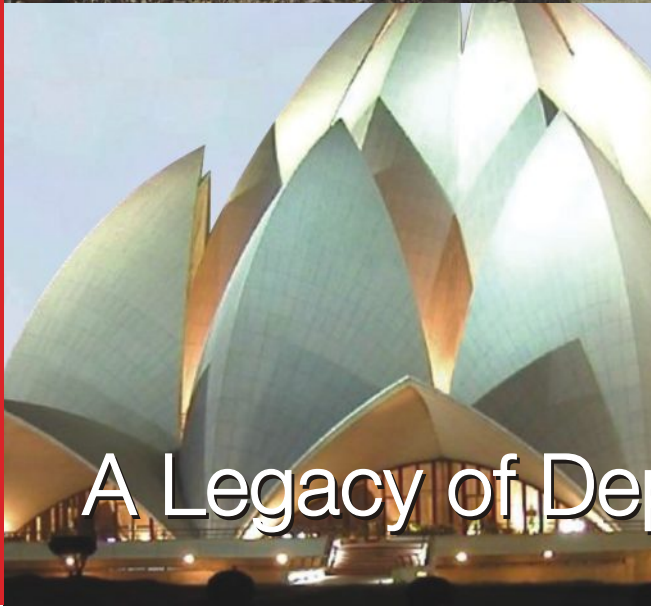




Cummins India Limited

Annual Report 2009-10



A Legacy of Dependability



On the Cover

'Dependability' is the Brand Promise of Cummins. Having continuously demonstrated Dependability to our stakeholders through our products, services and people, the attribute has become our legacy. It is this legacy that gives us the confidence to say to our stakeholders, 'I am Cummins. You can depend on me'.

The visuals on the cover depict the four businesses of Cummins India Limited. Our Industrial Engine Business manufactures engines for segments like construction, mining, compressor, rail, marine, agriculture, pumps, oil & gas and defense. The crawler excavator shown on the cover is one such application powered by the Business. The B series lean burn engines offered by our Automotive Business have fulfilled the Delhi Transport Corporation (DTC) tender for 2,500 low floor buses. The Lotus Temple is just one of the many significant and historical monuments in India that are illuminated by our Power Generation Business. The fourth image that of an employee signifies the service centric ethos and commitment to service excellence demonstrated by our Distribution Business. The four businesses constituting Cummins India Limited testify our legacy of Dependability.

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To Our Shareholders

Before I begin to share the highlights of the year 2009-10, I believe it would be appropriate to say that it has been no ordinary year! After an extended period of increasing demand, the situation reversed rapidly due to the global meltdown, and then began recovering faster than expected, particularly domestically. Further, we had our first ever labour strike at the Kothrud plant. Yet the manner in which we overcame these challenges with our performance ethic, agility and above all, allegiance to the six Core Values of Cummins, make me immensely proud that we lived our Dependability brand promise. Our six Core Values of Integrity, Innovation, Delivering Superior Results, Global Involvement, Diversity and Corporate Responsibility, helped us emerge stronger, more profitable and deliver on our promise of Dependability to all of our stakeholders.

I am extremely grateful to all our customers for their continued confidence in our capabilities, you shareholders for your support and our suppliers for partnering with us through these tough times. But most of all, I am thankful to our employees for their loyalty and commitment. They have indeed acted as owners, enabling us to honour our promise of Dependability to all stakeholders. I would also like to express my gratitude to our Board of Directors for their expert counseling and strategic direction. Finally, I would like to recognize our excellent Leadership Team, whose character, rich experiences and skills helped handling this difficult situation and emerge successful.



Anant J. Talaulicar
Chairman and
Managing Director
Cummins India Limited

I am pleased to relay that 2009-10 was a good year for our Company. Despite the decline in revenues our Company increased profitability, and generated significant cash. While the annual sales of Cummins India Limited including Cummins Sales and Service India (CSS) declined 14 percent to Rs. 2,844.9 crores our net profit before tax at Rs. 610.9 crores was higher by 2 percent over the previous year figure of Rs. 599.0 crores. Clearly, the improved profitability is attributable to disciplined cost management actions taken during the year coupled with the hard work and commitment of our employees.

Allow me to illustrate how our four businesses, industrial engines, automotive engines, power generation and distribution, and the Company as a whole, demonstrated Dependability towards each of our five stakeholders – shareholders, customers, suppliers, employees and the community.

Dependability towards Shareholders

Aligned with our Mission of creating wealth for all stakeholders we had disbursed an interim dividend of 300 percent (Rs. 6 per fully paid-up equity share of Rs. 2 each) in December. We concluded the 2009-10 financial year with a final dividend of 300 percent (Rs. 6 per share of Rs. 2 each) aggregating to a record 600 percent (Rs. 12 per share of Rs. 2 each). The total return to shareholders during the fiscal year including dividends and share price appreciation was 183 percent. Over the last five fiscal years, the total return has been 37 percent on a compounded annual growth basis.

In order to continue delivering the value that we had promised, we prioritized and directed our energies to certain critical areas. Not only did this enable us deliver on our commitments but positions us today for a long-term profitable growth. These priorities, which remain in effect even in 2010, are:

- Increasing our market share domestically
- Maximizing the limited exports opportunities

- Going the extra mile for the customer. Demonstrating that we truly care for their success.
- Accelerating our cost management activities
- Minimizing working capital
- Investing in products and technologies for the future
- Deploying Six Sigma to drive improvements in all areas of the business
- Modeling the Cummins Vision, Mission, Values, Personality and strategic principles at all times

Our Power Generation Business that had witnessed a major setback in its domestic revenues towards the second half of 2008-09, regained significant part of its original growth plan during the same period in 2009-10. Most of the domestic market segments have almost recovered to the pre-recession levels, placing us in a strong position of optimally utilizing our manufacturing capacities in our facilities at Pirangut and Daman. I am delighted to share that our plant at Pirangut continues to excel in meeting international specifications and is poised to establish itself as the global base for manufacturing generator sets below 200 kVA. The facility has also secured ISO 9001, ISO 14001 and OHSAS 18001 certifications, making it one of our safest and environment conscious facilities.

As a result of improved availability of natural gas, demand for our Lean Burn Natural Gas generator sets increased, as evident by orders worth 20MW won by the Business.

Our Industrial Engine Business demonstrated significant growth in all its key segments such as construction, mining, compressor, gas compression, marine and rail. Owing to our strategy to look beyond the traditional segments and expand and serve diverse segments, the Business not only survived the downturn, but in fact captured new businesses. The gas compression segment benefited significantly from the government's directive to use clean fuel in major cities of India. Our strategy to offer competitive products having higher fuel efficiency with the lowest life cycle cost helped us win major orders for gas compression packages from leading OEMs.

Our Automotive Business not only remained profitable but in fact grew substantially this year. As our country prepared to meet Bharat Stage IV norms in 13 metros and Bharat Stage III in the rest of the country in 2010, our Automotive Business marketed the right technologies and engine platforms to the medium and heavy vehicle customers and OEMs to aid their transition to the new emission norms. We offered both clean diesel and natural gas engines to the commercial vehicle industry. We also launched state-of-the-art high pressure common rail fuel system and electronically controlled 6.7 litre ISB engine with its capability to support emission norms even beyond Euro 5.

In last year's annual report, I had shared with you that our Automotive Business had secured the order for the Delhi Transport Corporation (DTC) tender for 2,500 low floor natural gas buses. I am pleased to relay that we have secured the extended business for another 625 low floor natural gas buses. Our Company continues to maintain 100 percent market share in premium CNG engines through its B series Lean Burn products.

Cummins Sales and Service India, our Distribution Business, that was merged with Cummins India Limited effective April 1, 2008, also grew profitably posting robust performance in its lines of business.

We are expanding capacity by establishing a new lean and modular facility for rebuilding high horse power engines from K19 up to QSK60 series (19 through 60 litre engines), at the Cummins Megasite at Phaltan, near Pune. The facility that is targeted to become operational in the second half of 2010 encompasses concepts like lean manufacturing, state-of-the-art technology and processes, all of which will significantly improve our Company's engine rebuild and repair capabilities.

The Business took a significant step in its efforts to support our customers by consolidating its dealer network to fewer, but larger and stronger dealerships.

In addition to driving sales, each of our four businesses aligned themselves to our strategy of lowering operating costs. We doubled our emphasis on cost saving initiatives such as reducing the Total Cost of Ownership of both direct and indirect materials, value engineering, reducing inventories, receivables and operating expenses. Six Sigma was the principle approach towards making improvements in these areas. The effectiveness of our actions is evident in our profits and positive cash flow.

During the financial year 2009-10, we executed 331 Six Sigma projects, a significant increase of 33 percent over the previous year, bringing a total annualized savings of Rs. 94 crores to our Company.



Towards a Cleaner, Healthier and Safer Environment

At the Auto Expo 2010, on the platform of Diesel Planet, Cummins showcased the SCR aftertreatment system - technology that paves the way to meet BS IV emission norms

In our endeavour to make Six Sigma one of the critical tools in achieving 'Zero Defects' across all areas of business, including development of leadership skills at all levels in our organization, we instituted Sigma Lite this year. Sigma Lite, a 3-day training program has been designed with the objective of helping our junior shop floor managers understand the methodology and nuances of Six Sigma and inculcate those in their day to day work in manufacturing. This will help enhance their skills, leading to improved quality, efficiency and productivity, and eventually translate into us serving our customers better. Our objective is to make Six Sigma pervasive and create a culture that encourages data-based, logical analysis as opposed to a perception and opinion based approach to making decisions. We aim to equip 100 percent of our professional employees with the knowledge of Six Sigma methodologies in due course of time.

Dependability towards Customers

Placing the customer first and keeping their success paramount is imbibed in the DNA of our organization with the aggressive propagation of the Cummins Operating System. To demonstrate to our customers that we care for the success of their business, we continue to evolve innovative solutions to meet their specific business needs, deliver superior results and commit to our Customer Support Excellence (CSE) philosophy and standards.



More Power, Smaller Footprint!

Cummins forays into the retail segment with the 7.5 kVA and 10 kVA generator sets. With the compact, silent and fuel efficient X1.3 engine at its heart, the range promises more power and smaller footprint!

Aligned with our CSE endeavour, the Power Generation Business launched a series of generators this year between 7.5 kVA and 160 kVA. These comprise the X 1.3, X 1.7, X 2.5, S3.8 and B5.9 generator and Coolpac platforms. With the X 1.3 series, our Company has ventured into the manufacturing of small generator sets in India with ratings of 7.5 kVA and 10 kVA. These have marked our Company's entry into the consumer and retail segments. Production of these small generator sets commenced at our Pirangut plant in November 2009. The plant now exports X 1.3 series to over 100 countries, making it a significant contributor to our export revenues this year.



