of a ridge to valley watershed development aided with Hydrogeology, and remote sensing data along with community participation has been established. The model was piloted in four villages in the rain shadow region of the state. A third-party impact assessment report recorded substantial growth in the predefined indicators.

Having witnessed success in the pilot, MRM moved on to a more drought prone region of Maharashtra. The Monsoon of 2018 was inadequate in most parts of the state including the target area, in 14 villages of Man Taluka. Despite the low annual rainfall in these villages beneficiaries of MRM witnessed water in their wells. The ground water table saw an increase recharging the wells in the immediate vicinity.

In MRM, concerted effort is made to build capabilities within the community to enhance engagement during the watershed implementation. In addition, we enable them to manage and sustain the assets created, ensuring sustainability over the long terms, thereby becoming permanently water secure. A key differentiating factor of the project is its experienced and skilled team of NGOs who bring unique skill sets and vast experience to the project. The project makes use of cutting edge technology such as GIS, telematics, water sensors, etc.

Over the last few decades the need for fuel, building material, farming activity has increased, depleting forests and creating barren lands. Through MRM indigenous trees were planted and nurtured on fallow lands to facilitate forest, which will eventually increase the green cover of the area.

In the pilot, MRM touched 5,500 lives, and in the scale- up 19,000 lives. MRM continues to improve the water availability in the areas of operation, now through alliances and partnerships, ultimately to deliver a massive project across the state of Maharashtra.

Clean Air Delhi

According to WHO survey of 1600 world cities, the air quality in Delhi, the capital of India, is the worst of any major city in the world. Air pollution is the fifth largest killer in India, impacting close to 1.5 million people every year. The problem has worsened in the city because of a number of reasons like crop burning in neighboring states, traffic, construction activity and emission from power plants.

Cummins has partnered with CII, NITI Aayog for 'Clean Air Better Life' initiative. This initiative is geared towards engaging business, civil society and government to learn from peers and take actionable steps to improve the air quality in cities which have reached crisis levels like Delhi-NCR.

Four task forces have been formed (Clean fuel, Clean transport, Biomass Management and Clean Industry) and their reports have been released. These task forces aim to address solutions for detrimental situations created due to rampant biomass burning, transport services, harmful fuel emissions and industry sources. Suitable interventions for Clean Fuel, Clean Transport, Clean Industries and Biomass Management is recommended through experts by the means of the taskforces.

Partnering with Punjab Agricultural University, Punjab Pollution Control Board, recommendations from the Biomass management report are being piloted in Punjab.

The pilot is aimed to cover 19 villages – 16000 Acres of farmland. The plan is to extend this to the state of Haryana.

Technologies for Biomass management includes

- 1) In Situ technologies- Ploughing the residue back into the field using either Paddy Straw Incorporation and Mulching or Super Straw Management System (Super SMS).
- 2) Ex-situ utilization of farm waste by Pyrolysis, Briquetting, Palletisation etc.

E-Cycle – Reduce, Reuse and Recycle

Electronic waste, abbreviated as 'e-waste' is a term used to describe old, end-of-life electronic appliances (mobile phones, computers, laptops, TV's, radios, refrigerators, etc.) which have been discarded by users. This is the fastest growing stream of waste in the country. India is the 5th largest producer of e-waste in the world and less than 30% of the population is aware of the need for and the right methods of E-Waste management. Considering the growth rate in consumption of electronic items over the next 3 years, there is an urgent need to address this issue.

Addressing the imbalance between e-waste generation and its management in Pune and people's limited knowledge about e-waste, Cummins partnered with various NGOs, schools and local communities to create awareness on e-waste. Teams from Cummins and PMC are working with authorized recyclers for ensuring Eco-friendly processing of E-Waste. Based on a detailed assessment, a project plan was developed to spread awareness on the ill-effects of e-waste amongst the residents of Pune.

Powering sustainable and end to end E-waste management solutions since 2014 through an integrated approach that is innovative, inclusive, collaborative, replicable and scalable. This project by Cummins and implementing partners addresses different types of E-waste by –

- Conducting mass scale awareness programs across schools, colleges, housing societies and community spaces for the need for safe and environmentally friendly disposal of E-Waste.

- Enabling Sustainability - Instituting systems and processes to safely collect and dispose E-Waste by conducting drives and establishing permanent centers in partnership with authorized recyclers.
- Multiplying scale by bringing partnerships – bringing like-minded partners to the project.

Ensuring sustainability through institutionalization, Cummins has helped establish 22 permanent centers across the city. Recently a new permanent center for e-waste has been started at Kothrud. This project has grown organically from creating mass scale awareness to changing mind set about handling e-waste which contains toxic elements.

Creating Next-Gen Environment Ambassadors (Coach them young)

Environmental Awareness among children is critical as it fosters a sense of connection to the natural world, promotes sustainable development and encourages conservation of natural resources. Coach them young aims to leverage the enormous reach of the Cummins distribution network (DBU) via school students and passively via their friends, parent's relatives etc.

School children are the Ideal propagators, since they are future torch bearers of the world and have significant capability to learn, adapt and implement. The school children are thus enabled to be 'Super Heroes' and become Brand Ambassadors in their locality and help propagate this message further. The program has covered an array of topics over the years, including Air Pollution, Noise Pollution, Plastic usage and Recycling. Driving sustainable awareness program since 2012 through an integrated approach that is innovative, inclusive, collaborative, replicable and scalable. This project is unique as it leverages the extensive pan India coverage of the distribution unit, has a large scale of execution and has a diverse reach in local languages.

With each passing year, Cummins has been consistently improving the content of the program as a response to the feedback from the community. Addressing the target audience, two videos are developed that are tailor made specifically for the students from classes 1-4 and classes 5-9. This video is available in eight Indian languages to ensure that the content is relevant for the students.

Leveraging the extensive Cummins network of our partners including Dealership, Suppliers and Customers the program in the last year reached 1.1 million students and till date close to 4.5 million students across the country.

Creating Zero waste ward

As the city of Pune is growing in scale, the problem of its waste generation is also increasing exponentially. Today, Pune generates approximately 2000 tons of solid waste per day. Rapidly growing city population has led to strained infrastructure causing a major waste management and disposal issue. In addition, unscientific disposal of heterogeneous solid waste in the overflowing landfills is polluting environment and causing health disorders.

Zero Waste is a philosophy that encourages redesign of resource life cycles so that all products are reused and that no trash is sent to Landfills or incinerators. This project was started with Pune Municipal Corporation way back in the year 2012 at Katraj ward where Cummins volunteers spent months together to spread awareness about the benefits of segregation of waste. The model of Zero waste ward created at Katraj was very well received by the authorities as well as the local residents and was accredited with an ISO certification. Spurred by the Zero Waste initiative, with the help of local government bodies, Katraj ward witnessed a transformation that transcended into creation of a vibrant community space for the locals there, becoming a role model for the rest of the wards.

Following the successful response at Katraj, Zero waste ward initiatives were replicated in the wards of Baner and Balewadi. Encouraging Public-Private partnership model for sustainability, we partnered with Pune Municipal Corporation, Janwani and SWACH, for reaching to the masses through awareness sessions and rallies.

Taking a step further, the Zero Waste project ventured in Slum Waste Management. Close to forty percent of the population in Pune live in slums, where the waste management systems are severely lacking – collection levels are poor, segregation almost non-existent, riddled with many socio-economic challenges that drive the behavior on a day-to-day basis. Launched in 2018 along with Pune Municipal Corporation, the Kothrud slum project explores the ways and means for creating an ecosystem of behavioral change, with a holistic approach to waste management.

In the short few months of our intervention, we have witnessed visible impacts through the project: Waste segregation level has improved by 20%, Door to door collection of waste has improved by 80%, Open waste collection points have been cleaned resulting into 70% reduction of chronic spots.

A crucial element of the project relies on the relentless work done by the waste pickers, aiming to provide them with dignity and sustained source of income, through the Zero Waste initiative, about 125 waste pickers have been provided with better livelihood opportunities across various wards.

Beating Pollution during festivals: Patravali and Nirmalya projects

1) “Towards A Plastic-Free Wari” - Use of Patravali (green plates) during the Pandharpur Wari

Pandharpur Wari is a very old traditional annual pilgrimage where thousands of devotees participate in the 250 kms trail of procession every year. It has been observed that during this 21 days journey sub-standard plastic / thermocol plates are used for serving food. Plastic and thermocol plates are not biodegradable and end up in landfills taking more than 300 years to decompose.