Cool products for the global market!

The new S3.8 Coolpac, part of the 40 kVA to 160 kVA Coolpac product range, expands Cummins' export portfolio

Among the other products launched for the overseas markets were the X 2.5 range of generator sets, launched in late 2009 following our rigorous product development process. These generator sets equipped with state-of-the-art electronic controls and a new alternator, are designed to meet global specifications. Expanding our exports portfolio further were the S3.8 and B5.9 Coolpacs (a generator driving engine with cooling systems and control). These products have generated significant interest from global Generator OEMs, evident from the orders that have started streaming in. Cumulatively 3,215 units of these new products have been sold thus far, generating revenues of over Rs. 78.5 crores for our Company.

We also launched a 15 kVA generator set, particularly to cater to the demands of the very competitive and cost sensitive telecom segment.

Supporting the Indian Railways' increased focus on safety, our Industrial Business seeded a prototype unit for a Self Propelled Accident Relief Train (SPART). Our Company also bagged a prestigious and significant order from the Indian Railways comprising 4 wheeler

**Supporting Safety
on Wheels!**

*The Indian Railways'
Self Propelled Accident
Relief Train powered
by Cummins*



and 8 wheeler Over Head Equipment Cars. In the construction segment, the Business continued to gain market share by acquiring new business from both global and domestic OEMs for road machinery, loaders and fork lift applications. In fact, through one of the leading global construction equipment manufacturers in India our Company launched seeding units in 21 ton excavator segment. We further improved our presence in the mining segment with the introduction of a 15 litre electronic engine. We also introduced 38 litres and 19 litres seeding units for dredge pump and hydraulic pump applications, respectively.

Our Company successfully completed the technical feasibility of a 6 cylinder mechanically controlled engine for construction applications. The product complies with the stringent BSIII stage 3a CEV emission regulations in a very cost effective, service friendly manner.

It was immensely gratifying for us to receive recognition from two of our leading OEMs for our efforts and commitment to on-time deliveries and Customer Support Excellence. This is the second time in a row that our long standing OEM, a leading player in the construction equipment sector has honoured us for our significant contribution to “on time delivery performance” during the year 2009-10. Equally overwhelming is the acknowledgement coming from a

leading player in the compressor sector who has conferred upon us three awards for Customer Support Excellence. These awards testify the trust that our customers place on us.

Our Automotive Business continued to delight our medium and heavy commercial vehicle customers and OEMs with the Cummins manufactured 6.7 litre full authority, electronically controlled ISB engine with a high pressure common rail fuel system. This engine will cater to the premium segments of multi-axle trucks, tractor-trailers, tippers, mixers, and special application vehicles.



Product for Today and Tomorrow!

The 6 cylinder ISB engine with Electronic Control Module and Common Rail System ensures better fuel economy while meeting BS IV emission norms and beyond

**Personifying
Dependability to
Customers**

*Customer Experience
Philosophy and
Standards that
personify Dependability
at all times!*



Committed to service excellence, our Distribution Business played its part in supporting the foray of our Power Generation Business into the retail market via its Sub 12KW offering. Our Distribution Business has developed and established a retail distribution channel for sales and after-sales service model spanning the length and breadth of the country and is well equipped to provide service, spare parts support and solutions like Annual Maintenance Contracts for these small generators.

Furthering our brand promise of Dependability, our Distribution Business has designed an exclusive initiative titled "Cummins Brand Ambassador ... your role". The initiative has helped enhance communication skills at critical customer touch points like Parts Managers, Counter Sales Staff, Service Engineers, Technicians, Single Point Contacts, Managers, Department Heads at dealerships, and the employees of our Distribution Business. These check points ensure excellence in delivering to our customer service philosophy and experience. The consistency and sustainability of the initiative are ensured through

stringent quarterly assessments.

Taking our CSE endeavour forward, our Distribution Business launched a system for measuring customer loyalty called Net Promoter Score (NPS). As part of this initiative, customer surveys are conducted on service events in the network. Customers are categorized as Promoters, Passives and Detractors, based on their responses to a short set of questions. This feedback helps drive continuous customer facing improvement actions. In addition to identifying gaps, the initiative creates opportunities for customer visits by the senior leadership facilitating first hand feedback on our products and services. These visits bring to the fore potential customer irritants and with it an opportunity for timely redressal.

Tied to the Net Promoter Score feedback is the Service Obstacle System (SOS), a process and tool for managing improvement by addressing systemic issues that affect our customers. In our view, obstacles are mere process issues, ironing of which enables our employees to deliver positive customer experiences.

The SOS database is populated with cross-functional issues not easily resolved by a single function or team. Hence, a group of senior leaders review the issues and assign resources, aiding faster resolution.

Aligned with the first of the ten practices of the Cummins Operating System (COS) – Put the Customer First and Provide Real Value, 40 of the 331 Six Sigma projects closed during the year were Customer Focused Six Sigma (CFSS) projects. The projects have helped us identify and implement improvement actions in the areas of new product introduction, product tailoring, application development and product issue resolution. All of these projects had our customers participate as a team member. The CFSS projects demonstrate our care for our customers and our committed partnership to their long-term success.

The above are only few of the several initiatives that we are actively driving across our organization to help us serve our customers well, creating positive customer experiences and long-term relationships. We feel these go a long way in strengthening our position as a Dependable partner to our customers.

Dependability towards Suppliers

We value our Suppliers greatly and seek long-term partnerships with those who believe strongly in our Values and performance culture. The partnership is immensely benefitting to both, and rests on the commitment by our Suppliers to providing value and supporting our strategy of being a low cost producer.

During the year, with the primary objective of helping our Suppliers develop their capabilities, our teams engaged with them, working closely on Six Sigma projects that helped reduce cost, increase capacity and improve on-time deliveries and performance in their operations. We have trained 43 supplier

employees and closed 69 Supplier Focused Six Sigma (SFSS) projects during the financial year. We believe that imparting the necessary training and



equipping Suppliers with the knowledge of Six Sigma methodologies will go a long way in our journey towards 'Zero Defects'.

There is significant alignment in our internal and supplier product quality management processes. This has strengthened our Suppliers, positioning them to provide highest performance at optimum cost levels. We believe that our support to their journey towards higher performance demonstrates our Dependability to them.

Over the years, we have introduced several initiatives to reduce our spend, while offering our preferred Suppliers the potential to grow their business with us. Key amongst those are Accelerated Cost Efficiency (ACE), ACE II and Total Cost of Ownership Reduction in Indirect Materials and Services (TRIMS). After successfully concluding our three year ACE initiative, we launched ACE II last year with the objective of reducing the Total Cost of Ownership of our direct material spend by 20 percent over three years. We achieved 72 percent of targeted cost reductions for the year and delivered accrued savings of Rs. 47.25 crores in the 2009-10 financial year.

With the success of ACE and ACE II, in September last year, our Company launched TRIMS with the aim of reducing the Total Cost of Ownership (TCO) for indirect materials and services by 30 percent over a three-year period. A structured process of analyzing and



Trimming spends with TRIMS!

Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited, at the launch of TRIMS

standardizing requirements as well as consolidating the supply base of all our Group Companies has helped draw significant benefits both to our Company and our preferred suppliers. Two significant TRIMS projects launched during the year aimed at optimizing Electrical Services and Road Freight. While the spend in the indirect materials area is not as significant as direct materials, we believe TRIMS is an important initiative to eliminate waste and strengthen the processes in the indirect materials procurement area while strengthening our relationships with our Suppliers and making us a Dependable partner to do business with.

Dependability towards Employees

The success of our organization rests heavily on our most valued asset, our people. The promise of Dependability that we uphold for our customers, suppliers and shareholders, clearly extends to our employees.

Committed as our employees are towards our Company's guiding principles, so is the Company towards providing an environment that is conducive to their progress and long-term career development. It is this care and commitment towards the success of our employees that forms the foundation of our Great Place to Work strategy.

We believe that the very root of a great place to work is great leadership demonstrated by all managers of people. This involves developing a much greater sensitivity to understanding employee needs and aspirations, and being an active, unselfish catalyst and coach to helping the employees reach these aspirations while also aligning them to the needs of the Corporation. I personally conducted interactive sessions on Leadership Excellence for over 130 senior leaders from across the Company. Aside from clarifying our expectations on leadership behaviours in the Indian context, the session also focuses on five critical leadership skills; Thinking Strategically, Talent Management, Fostering Open Communications,

Coaching and Developing, and Managing Diversity. While there are many leadership skills, we feel that these five are the most critical for the success of our employees. We are confident that our efforts will go a long way in building the right leadership for the future.

We strongly believe in reviewing employee performance on a relative basis amongst their peers in order to reward and recognize strong performers. This is one of the foundations of our strong performance culture. And this year, we introduced another level of transparency by communicating relative performance rankings to our employees. Another foundation of our performance culture is documenting work plans and encouraging feedback on a regular basis. It is gratifying to note that our on-line system for managing performance, On-Track, witnessed an increased utilization this year, emphasizing the significance placed by our employees on performance and development.

Committed to providing our employees with development experiences for their long-term career prospects, we offered job rotations to 250 deserving employees across businesses and functions of Cummins Companies in India. Not only did this provide accelerated growth prospects to high potential employees, but also a talent pool to the organization for seamless deployment.

In our efforts of helping our employees enhance their skill and grow in their career, we have tied up with the SP Jain institute in India and the Kelley School of Business at the Indiana University.

We continue to see Diversity in gender,



region, religion, age, cultures and experiences, as a key contributor to innovation and superior business results. Our target to improve women representation in our employee strength to 30 percent by 2010, witnessed a minor set-back due to the freeze instituted in hiring last year. However, with the improvement in the economy and our major investment at the Cummins Megasite at Phaltan, we are likely to meet this target by 2012. The early signs of success with this endeavour can be seen from the fact that about one-third of the new recruits at the Megasite are women. Furthermore, of the 65 engineers hired under the Young Managers Development Program (YMDP), 40 percent are women.

Even amidst the tough business environment, we recognized and celebrated superlative performance demonstrated during the previous year at the CMD Awards forum. Thirty four teams of employees representing each of the nine entities of the Cummins Group were rewarded for demonstrating exemplary allegiance to our six Core Values or contributing significantly to our critical initiatives of Six Sigma, Customer Support Excellence and Health, Safety and Environment.

Amongst all the positive happenings, one unfortunate event that I am pained to share with you is that of the first prolonged strike that we witnessed at the Kothrud plant of our Company. Some of our associates allowed themselves to get misled by a minority of internal and external leaders, an event that resulted in total disregard of the mutually signed wage agreement, and even more importantly of the guiding principles of our Company. The situation was eventually resolved and all our Associates, barring those suspended have aligned with our journey of performance ethics and values.