Project Patravali aims at promoting the use of Green plates- utensils made from dried leaves of Sal tree (locally known as “Patravali”) as an alternative for Steel, Plastic and Thermocol. The use of green plates would lead to prevention of land contamination, improving quality of human health by avoiding carcinogenic products and conserving water and avoiding large scale water pollution. 1 million+ people were made aware on benefits of use of green plates, including over 60,000 students through various mediums like the print media and radio broadcast. This year close to 9 Mn Green Plates & bowls (made of leaves) were put into use during the wari procession helping conserve close to 4+Mn Gallons of water conserved till date.

To ensure the sustainability of the project, local youth from the identified neighboring villages are trained to run this program. These young men and women identified and trained as “Wari Mitra” are volunteers who spread awareness about plastic & thermocol waste & benefits of Green plates to villagers. So far over 135 Wari Mitra have been trained.

Over 250 dindis (group of pilgrims “warkari”) were educated on the benefits of Patravali prior to Wari, covering more than 50 villages / cities. Out of which 110 dindis have been positively convinced and converted into plastic / thermocol free dindis through use of green plates. In 2018, 42 Ton of Patravali collected from Wari converted to organic compost and distributed free to local farmers for improving their farm yield.

In the years to come, the aim is to work with the local governing bodies like the Nagar and Gram Parishads across the Wari route to set up permanent distribution centers along with permanent disposal and composting centers as well, to create a truly “Plastic Free Wari”

2) Nirmalya collection and composting during Ganesh festivals

Pune is currently among the top 10 waste generating cities in India with almost 2000+ Tons of waste generated daily. During festivals, the amount of waste created is nearly doubled. Every year Ganesh festival is celebrated all over India on large scale for over 10 days. During the festival, Nirmalya and the Plaster of Paris (PoP) Ganesh idols are immersed into various water bodies. The immersion of this idol has a serious impact on the environment, as it disturbs the ecological balance by polluting water and adversely affecting the flora and fauna.

The project aims to spread awareness among citizens by reaching to housing societies, schools and colleges. Prior to the Ganesh Festival, many workshops are conducted for school children and employees for preparation of eco-friendly Ganesh Idols and decoration material. To create a rational, widely replicable and sustaining model for this issue, Cummins partnered with premier national research institute, National Chemical Laboratory to develop a solution which dissolves PoP idol at individual homes or at the housing society level. Cummins in partnership with PMC and local government bodies have continued to spread awareness on the process of dissolving the PoP.

This year around 550+ Employees contributed more than 2200 volunteering hours participating in awareness sessions, rallies and collection systems before and during festival time across 26 ghats in the city of Pune. We successfully converted 350+ Tons of Nirmalya into organic compost by using natural ways. This compost has been distributed to farmers belonging to neighboring villages. Along with the organic compost, best practices of organic farming were shared with more than 100 farmers around the city by conducting multiple sessions on Organic Farming.

With the aim of creating livelihood opportunities for the locals, necessary jobs of recyclers, ragpickers, coordinators etc, the Patravali and Nirmalya projects have created additional income source for 300+ people.

Water conservation projects impacting 5 Million citizens in Pune

Population of Pune city has grown manifold over time; whereas the capacity of Khadakwasla dam, one of the main sources of water for Pune, has reduced by 50% through intense siltation. Due to the deforestation in the catchment area, the top soil has been washed off into the dam over the years. The problem gets more severe as water stored is not sufficient to meet the needs of the city of Pune and agriculture. In a bid to increase the capacity of the Khadakwasla dam, Cummins has been working closely with the NGO Green Thumb, to help in its de-siltation, we have successfully desilted 6 kms stretch of dam on South bank. 9458 Mn Gallons of water has been conserved till date by means of desilting and catchment area treatment process across Phase 1, 2, 3 and 4 on the South Bank.

As part of Every Employee Every Community (EEEC) initiative, Cummins employees have been passionately working together with the NGO to de-silt the dam. Cummins employee's expertise was utilized to conduct extensive contour surveys to understand the topography. Mega-drives were organized by the employees to educate 5200 people on water conservation need and methods. Beautification by developing palm islands, walkways, huts, medicinal gardens has helped develop a "weekend gateway" for the citizens of Pune.

Acting as a catalyst we have also been able to bring in a lot of different corporates and government agencies for replicating the similar efforts on the extended stretch of dam; 18 kms out of the total 22 kms have been developed by renowned corporates till date. Employment opportunities have been created for close to 40 locals who are currently employed at site for maintenance of the site. With the view of scaling up our initiatives and partnerships at Khadakwasla, last year we kickstarted the replication of the rejuvenation project on the opposite bank of Khadakwasla. Desilting and catchment area treatment activities have started at 2 kms stretch at the new bank.

In continued partnership with the Army at the Aundh military station, Cummins desilted the 4th lake which has the capacity to store 5 Million Gallons of water. This would be the fourth such waterbody created at Aundh in partnership with NGO. Complementing to our water conservation initiatives, we have also laid our focus on biodiversity enhancement at the site.

Gre-Engage – Creating green lungs in the city

Rapid urbanization has resulted into vastly depleting green cover for the city. With growing demands of residential and commercial spaces, the green localities are now being converted into concrete building, resulting into multiple hillocks around the city of Pune which have been serving as green lungs, are being deforested and encroached. The project aims at sustainable tree plantation and sustenance towards achieving the goal of increasing the green cover across all our manufacturing and office locations in the country. Cummins has acted as the catalyst for forming a cluster of NGOs with a common goal and helped share best practices on planting and maintaining trees.

This project also aims to address the effects of climate change. Tree cover plays a vital role in restoring and maintaining the ecological balance. Increased efforts in afforestation, will over a time result in balancing the water table, stabilizing climate, attracting rains, preserving wild-life and replenishing soil nutrients. Ensuring plantation of native trees and water management for their sustenance, Cummins has been working on 4 hills, 1 dam & 1 lake area for eco system development since 2011.

This year, in addition to sustaining previous efforts, team has taken the project to the next level by implementing dense forest concept. This would help build oxygen hubs in and around Cummins office sites while providing a haven to improve biodiversity of the site. Believing in collaboration, we plan to closely work with forest department for a long-term project at Pune and Satara sites.

In the year 2018, more than 24,000 trees were planted and sustained. All sites saw deep partnerships with subject matter experts, local community, forest department, organizations like the MIDC and the Indian Army. Along with planting and maintaining the trees, we also have continuously achieved a survival rate of 90% for all the 1,20,000 trees planted by us till date.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

The Company partners with respective industry associations on various advocacy initiatives. related to the industry. The Society of Indian Automobile Manufacturers (SIAM) takes up issues related to the auto sector with the Government, NGOs and think tanks. Cummins advocates issues on the automotive segment along 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 Confederation of Indian Industries (CII), FICCI and Associated Chamber of Commerce and Industry of India (Assocham).

For Cummins, the major advocacy areas related to emissions are 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 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.

The 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.

Principle 8: Businesses should support inclusive growth and equitable development

Cummins is an Equal Opportunity Employer. Extending this belief, the Company constantly tries to increase opportunity and equity for those who are in utmost need through its various Corporate Social Responsibility projects that address social justice issues.

Cummins Powers Women with Rise Up

'Cummins Powers Women program' is a Global community initiative wherein the Company will partner with a network of best in class non-profit organizations to accelerate the empowerment of the women and girls in the community.

The initiative, launched globally on International Women's Day in 2018, is the most ambitious community initiative ever, representing a multi-million dollar investment in proven programs designed to create large-scale impact in the lives of women and girls globally.

In India, Cummins Powers Women is partnering with 'Rise Up' to support its work to advance education, equity, opportunity and social justice for women and girls. Cummins leaders joined Rise Up in Mumbai, India, for the launch of its leadership accelerator which saw participation of 21 NGO leaders across Maharashtra working in the gender equity space. The accelerator is part of Rise Up's gender equity initiative, which seeks to strengthen non-profit organizations, lead change in their communities and advance national-level impact through improved laws, programs and funding for women and girls.

In the coming months, the community leaders in the cohort will work on their advocacy projects. In addition to the grant funding, Rise Up and Cummins will provide support through the journey of these leaders of gender equity while also replicating this model at other cities across India for a larger scale impact with partner organizations.

This program represents the next phase of Cummins' commitment to a large-scale community impact and powering a more prosperous world. The investment will include a range of effective programs including grass route teaching and mentoring, financial empowerment through entrepreneurship, leadership training and strategic guidance.