With the above incident behind us, aligned with our endeavour of providing a harmonious and conducive work environment, we signed three comprehensive long-term settlements. First with the Staff Associates working at our Kothrud plant, second with the Production Associates and Staff Associates working at our Distribution Business Unit facility, and finally, with Production Associates at our Power Generation facility at Daman.

In providing our employees a clean and healthy environment and in ensuring allegiance to our Core Value of Integrity, we have instituted an Ethics Committee spearheaded by myself that actively identifies incidents of non-compliance to the Cummins Code of Business Conduct or Treatment of Each Other Policy. Gross violators have been terminated from employment. We have conducted training sessions to ensure a thorough understanding of this area and our Company expectations. The sessions conducted for employees from all categories across our Group Companies in India, addressed over 6,700 individuals.

This year we further intensified our focus on Employee Health and Safety. We introduced policies around Contractor Safety, Forklift Safety, Road and Driving Safety, and Near Hits & First Aid Reporting. Safety risk assessments are being carried out extensively to identify and address potentially unsafe conditions. I am pleased to share that our Power Generation facility in Pirangut has been certified for ISO 14001 and OHSAS 18001 which encompasses an Environment Management System and Occupational Health & Safety Management system, respectively.

These initiatives demonstrate our care for our employees with respect to their growth, development and overall well being, all of which reinstate our Dependability to them.

Dependability towards Community

In keeping with our Core Value of Corporate Responsibility, our Company has worked relentlessly towards serving and improving the communities we live and operate in. The various projects that we executed during the year in the three focus areas identified by the Cummins India Foundation, that of Higher Education, Energy and Environment and Local Infrastructure Development, not only demonstrated a strong sense of oneness with the communities, but also our commitment to being Dependable.

In the area of Higher Education, we are pleased to



share that the Cummins Scholarship Program that was instituted in 2006 offering grants to 13 meritorious students has multiplied its reach each year to support more dreams towards educational excellence. In its third year, the Cummins Scholarship Program offered support to 47 socially and economically disadvantaged students to pursue their aspirations in the fields of Engineering and Management. In addition to this, it gives me great pleasure to convey that our Company has pledged support to the Lila Poonawalla Foundation, towards sponsoring 8 to 10 female students pursuing masters in technical or professional fields.

Furthering our intent of making higher education accessible to women, we are pleased to have extended our two-decade long association with Maharshi Karve Stree Shikshan Samstha, to collaboratively establish the second unit of the Cummins College of Engineering for Women in Nagpur. Inaugurated in March this year, the College aims at offering engineering degree programs to over 240 female students, in the streams of Information Technology, Mechanical Engineering, Computer Engineering and Electronics & Telecommunications.

A significant project that we feel privileged about in the area of Energy and Environment, is our collaboration with the Cummins Engine Research Facility (CERF) at IIT Bombay and the READ Foundation, to develop a sustainable and replicable electrification model for remote villages. Besides collaborating on the technology and funding the project, we also designed, and developed a generator set that operates on

indigenously developed Straight Vegetable Oil (SVO) technology. The pilot project was validated in the small village of Kolha in Orissa in March this year. Putting to good use the oil extracted from the seeds of the locally grown Pongamia trees, the project has brought light and with it endless possibilities for an improved life to the 65 households in the village.

In keeping with our focus towards the Environment, a significant and sustainable project was undertaken for an independent charitable organization, the Deep Griha Society. The organization works to improve conditions for those living in the slums of Pune. To help the organization emerge from the water crisis it was facing while building its Knowledge City, our Company decided to build a water harvesting system at the project site. The project involving plantation of trees,



Illuminating Lives

Bringing light and with it prospects of a better life in the village of Kolha

Expanding the realm of Knowledge

Cummins collaborates yet again with Maharshi Karve Stree Shikshan Sanstha to establish the second unit of Cummins College of Engineering for Women in Nagpur

connecting bore holes and designing systems for collecting water from rooftops and directing it to the bore holes, is well underway.

Furthermore, as we prepare to commence

operations at our Megasite at Phaltan, our teams have been continuously working towards developing a sustainable plan for the progress of those inhabiting the town and surrounding areas. In an effort to bring quality living to the local inhabitants, our CSR team has conducted Community Needs Analysis at Phaltan and five other villages in the vicinity namely, Nandal, Dhawalewadi, Kalaj, Surwadi and Vadjal. The findings of this study will help us focus our energies in the right direction.

As the Company delivered to its promise of Dependability towards the communities, our employees further amplified this commitment with their individual time based contributions. It is with pride that I share with you that 6,060 employees across the Cummins Group, dedicated close to 14,180 hours towards community service as part of our Every Employee Every Community (EEEC) program. It is truly a spirit of responsibility and a promise of Dependability demonstrated successfully by one and all.

In Closing

I hope you can tell that it has been a year of achievements in all facets of the business that we feel strongly about. I am very pleased to report that our Company has emerged even stronger in the face of the severest recession experienced in decades.

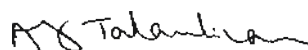
I would like to express my sincere appreciation for the contributions our employees have made in these tough times. By being Decisive, Driven to Win, Agile, Passionate and Caring, our employees have demonstrated the personality traits that Cummins values and takes pride in.

I can honestly say that without relenting to some of the

troubling aspects of the environment that we operate in, our Company acted in accordance with our guiding principles to uphold the promise of Dependability to all our stakeholders. In addition to this, we also continued to invest judiciously in our people, customer and supplier relationships, new products and technologies, capacity expansion projects, and the communities, all of which today strengthen our position for a long-term profitable growth in India.

In closing, I would like to thank you for the trust and confidence placed in us. The year 2009-10 will remain rightfully significant for what we have accomplished, but even more so for a legacy of Dependability that has been fostered and enhanced. Let me end by re-committing and re-dedicating myself and my entire team at Cummins India Limited to the Cummins Vision, Mission, Values, Personality and Brand Promise of Dependability.

Sincerely,



Anant J. Talaulicar
Chairman and Managing Director

BOARD OF DIRECTORS



Anant J. Talaulicar
Chairman and
Managing Director



B. H. Reporter
Director



James Kelly
Director



Dr. John Wall
Director



M. A. Levett
Director



Nasser Munjee
Director



Patrick Ward
Director



P. S. Dasgupta
Director



Rajeev Bakshi
Director



Venu Srinivasan
Director



J. M. Barrowman
Alternate Director to
M. A. Levett



Pradeep Bhargava
Alternate Director to
Patrick Ward



Sean Milloy
Alternate Director to
Dr. John Wall

BANKERS :

State Bank of India
The Saraswat Co-operative Bank Limited
State Bank of Hyderabad
HDFC Bank Limited
Citibank, N.A.
Bank of America

AUDITORS :

PRICE WATERHOUSE
Chartered Accountants
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Mumbai 400 028

REGISTRAR & TRANSFER AGENT :

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Financial Summary - 5 Years

Rs. Crores

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Total income	2,966.43	3,455.03	2,473.39	1,945.49	1,555.79
Raw material	1,855.16	2,233.77	1,621.72	1,207.24	968.88
Employee cost	195.26	212.96	138.42	120.04	105.92
Mfg. exps. and overheads	123.06	196.16	148.69	129.60	109.69
Adm.,selling and other exps.	143.90	184.16	134.92	108.60	90.91
Interest	2.05	2.61	0.67	1.41	0.90
Depreciation	36.08	45.56	32.96	32.60	33.64
Net profit before tax	610.91	579.82	396.00	346.00	245.86
Exceptional Item	—	19.20	—	—	—
Tax provision on income (Net of Excess/Short provision for prior years)	167.05	165.36	115.31	103.95	70.16
Net profit after tax	443.87	433.66	280.69	242.05	175.70
Dividend	237.60	178.20	91.08	79.20	79.20
Additional Income tax on dividend	39.92	31.98	15.48	12.28	11.11
Earnings in foreign exchange	507.63	1,342.49	742.05	619.74	544.90
Dividend %	600.00	450.00	230.00	200.00	200.00
Earning per share (Face value of Rs. 2)	22.42	21.90	14.18	12.22	8.87

Previous years' figures have been regrouped / reclassified wherever necessary.

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-Ninth Annual Report and the Audited Accounts of the Company for the year ended March 31, 2010.

1. FINANCIAL RESULTS :

During the year under review, net sales turnover was Rs. 28,448,704 ('000) (Rs. 28,449 million) as compared to Rs. 33,042,837 ('000) (Rs. 33,043 million) during the previous year (14% lower). Exports and other foreign exchange earnings were Rs. 5,076,277 ('000) (Rs. 5,076 million) as compared to Rs. 13,424,852 ('000) (Rs. 13,425 million) during the previous year (62% lower). Profit after tax was Rs. 4,438,672 ('000) (Rs. 4,439 million) as compared to Rs. 4,336,611 ('000) (Rs. 4,337 million) for the previous year (2% higher).

	2009-2010 (Rs. '000)	2008-2009 (Rs.'000)
APPROPRIATION OF PROFIT :		
Profit before taxation	6,109,147	5,990,216
Net Profit for the year after tax but before tax on proposed dividend	4,438,672	4,336,611
Tax on dividend	399,213	319,846
Dividend	2,376,000	1,782,000
Transferred to General Reserve	443,867	433,661
Balance carried to Balance Sheet	6,174,719	4,955,127

2. DIVIDEND :

Your Directors have recommended a final dividend of Rs. 6/- per equity share of Rs. 2/- each fully paid-up, for the year ended March 31, 2010, in addition to the interim dividend of Rs. 6/- per share declared on December 3, 2009, aggregating to Rs.12/- per share for the year.

3. CONSOLIDATED FINANCIAL STATEMENTS :

Consolidated Financial Statements are not being published, as consequent to the amalgamation of its subsidiaries, Cummins Sales and Service India Limited (CSS) and Cummins Auto Services Limited (CASL) with your Company, your Company no longer has any subsidiaries.

4. JOINT VENTURES :

a. Cummins Exhaust India Limited (CEIL) :

Sales and other income of CEIL, a 50:50 Joint Venture between Cummins Filtration Inc., U.S.A. and your Company, for the year ended March 31, 2010, was Rs. 447,572 ('000) (Rs. 448 million) as compared to Rs. 429,565 ('000) (Rs. 430 million) during the previous year (4 % higher). CEIL declared a dividend aggregating to Rs.14.5 per equity share of Rs. 10/- each during the year ended March 31, 2010, on the paid-up share capital of Rs. 40,000 ('000). CEIL is engaged in the business of manufacture and sale of exhaust silencers and mufflers for Internal Combustion Engines.

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

Sales and other income of Cummins Research and Technology India Limited (CRTI), a 50:50 Joint Venture between Cummins Inc., U.S.A. and your Company, for the year ended March 31, 2010, was Rs. 409,910 ('000) (Rs. 410 million) as compared to Rs. 482,717 ('000) (Rs. 483 million) during the previous year (15 % lower).

CRTI has a Research and Technology Centre at Pune and is engaged in providing Information Technology Enabled Mechanical Engineering Development Services to Cummins Inc., its subsidiaries and joint ventures across the world.

c. Valvoline Cummins Limited (VCL) :

VCL is a 50:50 joint venture with Valvoline International Inc., U.S.A., a global leader in lubricants and engine oils. Sales and other income of VCL for the year ended March 31, 2010 was Rs. 5,823,353 ('000) (Rs. 5,823 million) as compared to Rs. 4,470,661 ('000) (Rs. 4,471 million) during the previous year (30% higher). VCL has declared a dividend of Rs. 12.60 per equity share of Rs. 10/- each on equity paid-up share capital of Rs. 190,000 ('000) during the financial year 2009-10.

5. INITIATIVES AT PHALTAN :

With the recovery in the economy, your Company has once again stepped up activity and investment at its Phaltan Project. Two projects are underway and are expected to commence operations during the third quarter of 2010.

- A High Horse Power Rebuild centre which will have a state of the art facility to Rebuild upto 900 High Horse Power engines per annum.
- A Parts Distribution Centre (PDC) which will undertake kitting, assembly of products, parts, components etc. and distribution of the same from a centralized location to cater to the requirements of other plants of Cummins as well as after market.

Total investment in these projects and in building common infrastructure facilities for the plants at Phaltan is expected to be around Rs. 1,200,000 ('000) during the year 2010-11.

6. OTHER INITIATIVES :

Your Company reacted with agility to brace the economic slowdown at the beginning of the year. Some initiatives in this direction included :

- Effective redeployment of manpower among Business Units / Group Companies to ensure optimum utilization of resources.
- Judicious capital investments and deferment of capital expenditure where possible, without affecting growth. However, investment in people, customer relationships, new products & technologies and critical projects / capacity expansion continued as planned to strengthen your Company's position for long term profitable growth in India.
- CBS operations, which commenced during the FY 2004-05 for transactional services, like financial transactions, payroll processing, IT infrastructure management etc., were discontinued effective September 1, 2009, to enable the Company to focus on its core business activities. However, in order to ensure continuity of services as per quality and security standards of Cummins, these services have been outsourced to a group company, Cummins Technologies India Limited (CTIL).
- Intensified use of Accelerated Cost Efficiency and Six Sigma tools to drive down costs.
- Effective vendor management and consolidation to leverage better costs.

7. MANAGEMENT DISCUSSION & ANALYSIS / CORPORATE GOVERNANCE REPORT :

As per clause 49 of the Listing Agreement with Stock Exchanges, the Management Discussion & Analysis Report and Corporate Governance Report are annexed and form part of the Directors' Report.

8. CODE OF CONDUCT COMPLIANCE :

A declaration signed by the Chairman and Managing Director affirming compliance with the Company's Code of Conduct by Directors and Senior Management, for the Financial Year 2009-2010, as required under Clause 49 of the

Listing Agreement with Stock Exchanges is annexed and forms part of the Directors' Report.

9. DIRECTORS' RESPONSIBILITY STATEMENT :

In pursuance of the provisions of section 217 (2AA) of the Companies Act, 1956, your Directors make the following statement :-

- (i) that in the preparation of the annual accounts, all applicable accounting standards have been followed and there was no material departure from the accounting standards;
- (ii) that the Directors 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, 2010 and of the profit for the period April 1, 2009 to March 31, 2010;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

10. CONSERVATION OF ENERGY :

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

Engine Business Unit Plants (Kothrud and Pune - Nagar Road) :-

- Reduction of electrical energy transmission losses from 7.5% to 6%.
- Reduction of R & D old pump house energy consumption by 40% through redesigning of the pumping system.
- Increase in power efficiency of non-CNC machines by reducing auxiliary power consumption.
- Reduction of power consumption of selected CNC machines from 229 kWh per equivalent KV engine to 206 kWh per equivalent KV engine by modifying machine cycle and consequently avoiding wastages in energy consumption.
- Reduction in power consumption of cooling tower from 3735 kWh/Day to 2900 kWh/Day by operating cooling towers without the use of fans.
- Reduction in power consumption of New KV Engine Assembly Utilities by reducing wastages in pumping and air conditioning system.
- Waste Heat Recovery from Powerhouse genset cooling water to reduce electrical energy consumption at canteen area.

Power Generation Business Unit Plants (Kasar Amboli and Daman) :-

- Re-arrangement of office and canteen lighting.
- Reduction in compressor air leakages and centralisation of compressed air system.
- Energy saving un-plug initiative which involves power switch off on holidays.
- Air conditioning control and usage.
- Effective utilisation of natural light on the shop floor.

Distribution Business Unit (CS&S), Erandawana, Pune :-

- Load reduction in administration building by localized lighting at work stations and redesigned general lighting as well as natural lighting.
- Improved power factor.

IMPACT OF THE ABOVE MEASURES :

The above initiatives resulted in savings of about Rs. 12,943 ('000) in addition to Green House Gas (GHG) emission reduction by 3,410 tons during the year. The energy units saved during the year was approximately 1,815,804 kWh.

11. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your Company remains committed to introducing new products and improving the existing products which meet stringent emission norms, have higher levels of performance and lower life cycle costs, in order to meet market needs.

The Technical Centre of your Company continues in its endeavour to indigenize components and develop the next generation of components and systems in collaboration with Cummins Inc., to reduce costs, and improve fuel efficiency, performance and durability of its products. In addition, technical productivity enhancements are continuously pursued to reduce the costs associated with new product development.

A. New Product Development :

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

1. KTA-50-L CNG Dual-fuel DEMU for locomotive application.
2. Development of emissionized G-855-P and GTA-855-P engines for Gas Compression application.
3. Development of B Gas Plus CNG engine calibration for integration with Hybrid transmission system.
4. Industrial rating development for 143 HP Engines.
5. Certification for 140 HP Engines.
6. Rating assessment of stage II Emission Norms for 200 kVA Engines.
7. Tier I rating development for a Dozer application for QST30 Engine.
8. EU stage II emission rating development for KTA19 engine for the Power Generation market.
9. Commissioning of Euro-IV level state-of-the-art emissions measurement facility at the Technical Centre.

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

- a. Significantly lower development cost, ensured value addition to the customers.
- b. On time availability of emission compliant and fuel efficient products to customers.
- c. More reliable, durable and performance efficient products and critical components were made available.
- d. Component indigenization and Six Sigma initiatives resulted in significant cost savings.
- e. The above initiatives helped in winning new customers.

C. Future plans include :

- Continued cost reduction initiatives using proven methods like Six Sigma.
- Continued focus on indigenization and supplier partnership based waste elimination initiatives.
- Alternate source development for various engine components.
- Introduction of full authority electronic diesel as well as natural gas engines compliant with future emissions requirements for all markets.
- Low range engine development for Power Generation Market.

D. Your Company continues to draw benefits from Cummins Inc.'s technical capabilities and advanced technology. With continued support from Cummins Inc., U.S.A., your Company is committed to developing advanced fuel efficient and emissions compliant engines that comply with forthcoming domestic and international emissions regulations.

E. Expenditure on R & D :

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

	2009-2010 (Rs.'000)	2008-2009 (Rs.'000)
a) Capital	314,195	100,132
b) Recurring	317,559	307,990
c) Total	631,754	408,122
d) Total R&D expenditure as a percentage of total sales turnover	2.22%	1.23 %

12. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported 2,354 engines and 2,227 generator sets thereby achieving export earnings of Rs. 4,883,260 ('000) (Rs. 4,883 million).

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

	2009-2010 (Rs.'000)	2008-2009 (Rs.'000)
(a) Earnings	5,076,277	13,424,852
(b) Outgo –		
- Raw Materials/components	3,134,867	5,798,772
- Capital equipment	305,254	261,073
- Others	1,354,102	1,663,153
	4,794,223	7,722,998

13. PARTICULARS OF EMPLOYEES :

Information as per Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the Shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act.

Any Shareholder interested in obtaining a copy of the statement, may write to the Assistant Company Secretary at the Registered Office of the Company.

14. DIRECTORS :

During the year under review, M/s. S.M. Chapman and Glyn Price stepped down as Directors of the Company w.e.f. December 3, 2009, and January 25, 2010 respectively. The Board of Directors place on record their appreciation for the contributions made by M/s. S.M. Chapman and Glyn Price.

M/s. Patrick Ward and James Kelly were appointed as Additional Directors of the Company w.e.f. from December 3, 2009 and January 25, 2010 respectively. Mr. Pradeep Bhargava (erstwhile Alternate Director to Mr. S. M. Chapman) has been appointed as an Alternate Director to Mr. Patrick Ward w.e.f. December 3, 2009. The resolutions confirming the appointment of Mr. Partick Ward and Mr. James Kelly as Directors, are being placed at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, M/s. Nasser Munjee, B. H. Reporter and John Wall, Directors of the Company, retire by rotation and are eligible for re-appointment.

15. INDUSTRIAL RELATIONS :

Your Company's operations at the facility at Kothrud in Pune were partially disrupted effective September 15, 2009 due to a strike by its Production Associates demanding re-opening of the wage agreement signed in conciliation. The strike was called off effective November 20, 2009. The business was not significantly affected during the strike, as your Company sustained manufacturing operations with the help of Diploma Mechanical Engineers and Managers. Post the strike, industrial relations have become very cordial and have been further strengthened by frequent communication between Associates and Management, co-operation and participation by Associates in management programs, etc.

16. AUDITORS :

The Auditors, Price Waterhouse, Chartered Accountants, retire and hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

On behalf of the Board of Directors,



Anant J. Talaulicar
Chairman & Managing Director

Mumbai: May 29, 2010

Management Discussion and Analysis Report (Annexure to Directors' Report)

1. Industry Structure and Developments

Economic Trends and Implications

- Despite the global economic crisis, the Indian Economy closed on a relatively good note in fiscal year 2009-10. This recovery started from the second quarter of FY10, primarily in the domestic market, supported by various monetary and fiscal stimulus packages released by the Indian Government. Industrial production also rebounded and is expected to have grown by 9.8 percent in 2009-10. India's Exports witnessed a sluggish recovery starting November 2009, after a 13 month fall. A full recovery in global demand has yet to be experienced.