Phaltan Town Development

The vision for this project is to make Phaltan a "livable model town" by 2030, the best in its category and size in India. A need assessment of the town indicated that solid waste management required most attention, hence it was selected as the first component to be addressed. Cummins' role is that of a catalyst in this journey, mostly collaborating with the local community to provide the much-needed support to tackle the waste in the town.

Cummins along with the implementing partner has created awareness for systematic segregation and door to door collection of waste. In both respects there has been a vast improvement, which has translated in visible reduction of dumping solid waste in public areas. A concerted effort was made to clean 26 chronic dumping spots which led to improved hygiene of the town. Round the clock monitoring of the spots was done to ensure sustenance. Selected 15 spots were beautified to convert them into usable spaces.

Mega cleaning drives, student rallies, senior citizen events, student competitions and street plays have helped create a positive mind set of the community for support of the initiative. A concerted effort by all stakeholders resulted in the town's ranking moving up from a 264th position to 75th in the western zone of the Swachh Sarvekshan 2019 competition. In the forthcoming year, Cummins plans to continue the efforts to further improve the waste management processes and systems making the town cleaner and hygienic.

Holistic Rural development program

Cummins has been actively working in the space of holistic rural development since 2010 when we began the transformational journey with our first village of Nandal near Cummins Megasite. With the support of the village community, partnerships with the expert NGOs and Government Agencies, we have now successfully replicated our work across 13 villages located near Cummins Plants across the country.

Extensive work has been done in the areas of Water Management, Education, Health & Wellness, Income Growth and Social Engineering. Over 24 check dams and 7 ponds, 1 drinking water well, 41 soak pits and desilting of 20 dams have been saving close to 13,318 Mn liters of water in the villages. So far, total 63 Health Camps have been conducted in 13 villages benefitting 6,300+ villagers. Totally 24 schools were upgraded in 13 model villages providing access to 5,900+ students.

Focusing on building new partnerships, for the first time ever, Cummins partnered with government organization – NABARD for model village project. This partnership will help Cummins to reach out to additional villages under the Model village program.

EmpowerHer: An intervention to aid income generation activities for the women at model villages, launched last year gained a very good response from the villagers. This year your Company launched a new initiative under the same banner; project Udgam aims at creating awareness about Sanitary Hygiene, usage of sanitary napkins and enabling Entrepreneurship by setting sanitary pads production machine which will produce eco-friendly napkin at lower cost. Manufacturing and marketing of the product is done by women self-help group with the support of Anganwadi and Asha workers. Project aims to provide additional income beyond agriculture to women in villages. Your Company is also in process of replicating this project at other two plant locations in India.

Other SHG initiatives like Water ATMs has sustained with increased awareness on clean drinking water and maintenance of the water ATM by women self-help group. So far Cummins has installed the Water ATMs in 7 villages providing clean and safe drinking water to 11,000 + villagers. These water ATMs have also provided income opportunity to 60 women. Under the initiative of Backyard Poultry, village women were provided training at Krishi Vigyan Kendra which helped 177 women in 6 villages to find additional income to support their families.

Understanding the importance of tapping the growing trend of buying healthy and organic food, Cummins in partnership with a subject matter expert- NGO GO Vidyan is promoting organic farming techniques among the model villagers. A pilot was launched with five model farmers and subsequent trainings were arranged to understand the scientific approach of farming. So far 135 model farmers are developed and have adopted 100% organic farming practice. Organic farming complemented with the use of new equipment has resulted into increased agricultural yield leading to doubled income of many families.

Cummins College of Engineering for Women, Pune

India's 1st women's engineering college - 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 Sanstha. Our engagement with our longest standing Corporate Responsibility saw some significant progress this year.

More than 9000 women engineers have since passed out from this institution and are doing extremely well in their respective careers. 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. The highlight of the year for CCEW was to be ranked 44th by Outlook magazine in their ranking of top engineering colleges in India.

Baja SAE, which is an intercollegiate design competition run by the Society of Automotive Engineers (SAE) has teams of students from universities all over the world who designs and build small off-road cars. This year the CCEW students of team Zenith participated in the challenging SAEINDIA Baja event in Pithampur and stood 34th amongst 120 teams that competed. The same team is now shifting their sights to the Baja event at Tennessee in April 2019.