- The economic recovery has been accompanied with a rise in fiscal deficit and inflation.

Fiscal deficit during 2009-10 is estimated to be 7.1 percent of GDP, up from 5.9 percent during 2008-09. In an attempt to control the rising fiscal deficit, the government rolled back some elements of the stimulus package that were offered during the previous fiscal.

Inflation management also remained a big challenge for the Government during 2009-10. Inflation crossed 10 percent in March, the highest during the 17 month period starting October 2008. WPI inflation is expected to be higher during 2010-11 (at an average of 6 percent) as compared to 3.6 percent estimated for 2009-10 on account of lower base in the first seven months of 2009-10, rise in demand, hike in excise duty across the board, and increase in customs duty on crude and petroleum products.

- Assuming normal monsoons, robust industrial growth and resilient performance of the service sector, GDP in FY 11 is expected to grow at above 8 percent. The focus of the government spending on the infrastructure sector would continue to support growth.

2. Opportunities and Threats

Key **Opportunities** include

Power Generation

- India continues to be on the path of augmenting its power generation capacity. FY 2009-10 saw the country's generation capacity grow to 159 GW with the total generation in 2009-10 touching 746 billion kWh. The peak deficit of 13% and the energy deficit of 10.1% at the end of the fiscal indicate that India is still an energy deficient country. Though the Government has laudable plans to reduce this to -6.5% and -2% by 2012, the shortages continue to exist as the energy footprint of our country is growing. With the disposable income of the average Indian rising, demand for energy consuming appliances will keep increasing and the per capita consumption of electricity is expected to cross 1,000 kWh by 2012.
- Industrial growth spurred by domestic demand is expected to continue to create demand for back up power from most sectors like Manufacturing, Infrastructure, Commercial and Residential realty, IT & ITES, Services, Telecom, etc.

Industrial

- The government is optimistic about the economy returning to double digit growth in the coming years. This will require further investment in infrastructure as well as other supporting industries, since the high growth trajectory needs ramped up infrastructure.
- The government is determined to push road and highway construction in the country and has placed special thrust on the infrastructure segment and road construction.
- In coming years, the construction equipment industry will be the largest beneficiary of government spending on infrastructure development, prompting leading construction equipment manufacturers to strengthen their existing operations (enhancing capacities, building new plants).

- Cummins in India enjoys strong business relationships with these domestic and global construction equipment leaders and is well positioned to serve the needs of the segment.
- Growth in the Steel and Cement sectors will fuel the demand for mining of coal, iron ore and lignite. This in turn will improve business prospects for Shunting and Freight Locomotives.
- Indian Railways passenger traffic is growing by 6% per year which is expected to improve track utilization, increase the demand of short distance trains and hence demand for Diesel Electric Multiple Units (DEMUs).
- There is a consistent and structured demand for diesel engines (DG Sets) from the Indian Navy and Coast Guard in the High Horsepower range. Re-fits of old vessels by the Indian Navy also offers opportunities for Cummins engines.
- Your Company is committed to strengthen its partnership with OEMs by supporting them in various new application launches, driving the TCO (Total cost of Ownership) concept together, enhancing the value proposition in terms of cost efficiency and faster deliveries and improving lead time through Customer Focused Six Sigma (CFSS) projects.

Automotive

- After strong growth over seven successive years, the medium and heavy commercial vehicle industry declined last year, owing to slowdown in the global and domestic economy. However, with the revival in the domestic economy and strong industrial activities, the demand for new commercial vehicles has picked up. The market grew 29% in 2009-10 over 2008-09. This in turn has helped in growth and revival in demand for engines.
- Cummins has engineered products compliant with emission norms in India. Starting April 2010, BS-IV norms have been implemented in 13 major cities and starting from October 2010, BS-III norms will be implemented across the country. This positions your Company as a preferred supplier to Indian OEMs for their Domestic and Export applications.
- The Delhi Government is planning to replace the old blueline buses. Cummins with its superior B series gas technology engines is well positioned to gain business for CNG engines under this scheme.
- Your Company has already secured the extended requirements for the Delhi Transport Corporation's CNG low floor buses.

Distribution

- As the economy revives further, the industrial and service sectors are expected to continue to fuel growth; hence, the Distribution Business Unit (DBU) outlook for the coming year remains positive.
- Smaller OEMs in the automotive segment reflect a significant opportunity for the DBU.
- Growing demand of Telecom operators for end-to-end service contracts presents another significant opportunity for your Company, as the installed base of these towers is projected to grow significantly.
- With the initial sales and distribution network being established, your Company's entry into the retail segment is expected to contribute to DBU growth.

Exports

Despite a sluggish recovery in demand from some of the global regions (emerging markets), the weak global economic conditions of 2009 continues in international markets

Key **Threats** include

- Growth has its own set of challenges. The biggest risk which could counter India's growth momentum is inflation. If inflation becomes more widespread, it may force RBI to raise the rates much more aggressively than expected. The increased cost of financing could dampen industrial activity.
- Commodity costs are likely to increase in coming quarters and may put pressure on margins.

- OEMs collaborating with foreign companies for development of CNG technologies in India, may pose a threat to your Company's market share in CNG engine business.

3. Segment-wise and Product-wise Performance

3.1 Power Generation

- The domestic market demand that had been impacted in the second half of 2008-09 showed signs of recovery during the year.
- Demand for our low horse power products has also picked up and the manufacturing facilities in Pirangut and Daman have better utilization of capacity.
- With the improved availability of natural gas, demand for lean burn gas generator sets improved with your Company bagging orders worth 20 MW.
- Demand for producer gas generator sets which use gasifier technology developed along with Indian Institute of Science, was also encouraging.
- The Automatic Transfer Switches (ATS) that was launched in early 2009 have found acceptance in the market place and your Company is steadily improving its presence in this market.

3.2 Industrial

- The Industrial Engine Business grew 24% during 2009-10. The diverse nature of the segments helped the Industrial business ride smoothly through the lower growth period of 2009.
- The Construction segment, which is directly related to the industrial activity and GDP growth, staged a smart recovery in the later half of the year to grow by 30% on an annual basis.
- The Mining segment grew by 16% during 2009-10. Successful implementation of new product programs, introduction of electronic engines on varied applications, was the key to growth.
- The Compressor segment witnessed a robust growth of more than 50% over last year. This growth was triggered by strong performance in the Water Well, Gas Compression and Portable compressor segments.
- The high pressure water well drill rig market showed significant increase in demand mainly due to the deficient and irregular monsoon.
- Government's directive to use clean fuel in the major cities of India in a phased manner is leading to increased demand for gas compression packages. Your Company strengthened its position in this segment by offering competitive products having higher fuel efficiency with the lowest life cycle cost and won major orders from leading Gas Compression package manufacturers.
- The Marine segment grew close to 50% over last year. The success in this segment can be attributed to your Company's focus on maximizing naval opportunities and introduction of new products for new applications.
- The Rail segment grew over 19% and its performance was boosted by the execution of the Sri Lanka DEMU project, CNG DEMU project and strong participation in 4-wheeler & 8-wheeler cars project.

3.3 Automotive

- The Automotive Business grew by 144% in 2009-10 as compared to 2008-09.
- After securing 100% of the requirements for the Delhi Transport Corporation (DTC) tender for low floor buses, your Company has secured all of the second phase tender. Your Company maintained 100% market share in the premium CNG engines through its B series Lean Burn engines.
- The heavy commercial segment of 300 HP and above remained nascent during the Financial Year 2009-10. However, with the increase in infrastructural activities this segment is likely to pick up medium term.

3.4 Distribution

- The Distribution Business Unit (DBU) recorded a 18% growth in revenues over the previous year and reported a robust performance in almost all lines of business.
- Through a comprehensive project on reduction in Selling & Administrative Expenses and stringent cost control, the DBU has been able to achieve significant improvements in profitability across its operations.

3.5 Exports

- The global crisis impacted exports severely, resulting in a revenue drop of 65% over the previous year.

New Business Initiatives 2009-10

Power Generation :

- Your Company introduced 7.5/10 kVA generator sets to supplement its existing 15 to 3000 kVA range. These 7.5/10 kVA products are available across the country through a retail distribution channel. It is also a niche product for Cummins globally and the demand is expected to increase significantly across the globe.
- Your Company re-designed and launched the low horsepower export product range under a new International Specification of Cummins and it was well accepted in the global markets. Your Company also introduced a new range of products between 40 kVA and 160 kVA for exports.

Industrial :

- Your Company captured new businesses in high horsepower applications by positioning new value packages in Rail (Diesel Electric Multiple Unit), Marine & Pump segments.
- Your Company seeded a prototype unit for a Self Propelled Accident Relief Train (SPART) as a part of Indian Railway's increased focus on safety. Your Company also won a prestigious order from the Indian Railways for 4 wheeler Over Head Equipment Cars (maintenance machine).

Distribution :

- Your Company's distribution arm launched a new initiative to devise and implement a support strategy for Automotive OEMs which resulted in significant growth in auto parts sales.
- In order to improve the dealer network efficiency and deliver service excellence, your company implemented a network consolidation project without compromising on customer reach and dealer efficiency.

Achievements

Power Generation :

- Your Company's manufacturing plant in Pirangut is now ISO : 9001, ISO : 14001 and OHSAS : 18001 certified.

Industrial :

- A leading OEM in the construction equipment sector in India has conferred a certificate of honour on your Company for Significant Contribution to "ON TIME DELIVERY PERFORMANCE" during the year 2009-2010 for the second consecutive year.
- A leading player in the compressor segment conferred two awards on Cummins India Limited for Customer Support Excellence.

Exports

- Your Company received the prestigious Engineering Export Promotion Council's "Star Performer Award" for Export Excellence for the year 2007-08. This was in recognition of its outstanding contribution to Engineering Exports (Western Region) in the category of "Large Enterprises". Your Company has received this award for the 20th consecutive year.

4. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

- The fundamentals that drive the demand for generator sets are positive. GDP is growing, industrial production is accelerating, power deficits continue, and investments in infrastructure are increasing. This has already translated into an improvement in demand for generator sets from the domestic market. This trend is expected to continue.
- There is also an improvement in demand from other emerging markets.

Industrial Outlook

- With a growing middle class base, favorable demographics, rising disposable income, consumption levels, growing corporate sector – including Service and Industry, the outlook remains positive. After a slowdown period in 2008-09, the economy is expected to grow strongly this year and gain momentum in coming years.
- Government and private investments will continue to grow in the infrastructure sector due to sustained economic growth.
- India stage III emission norms based on EU stage IIIA are likely to be implemented from April 2011 for Off Highway Wheeled Construction Equipment such as wheel loaders, skid steer loaders, motor graders, compactors, pavers and cranes.
- The railway energy saving drive will lead to transition from 'Self Generation' to 'End on generation' coaches and will drive demand for diesel engines.
- The freight corridor project and increased focus on safety by the Indian Railways will lead to an increase in demand for track maintenance machines and maintenance rail cranes.

Automotive

- With the demand for CNG low floor buses and the recovery of the heavy truck and tipper segments, the outlook for Automotive Business appears positive.

Distribution

- Your company plans to set up a state-of-the-art rebuild facility at the Cummins Megasite in Phaltan for its line of HHP mechanical and electronic engines to cater to the growing demand in the region.
- Despite the downturn in the economy and weak sentiments in the market, the Distribution Business maintains a positive outlook for the current year and has launched several initiatives to continue this growth.

5. Risks and Concerns the Management Perceives

- The global economy seems to be recovering slowly, although the debt crisis on the European continent could trigger short-term vulnerability in the global economy. This may have an adverse impact on global demand in terms of exports out of India.
- On the domestic front, although Government has a focused approach of investing in infrastructure and growing the economy, the rising fiscal deficit and inflation remain the biggest challenges.

Measures to mitigate Risks :-

- Continued leadership in the domestic market will be crucial to take full advantage of the economic revival. New product development and overall portfolio diversification will continue to be a focus area of your Company so as to maintain competitive advantage.
- Continued focus on our direct material cost reduction initiative termed as 'Accelerated Cost Efficiency' (ACE) program and Six Sigma will help maintain cost leadership in the domestic market and enable us to be the preferred source for exports.

6. 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.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, 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 Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Audit and Compliance Function and reported to the Finance and Audit Committee.

7. Discussion on Financial Performance with respect to Operational Performance

Financial Review

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP). There are no material departures in adoption of the prescribed accounting standards.

The estimates and judgments relating to the financial statements have been made on a reasonable basis, so that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably represent the Company's state of affairs and profit for the year.

■ Income

Your Company's revenue was down 14% and profit before tax grew 2% despite severe cost pressures and rising material cost during the first half of the year and a significant slowdown in the economy in the second half of the year.

Total employee cost was Rs.1,952,614 ('000) as against Rs. 2,129,616 ('000) during the previous year. The depreciation charge decreased from Rs. 455,587 ('000) during the previous year to Rs. 360,801 ('000) during the year under review. Interest expense decreased to Rs. 20,507 ('000) as against Rs. 26,080 ('000) in the previous year.

Return On Average Net Assets (ROANA) for the year 2009-10 was 30%.

■ Fixed Assets

Additions to the Fixed Assets block during the year ended March 31, 2010 were Rs. 833,189 ('000) (Rs.702,094 ('000) in the previous year). The addition of Rs. 833,189 ('000) consists mainly of buildings of Rs. 29,804 ('000), plant & machinery of Rs. 793,793 ('000) for augmenting various manufacturing facilities, furniture and fittings of Rs. 6,195 ('000), software of Rs.2,336 ('000) and vehicles of Rs. 1,061 ('000). The depreciation block as of March 31, 2010 was Rs. 4,439,638 ('000) as compared to Rs. 4,323,632 ('000) as of March 31, 2009. The deductions/disposals during the year amounted to Rs. 282,856('000) as compared to the previous year's Rs. 444,105 ('000). Consequently, the net fixed asset block increased to Rs. 3,336,586 ('000) as of March 31, 2010 as compared to Rs. 3,090,162 ('000) as of March 31, 2009.

The estimated amount of contracts remaining to be executed on capital account and not provided for as of March 31, 2010 was Rs. 613,560 ('000) and the Company believes that it will be able to fund them from its investments in liquid assets.

■ Investments

Investments increased to Rs. 7,329,224 ('000) as of March 31, 2010 as compared to Rs. 3,992,691 ('000) as of March 31, 2009. The increase is primarily due to increase in cash flow arising out of improved margins, working capital cycle contraction and improved collections.

8. Human Resources Development and Industrial Relations

- As on March 31, 2010, the total strength of employees stood at 2,988.
- Your Company strongly believes that people are its greatest strength and aligned with the belief, continued to demonstrate its business principle of providing 'A Great Place to Work'.

Organizational Development and Capability Building

Leadership Excellence

Aligned with the Great Place to Work strategy, your Company continued its efforts towards building great leadership across all levels of managers at Cummins. As part of this effort, 130 senior leaders underwent a session on Leadership Excellence conducted personally by the Chairman and Managing Director, Anant J. Talaulicar. The session provides an insight into leadership behaviours expected at Cummins, while demonstrating the five critical leadership skills outlined by the Chairman and CEO of Cummins Inc., Tim Solso. The five skills include; Think Strategically/Set the Aim, Talent Management, Foster Open Communication, Coach and Develop, and Diversity.

Hire-To-Develop

An integral part of your Company's Great Place to Work culture is its Hire-to-Develop initiative that inculcates the practice of hiring the right talent aligned with the Cummins' Core Values at entry levels. The talent is developed and groomed over time to take up senior positions within the organization.

Campus Hiring

In order to sustain the organization's talent pipeline, despite the difficult business conditions in the early part of 2009, your Company continued to recruit fresh engineering graduates. 65 engineers, of whom 40% were women, were inducted from numerous campuses under the Young Managers Development Program (YMDP). By doing so, not only did your Company honor its hiring commitment but also ensured continued bench strength.

Your Company collaborated with premier B-Schools for a recent initiative, the MBA internship program. As part of the initiative, the first batch of 31 MBA graduates interned with Cummins this year. The collaboration offers young business professionals real world experiences and your Company with the prospect of hiring several of them once they complete their course in management.

Seamless Talent Deployment

Your Company remained committed to providing developmental opportunities to its high potential employees in order to accelerate their growth prospects and alongside it provide itself with a talent pool for seamless deployment. 250 deserving employees were offered job rotations across Cummins businesses in India and with it diverse developmental experiences for long term career growth prospects.

Performance Management

In line with the performance driven culture encouraged by your Company the year witnessed increased utilization of On-Track as a tool for evaluating and managing work performance. Your Company introduced critical changes to this

online system in order to shift the focus from the tool to the intrinsic purpose for which it was initially developed, that of manager-employee engagement to manage performance.

Diversity

The business principle of Diversity, also one of the six core values at Cummins continues to guide each and every employee towards creating an inclusive and respectful environment. Your Company considers Diversity critical to its long term success and remains an equal opportunity employer committed to nurturing Diversity at workplace.

Women's Affinity Group (WAG)

The Women's Affinity Group was re-launched this year. The Group comprising women employees across levels and functions is sponsored by your Company's Chairman and Managing Director, Anant J. Talaulicar. The Group focuses on collecting voices of women employees and works towards resolving them through critical initiatives which are reviewed periodically.

Cummins Code of Business Conduct

The Cummins Code of Business Conduct demands that every employee does what is right rather than what is convenient.

- The Cummins Code of Business Conduct (CCBC) is reinforced via various forums :
 - Session on Ethics (CCBC and Treatment of Others) during On-Boarding Orientation Program conducted for all new recruits.
 - Periodic refresher sessions on Ethics.
 - Annual on-line Ethics certification.
- Your Company encourages employees to notify incidents of any violation of the Code of Conduct or Treatment of Others Policy, in order to address those appropriately. To facilitate notification, your Company has a Whistle Blower policy in place.

Industrial Relations (IR) and other Initiatives

- On January 4, 2010, a comprehensive long-term settlement was signed for Staff Associates working at the Kothrud plant.
- For Production Associates and Staff Associates working at the Distribution Business Unit, a comprehensive long-term settlement was signed on June 29, 2009 and April 14, 2010 respectively.
- A comprehensive settlement for Production Associates at the Power Generation facility at Daman was signed on February 25, 2010.

Labour Situation at the Kothrud Plant

- During the year, your Company experienced labour unrest at its Kothrud plant, when the newly elected committee of the Kirloskar Cummins Employees Union resorted to a strike, demanding re-opening of the long term settlement signed in conciliation, in February 2009.
- Guided by the Cummins' Guiding Principles and Core Values, the Management stood firm on its decision of not giving in to the unreasonable demands.
- The professional employees of your Company demonstrated great agility and courage and ensured continuity in production by working from other Cummins facilities in Pune.
- Once the Associates called off the strike, the Management at Kothrud including officers at the shop floor exhibited utmost maturity to ensure a harmonious, all-inclusive work environment.
- The situation is now normal and relations are very cordial.

9. Towards a Sustainable Future

Cummins' Vision of making people's lives better is an eternal commitment, reflected incessantly in the Company's Mission and Core Values. Measuring the realization of this Vision entails evaluating the Company's initiatives towards the improvement of the community and environment as critically as evaluating the Company's business performance. While the business performance continues to be directed by sound business strategies and principles, the community and environment programs are judged on the scale of sustainability.

Since 2004, your Company has devised and executed four key strategies that continue to form the backbone of its focus, enabling it to consistently deliver on commitments made to its stakeholders while significantly improving its performance in the recent years. The four strategies are -

i) **Be the domestic market share leader**

Despite the recessionary environment in 2009, your Company continued to focus on new product development programs and critical growth initiatives. This included continued, judicious investments made during the year to ensure that your Company continues to hold its leadership position in the domestic market, and grows profitably long-term.

ii) **Be a low cost producer**

Your Company remains committed to driving cost leadership in every business process. This is done by effectively leveraging innovative, lean, global technologies, as well as economies of scale. This, coupled with Six Sigma, Accelerated Cost Efficiency (ACE) and other similar initiatives continue to strengthen your Company's position as a Low Cost Producer.

iii) **Maximize India sourcing opportunities to benefit Global Customers**

Your Company continues to invest in manufacturing capacities and making products that meet international specifications while offering a significant cost benefit to Global Customers.

iv) **Create the right work environment**

This term is synonymous with our Great Place to Work strategy. It involves fostering an inclusive, employee development oriented environment, reinforced by a strong performance ethic and the Cummins Core Values. By doing this, we attract, develop and retain high quality, values based talent. Your Company continues to build great leadership across all levels through skill and competency mapping, individual training and leadership development programs.

Governance & Ethics

Since Cummins' inception, more than 90 years ago in the United States and nearly five decades ago in India, Governance and Ethics continue to determine the manner in which the Company conducts its business. Testifying this are three recognitions that were conferred on Cummins during the year. Cummins Inc. was named in the Dow Jones World Sustainability Index for the fifth consecutive year. The Index recognizes the top 10% of the world's largest 2,500 companies in economic, environment and social leadership. Ethisphere magazine named Cummins as one of the most ethical companies in the world. Cummins was also one of just 40 companies out of more than 4,000 researched to receive a perfect score for its corporate governance practices by Governance Metrics.