CeRIE (Centre for Research & Intellectual Entrepreneurship), which we set up in partnership with ANSYS, is fully operational and has started getting projects from industry. The setup of CeRIE aims at strongly supporting and promoting the sequential journey of a candidate by creating a suitable transition from research to incubation to finally creating a prototype. We have further supported the centre by funding the procurement of thermal CFD software which augments the research capability of

CeRIE. The Nidhi Prayas, set up by the Department of Science & Technology, which is collocated with CeRIE, is on the verge of also becoming fully operational early next fiscal. We see the synergy between CeRIE and Nidhi Prayas attracting research oriented students and faculty to the college.

The campus at Nagpur, which commenced in 2010, was recognized and recently accredited B++ by NAAC. This is a step forward in establishing itself as a college of repute in the Vidarbha region and Cummins intends to work towards this campus emulating the one in Pune. We see an opportunity to replicate our success at Pune at this campus in the long term.

Technical Education for Communities (TEC)

Employers around the world are experiencing critical shortages of skilled technical workers. At the same time, education programs often struggle to teach students the skills needed by employers. Cummins is addressing this opportunity through TEC: Technical Education for Communities. TEC provides a comprehensive education framework and set of tools to strengthen school programs and improve the job prospects of students.

Cummins 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.

Our association with the SMAK ITI at Kolhapur, which is the first supplier led TEC site, has evolved significantly over the last two years and we are pleased to inform you that it was adjudged as the top ITI in Maharashtra by CRISIL who evaluated ITIs across the country.

In addition to our two existing TEC associations which it is in Phaltan and Kolhapur, we are well into the process of identifying two more institutes in Indore and Jamshedpur respectively, where we will be partnering with our service dealers and customers. This way Cummins plans to develop a collaborative project model which would involve all our stakeholders like the government, supplier, dealer and customer.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The Company is dedicated to serving the customers in the best possible way. Cummins continues to strengthen customers relationships, support and engagement through:

- Formation of key account management structure
- Standard sales process for the channel
- Dealer engagement
- Service penetration improvement

The introduction of the Cummins CARE mobile application is another step towards providing increased value to the customer and improving customer satisfaction. The application would enable customers to raise service requests instantly, track the real-time progress of service, see service history and provide feedback with the convenience of their own smartphones. Through this initiative, the Company has been able to take huge strides in providing best in class service and support. With customer feedback, the Company will continually enhance and evolve the functionality of Cummins CARE.

The Distribution Business continues to leverage savings due to Six Sigma projects and has successfully executed 28 Customer Focused Six Sigma Projects. Most projects are aligned to key business initiatives for driving improvement in customer support, supply chain, business growth and channel management.

The Net Promoter Score (NPS), a measure of customer loyalty strengthened to 82%, resulting in the Distribution Business in India to be on top in the global NPS scores across Cummins sites. For context, the channel served over six lacs service requests in this period.

Cummins provides a 24 X 7 India Cummins Care to its customers to reach out through a Toll-Free number or e-mail to register their grievances. In the FY 2018-19, 1177 complaints were registered, 233 of which were under resolution on March 31, 2019. There were 12 active consumer litigations at the end of March 2019, with 5 cases resolved during the year.

Cummins displays product information on the product label as mandated as per local laws. Cummins recognizes and respects consumer rights under various statutes and does not restrict the freedom of choice and free competition in any manner while designing, promoting and selling its products.



***Business
Responsibility
Report
2018-19
Executive
Summary***

This document summarizes the Business Responsibility Report and reflects Cummins' broad view on sustainability, including safety, diversity and inclusion, people development and engagement in addition to the Company's environmental initiatives, efforts to nurture innovation and its community improvement programs.

Right Environment Statement

“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.”

- Cummins India Leadership Team



Building Leadership skills at multiple levels in the organization through a series of initiatives -

- High Performance Teamwork
- Executive Development Program
- Global Leadership Development Program
- Building Success in Others Program
- Cummins Leadership Culture Sessions
- Growing Women Leaders Program focusing on increasing women in leadership roles
- Sponsored Education for management and technical development with premier institutions
- Special certification on Industrial Relations for managers engaged in plant roles

Corporate Responsibility

Cummins India Foundation Impact

Meaningful sustainable projects focusing on Higher Education, Energy and Environment and Equality of Opportunity.



Cummins Scholarship Program

Making higher education accessible to meritorious students from financially and socially disadvantaged backgrounds.