Environment Programs

i) **Technologies for a greener tomorrow**

In its efforts to build a clean and green tomorrow, your Company continued to innovate and develop new products and technologies for minimizing emissions. To this effect, Cummins brought the right engine platforms and advanced after-treatment technologies, aiding medium and heavy commercial vehicles transition to Bharat Stage IV emission norms applicable in 13 metros and Bharat Stage III in the remaining cities effective April 1, 2010.

ii) Energy conservation programs

Your Company continued to initiate energy conservation programs during the year. The engine manufacturing plants at Kothrud and Pune-Nagar Road did significant work leading to a reduction in electrical energy transmission losses and power consumption of non-CNC machines, select CNC machines, Cooling Tower Pump House and the KV engine assembly utilities. Amongst new practices introduced at the Power Generation plants at Pirangut and Daman were optimizing lighting systems and minimizing the usage of air conditioning which have yielded significant results. At the office of the Distribution Business, your Company managed to reduce power consumption through localizing lighting at work stations and redesigning general and natural lighting systems.

As a result of the above, approximately 1,815,804 kWh energy was saved by your Company during the year. Consequently, your Company achieved savings of approximately Rs. 12,943 ('000) besides reducing Green House Gas (GHG) emissions by 1,507 tons at the engine manufacturing plants and 1,903 tons cumulatively at the power generation plants and distribution business.

iii) World Environment week

In celebration of the World Environment Day on June 5, your Company initiated a series of activities such as tree plantations, workshops on 'Waste Management & Disposal at Home', screening a film on Global Warming, a poster / slogan competition amongst others.

Corporate Responsibility

In order to drive meaningful sustainable initiatives, the Cummins India Foundation, has identified three areas to focus on - Higher Education, Energy & Environment and Local Community Infrastructure Development. Some significant sustainable initiatives undertaken in the three areas by your Company include -

Higher Education

i) Cummins Scholarship Program

The Cummins Scholarship Program was launched in 2006 to offer financial support to aspiring and meritorious students from socially and economically disadvantaged backgrounds to pursue higher education in the fields of Engineering and Management. Having offered grants to 13 students in 2006, the program expanded significantly to offer support to 47 deserving candidates in 2009.

ii) Support to the Lila Poonawalla Foundation

Your Company has pledged support to the Lila Poonawalla Foundation, towards sponsoring around 10 female students pursuing masters degrees in technical or professional fields.

iii) Expanding association with Maharshi Karve Stree Shikshan Sanstha

Cummins has expanded its two-decade long association with the Maharshi Karve Stree Shikshan Sanstha to collaboratively establish the second unit of the Cummins College of Engineering for Women in Nagpur. Inaugurated in March this year, the College aims at offering degree programs to over 240 female students, in the streams of Information Technology, Mechanical Engineering, Computer Engineering & Electronics and Telecommunications. Classes will commence in August 2010.

iv) Energy and Environment

Rural Electrification

Cummins has collaborated with the Cummins Engine Research Facility (CERF) at IIT Bombay and the READ Foundation for a significant initiative called 'Ujjwal Bharat', aimed at developing a sustainable and replicable electrification model for remote villages. Besides funding the project, your Company has been instrumental in designing and installing a generator set that operates on indigenously developed Straight Vegetable Oil (SVO) in

the small village of Kolha in Orissa which was not electrified thus far. Having brought electricity to Kolha, Cummins intends to replicate the technology in other villages in the near future.

A project on Waste Management

Your Company partnered with a small-scale engineering company which has employed a few mentally and physically disabled individuals for converting recycled plastic into usable packaging bags. The bags were used by Cummins for packaging its engine components.

v) Local Infrastructure Development

Donation to Pune School for the Blind Girls – The Foundation continued to support the school by donating an Occupational Therapy set-up and exercise room to help improve the sensory - motor co-ordination of the visually impaired. A donation of Rs. 5 Lacs has been awarded towards this endeavour.

Public Concern for Governance Trust – Support to the NGO for generating awareness on the Right to Information Act (RTI) for promoting accountability and transparency in Governance continues.

Community Needs Analysis at Phaltan – A community needs analysis was completed for five villages, namely, Nandal, Dhawalewadi, Kalaj, Surwadi and Vadjal. The villages are located around Phaltan where your Company is setting up the Cummins Megasite. Based on this analysis, your Company will be embarking on specific projects to make the community stronger.

Rainwater Harvesting – In keeping with Cummins' focus on improving infrastructure for the local communities, your Company supported Deep Griha Society, an independent charitable organization working to improve conditions of those living in the slums of Pune, in resolving an ensuing water crisis. Your Company's efforts involved developing a water harvesting system by facilitating tree plantations, connecting bore holes, designing systems for collecting water from rooftops, and directing the collected water to the bore holes.

Watershed Management – On similar lines, your Company also helped the Bhatkya Vimukt Jati Shikshan Sanstha (BVJSS), a school for abandoned street / tribal children in village Wagholi to explore options of water shed management through continuous contour trenching, rooftop water harvesting, bore recharging and tree plantation. These, in addition to the hand-pump installed at the site have been extremely beneficial. Your Company's management and employees continue to explore additional sustainable water harvesting solutions for the institution.

10. Cautionary Statement

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

CORPORATE GOVERNANCE REPORT : (Annexure to Directors' 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 stake holders. 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 Code of 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.

2. BOARD OF DIRECTORS :

Composition of the Board of Directors :

The Board of Directors of the Company has an optimum combination of Promoter and Independent Directors. The Board comprises of 10 Directors, with 5 Promoter Directors and 5 Independent Directors.

Mr. Anant J. Talaulicar, Managing Director is Chairman of the Board of Directors of the Company, effective April 20, 2004.

Changes during the year in the composition of the Board of Directors :

Mr. S. M. Chapman and Mr. Glyn Price stepped down as Directors of the Company w.e.f. December 3, 2009 and January 25, 2010 respectively. Mr. Patrick Ward and Mr. James Kelly were appointed as Additional Directors of the Company w.e.f. December 3, 2009 and January 25, 2010 respectively. Mr. Pradeep Bhargava (erstwhile Alternate Director to Mr. S. M. Chapman) has been appointed as an Alternate Director to Mr. Patrick Ward w.e.f. December 3, 2009.

Board Meetings :

During the financial year, the Board of Directors met six times - on May 26, 2009, July 29, 2009, September 22, 2009, October 29, 2009, December 3, 2009 and January 25, 2010.

Composition and Category of Directors :

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	Member	Chairman	Member
Mr. Anant J. Talaulicar	Promoter Executive	1	5	–	3
Mr. M. A. Levett	Promoter Non-Executive	–	–	–	–
Dr. John Wall	Promoter Non-Executive	1	–	–	–
Mr. Patrick Ward (Appointed w.e.f. December 3, 2009)	Promoter Non-Executive	–	–	–	–
Mr. James Kelly (Appointed w.e.f. January 25, 2010)	Promoter Non-Executive	–	–	–	–

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	Member	Chairman	Member
Mr. S.M. Chapman (Resigned w.e.f. December 3, 2009)	Promoter Non-Executive	–	–	–	–
Mr. Glyn Price (Resigned w.e.f. January 25, 2010)	Promoter Non-Executive	–	–	–	–
Mr. Rajeev Bakshi	Independent Non-executive	–	3	–	1
Mr. P. S. Dasgupta	Independent Non-executive	–	5	2	4
Mr. Nasser Munjee	Independent Non-executive	1	13	3	4
Mr. B.H. Reporter	Independent Non-executive	1	–	–	–
Mr. Venu Srinivasan	Independent Non-executive	3	11	1	3
Mr. J.M.Barrowman	Alternate Director to Mr. M.A. Levett	–	–	–	–
Mr. Sean Milloy	Alternate Director to Dr. John Wall	–	–	–	–
Mr. Pradeep Bhargava (Ceased to be Alternate Director to Mr. S.M.Chapman w.e.f. December 3, 2009)	Alternate Director to Mr. Patrick Ward w.e.f. December 3, 2009	–	3	1	1

- Notes:
- As on March 31, 2010, Mr. B.H. Reporter jointly with Mrs. A. B. Reporter held 75,000 fully paid shares of Rs. 2/- each in the equity share capital of the Company.
 - Directorships in Foreign Companies and Private Limited Companies are excluded in the above table.

Attendance at the Board Meetings and AGM :

During the year, (i) Mr. Anant J. Talaulicar attended all 6 meetings, (ii) M/s. Nasser Munjee and Rajeev Bakshi attended 5 meetings (iii) M/s. P.S. Dasgupta and B. H. Reporter attended 3 meetings (iv) M/s. M.A. Levett and Glyn Price attended 2 meetings (v) M/s. John Wall, Patrick Ward and Venu Srinivasan attended 1 meeting and (vi) Mr. Pradeep Bhargava attended 4 meetings as an Alternate Director.

M/s. S.M. Chapman (resigned w.e.f. December 3, 2009), James Kelly (appointed w.e.f. January 25, 2010) and Sean Milloy (Alternate Director) could not attend any meeting during the year.

M/s. Anant J. Talaulicar, M.A. Levett, Glyn Price, Rajeev Bakshi, P.S. Dasgupta and Nasser Munjee attended the Annual General Meeting (AGM) held on July 29, 2009, while M/s. John Wall, S.M. Chapman, B.H. Reporter and Venu Srinivasan could not attend due to other commitments.

3. COMMITTEES OF THE BOARD :

(A) FINANCE AND AUDIT COMMITTEE :

The Finance and Audit Committee consists of 4 Independent Directors – Mr. Nasser Munjee (Chairman), Mr. B. H. Reporter, Mr. P. S. Dasgupta and Mr. Rajeev Bakshi; 1 Promoter / Executive Director – Mr. Anant J. Talaulicar and 1 Promoter / Non-Executive Director – Mr. Patrick Ward (w.e.f. April 22, 2010).

Mr. Glyn Price ceased to be a member of the Finance and Audit Committee w.e.f. January 25, 2010.

The meetings of the Finance and Audit Committee were held on May 26, 2009, July 29, 2009, September 22, 2009, October 29, 2009, and January 25, 2010. Mr. Anant J. Talaulicar attended all 5 meetings; M/s Nasser Munjee and Rajeev Bakshi attended 4 meetings; Mr. P. S. Dasgupta attended 3 meetings and M/s. B. H. Reporter and Glyn Price attended 2 meetings, during the year.