Your company has awarded scholarship to
1,339 scholars till date

E-Cycle! - Reduce, Reuse and Recycle electronic waste

Partnering with NGOs in creating awareness on e-waste, and ensuring effective collection and processing through authorized channels.

45.7 metric tons e-waste collected and processed

27 permanent centers for e-waste collection established across the city

GreEngage



A sustainable pan India afforestation program that aims at sustainable tree plantation and sustenance towards increasing the green cover across all Cummins' manufacturing and office locations in the country.

Also helps build oxygen hubs by planting trees, harvest rain-water, add organic supplements to improve soil fertility, and build nesting structures to attract birds, thus eventually creating a full-fledged ecosystem.

14,000+ trees planted last year

90% survival rate of earlier trees planted





Coach Them Young - School Children become 'Change Agents'

Cummins continues to scale-up the nationwide education campaign 'Coach Them Young' year-on-year to create awareness amongst students on important environment issues such as solid waste management, air, water and noise pollution. In the last year alone, over a million students from across the country were reached out to.

1,100,000 students reached out to in 2018



Going Green with Patravali

Project Patravali aims at promoting the use of green plates - utensils made from dried leaves of Sal tree (locally known as 'Patravali') as an alternative for steel, plastic and thermocol.

68,00,000+ green plates

80,00,000+ bowls used



Cummins Powers Women

Cummins in India, in collaboration with the NGO Rise Up will work closely to support programs that advance education, equality of opportunity and social justice for girls and women in India.

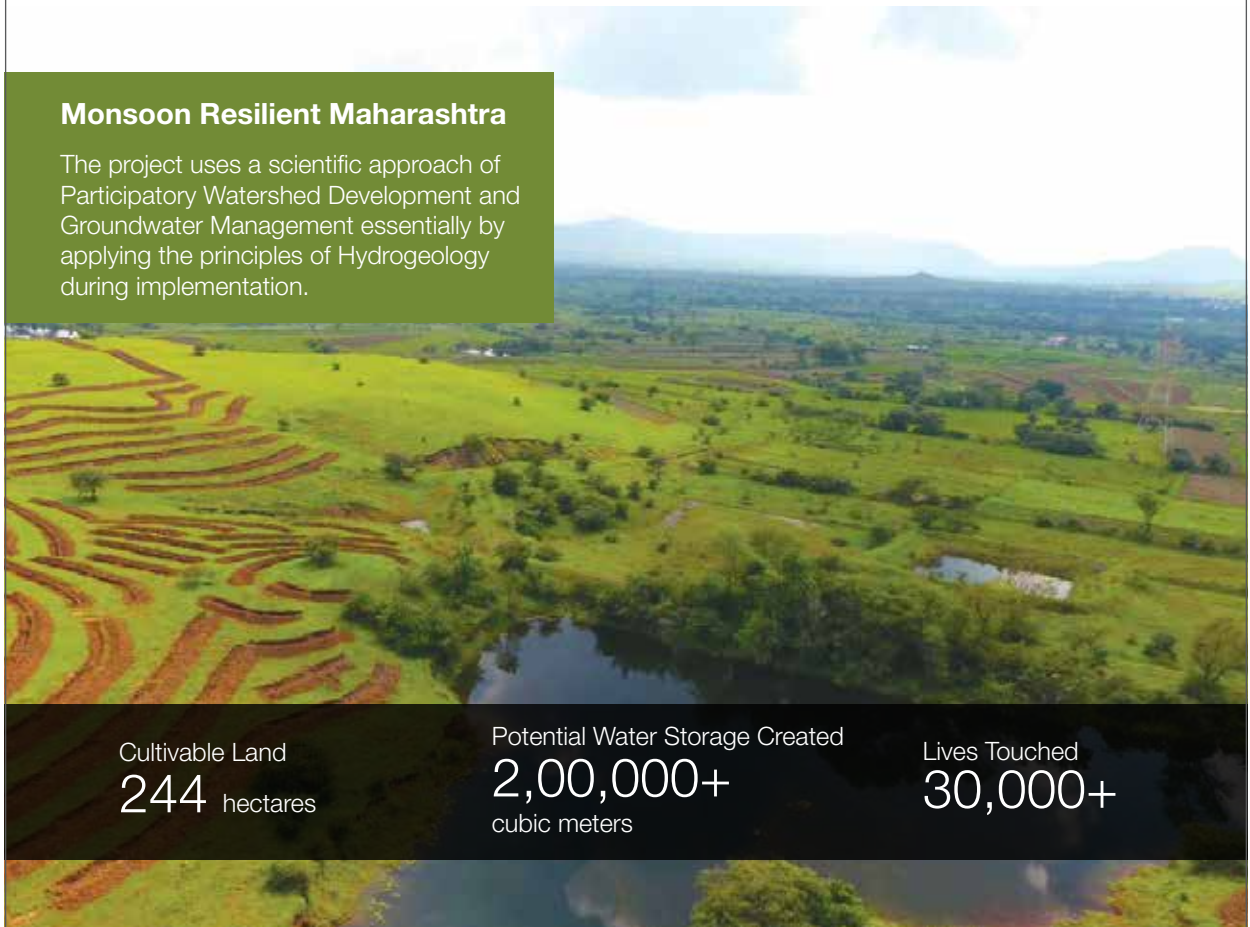
21 Leaders Selected across Maharashtra for India Accelerator program

Areas of Advocacy

Support to HIV Positive Women | Economic Empowerment | Education | Health | Child Marriage Gender Violence | Youth Development | Tribal Women Advancement | Sex Workers Justice

Monsoon Resilient Maharashtra

The project uses a scientific approach of Participatory Watershed Development and Groundwater Management essentially by applying the principles of Hydrogeology during implementation.



Cultivable Land
244 hectares

Potential Water Storage Created
2,00,000+
cubic meters

Lives Touched
30,000+



Phaltan Model Town

With an emphasis on Solid Waste Management, Cummins India plays the role of a catalyst by collaborating with the local community to provide the much-needed support to create awareness for managing solid waste, and to develop systems and processes to tackle the problem.

- Ranking (Swachh Survekhsan 2019 - Western Zone)
-From **264** to **75** out of 1002 towns
- People educated on waste management -
50,000+
- Chronic spots cleaned - **36**

Cummins College of Engineering for Women (CCEW) participates in SAE-BAJA 2019 at Tennessee

Team Zenith from CCEW, the only all women's team to complete the event came in **22nd** in the overall competition and **20th** in the endurance test.



Three new Long Term Strategic CR projects being undertaken -

Clean Delhi Air - Taking the lead in collaborating with the Confederation of Indian Industry (CII), the Niti Aayog, government authorities, NGOs, academia and other industries in devising a holistic and databased road map to rid the capital of its worsening pollution levels.

Monsoon Resilient Maharashtra - Towards helping the rain dependent rural communities in the state, institute measures to lessen their dependency on monsoon and become self-sufficient.

Phaltan Model Town - To envisioning a model city setup for Phaltan by developing a holistic urban plan with the help of government agencies.



Towards Environmental Sustainability

- Green Supply Chain
- Returnable packaging
- Regenerative dynos for test cells
- Remanufactured engines and components
- Water neutral plants
- Renewable energy through solar panels

Environmental Sustainability

- **86.37%** recycling rate*
- India Parts Distribution Centre awarded the GreenCo Gold rating by CII.
- Power Generation SEZ plant won the India Green Manufacturing Challenge (IGMC) award in category of manufacturing industries.
- 625 KW solar Photo Voltaic plant installed at HHP Phaltan to reduce the carbon footprint due to electricity consumption.

*Data pertains to Cummins India Ltd.

“While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance.”



- J. Irwin Miller
Former CEO, Cummins Inc.

Health and Wellness

7 Levers of Healthy Lifestyle

- Physical Activity
- Nutrition
- Sleep
- Stress Management
- Substance Free (staying away from addictions)
- Clean Water
- Sunshine & Clean Air

Who we are

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

Founded in
1962

India
Headquarters

Cummins India
Office Campus,
Pune

Over **3,730**
employees across India

Women represent

24% of the total
workforce

Markets and Segments

- Serves domestic markets in India, Nepal and Bhutan and exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations
- Caters to segments such as construction, compressor, mining, marine, railway, oil and gas, pumps, defence and power generation

Net Sales

₹ 5,526
Crores

Cummins India Ltd. facilities

6 world-class factories and
1 Parts Distribution Center
450+ Service Touch Points

All factories and offices demonstrate the five principles of sustainability



Safe



Green



Clean



Lean



Diverse

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