The Committee reviewed the balance sheet and profit & loss account, audited financial results for the year ended March 31, 2009 and un-audited financial results for the quarters ended June 30, 2009, September 30, 2009 and December 31, 2009. The Committee also reviewed (i) Legal Compliance Reports (ii) major litigations (iii) performance of Joint Ventures & Associates (iv) Cost Audit Report for the year 2008-2009 (v) acquisition / sale of assets (vi) Related Party transactions (vii) appointment of Statutory, Cost and VAT Auditors of the Company (viii) performance of Statutory Auditors (ix) reports of the Internal Auditor and (x) Directors' Responsibility Statement. The Committee had regular interaction with the Internal, Statutory and Cost Auditors of the Company.

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

The Finance and Audit Committee of the Company primarily oversees the Company's financial reporting process 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 Investments by the Company.

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 audit 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 and the Chief Financial Officer of the Company are regularly invited for the meetings of the Committee.

(B) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The Shareholders / Investors Grievance Committee consists of 3 Directors - Mr. B.H. Reporter (Chairman), Mr. P.S. Dasgupta and Mr. Anant J. Talaulicar.

During the year, meetings of the Shareholders / Investors Grievance Committee were held on May 26, 2009, July 29, 2009, October 29, 2009 and January 25, 2010. Mr. Anant J. Talaulicar attended all 4 meetings, Mr. P. S. Dasgupta attended 3 meetings and Mr. B. H. Reporter attended 1 meeting.

Broad terms of reference to the Shareholders / Investors Grievance Committee :

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

Compliance Officer :

Mr. Dinesh Castellino
Vice President Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 1, 2009 to March 31, 2010 :

Sr. No.	Nature of complaint	No. of complaints
1.	Non-receipt of Annual Reports	6
2.	Non- receipt of Dividend Warrants	9
3.	Dematerialised shares not credited	1
	Total	16

Number of complaints pending with the Company : Nil

Number of pending share transfers : Nil

Insider Trading Code : The Company has a separate Insider Trading Code in line with SEBI (Prohibition of Insider Trading) Regulations, 1992. The said code is applicable to all Directors and specified persons/employees of the Company. The Code governs sale and purchase of shares of the Company by Directors and specified employees. In terms of this code, Directors and specified employees of the Company 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. Head of Finance.

4. REMUNERATION OF DIRECTORS :

The Independent Non-Executive Directors are paid sitting fees and commission. Commission is paid on equal basis to all Independent Non-Executive Directors. The Chairman and Managing Director is paid remuneration as approved by the shareholders.

Details of Sitting Fees and Commission to Non Executive Directors for the year April 1, 2009 to March 31, 2010 :

Name of the Director	In Rs. ('000)		
	Sitting fees	Commission	Total
Mr. Rajeev Bakshi	90	275	365
Mr. P.S. Dasgupta	75	275	350
Mr. Nasser Munjee	90	275	365
Mr. B.H. Reporter	55	275	330
Mr. Venu Srinivasan	10	275	285

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2009 to March 31, 2010 :

	In Rs. ('000)							
	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	12	—	4,199	168	—	—	4,379

Notes:

- The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
- There is no notice period for severance of the Managing Director.
- The Central Government has approved payment of commission to Non-Executive Directors vide its letter dated February 20, 2007 for a period of five years effective from financial year ended March 31, 2007.
- The Company paid Rs. 468,619 towards fees for professional services rendered by a law firm of which a Non-Executive Director is a Partner, during the financial year 2009-2010 (Nil during the financial year 2008-2009). The same are not material in nature.

5. GENERAL SHAREHOLDER INFORMATION :

Registered Office	Kothrud, Pune 411 038. Phone No. : (020) 2538 5435, 2538 0240 Fax No. : (020) 2538 0125 Website : www.cumminsindia.com	
Annual General Meeting	Date and Time : August 12, 2010 at 12 noon. Venue : Yashada, MDC Auditorium, Baner Road, Pune 411 007.	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar (Tentative)	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2010 - By second week of August 2010. ■ Results for quarter and half year ending September 30, 2010 - By last week of October 2010. ■ Results for quarter and nine months ending December 31, 2010 - By second week of February 2011. ■ Results for the year ending March 31, 2011 - By last week of May, 2011. 	
Dates of Book Closure	August 7, 2010 to August 12, 2010 (both days inclusive).	
Interim dividend payment date	December 29, 2009.	
Final Dividend payment date	August 31, 2010.	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. Bombay Stock Exchange Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai : 400051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2010-2011.	

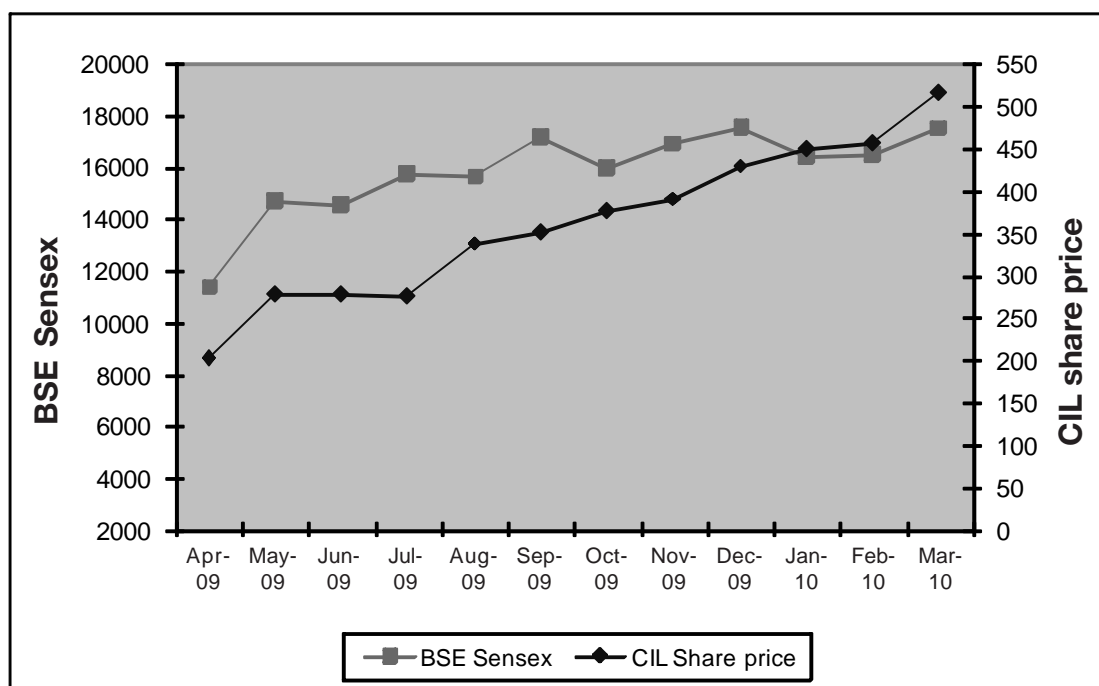
Market price data : High, Low during each month in the financial year 2009-2010.

BSE			NSE		
Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2009	222.30	178.10	April 2009	219.90	175.00
May 2009	292.00	199.95	May 2009	295.00	199.25
June 2009	298.00	252.50	June 2009	298.95	252.55
July 2009	286.60	235.15	July 2009	286.85	235.10
August 2009	351.00	275.60	August 2009	347.00	275.15
September 2009	382.70	322.80	September 2009	383.60	324.50
October 2009	398.80	340.00	October 2009	399.00	332.25
November 2009	414.00	365.30	November 2009	414.50	366.00
December 2009	435.15	388.00	December 2009	438.70	383.30
January 2010	467.65	421.00	January 2010	467.50	420.70
February 2010	486.90	438.00	February 2010	487.25	437.10
March 2010	518.50	457.00	March 2010	520.50	457.00

Performance in comparison to broad-based indices such as BSE Sensex.

Chart A depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2010.

Chart A : Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2009-10



Registrar and Transfer agent	<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-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai : 400 078 Phone No. (022) 2594 6970 Fax No. (022) 2594 6969, 2596 2691 Contact Person : Mr. N. Mahadevan Iyer E-mail : mahadevan.iyer@linkintime.co.in or rnt.helpdesk@linkintime.co.in Time :- 1000 to 1600 hours (Mon. to Fri. excl. public holidays)</p>		
Share Transfer System	Share Transfer requests in physical form are processed within 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.		
Distribution of shareholding as on March 31, 2010.	Category	No. of shares of Rs. 2/- each	% of shareholding
	Promoters	100,980,488	51.00
	Mutual Funds	31,046,125	15.68
	Banks/Financial Institutions/ Insurance Companies	13,128,418	6.63
	Foreign Institutional Investors (FIIs)	21,467,972	10.84
	Corporate Bodies	11,768,320	5.94
	Indian Public	19,184,549	9.70
	NRIs	424,128	0.21
	TOTAL	198,000,000	100.00
Distribution of shareholding within various categories (as on March 31, 2010).			
Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1-500	18,403	1,335,425	0.68
501-1,000	2,766	1,094,454	0.55
1,001-5,000	3,411	4,094,816	2.07
5,001-10,000	878	3,189,645	1.61
10,001-50,000	935	8,517,412	4.30
50,001-100,000	78	2,767,887	1.40
100,001 and above	134	177,000,361	89.39
Total	26,605	198,000,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2010)	47.04 % shares are in demat form. It may be noted that 51% of the Company's shares are held by its Promoters, Cummins Inc., USA, in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares would account for 96%.
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity.	The Company has not issued any GDRs / ADRs / Warrants or any Convertible instruments.
Plant locations	<ol style="list-style-type: none"> 1. Kothrud, Pune 411 038. 2. Plot No. 206/2, Off. Nagar Road, Haveli, Pune-411 014. 3. Village Lonikand, Nagar Road, Pune 412 207. 4. Plot No. 19/25A, Silver Industrial Estate, Bhimpore, Daman 396 210. 5. Gat No. 311/B&1B, Kasar Amboli 412 111, Dist. Pune 6. 35A/1/2 Erandwane, Pune 411038.
Address for correspondence	Registered Office : Kothrud, Pune 411 038 Tel: (020) 2538 5435 Fax : (020) 2538 0125 1) Mr. Pradip Phansalkar, Sr. Manager, Secretarial Email - pradip.s.phansalkar@cummins.com 2) Mr. Amit Atre, Assistant Company Secretary Email - amit.g.atre@cummins.com Registrar and Transfer Agent : Link Intime India Private Limited Please refer details above for address/ contact details etc.

6. ANNUAL GENERAL MEETINGS (AGMs) :

Particulars	FY 2006-2007	FY 2007-2008	FY 2008-2009
Date and Time	26.07.2007 at 12.00 noon	24.07.2008 at 12.30 p.m.	29.07.2009 at 12.00 noon
Venue	Hotel Le Meridien, Pune 411 001	Hotel Le Meridien, Pune 411 001	Yashada, MDC Auditorium, Baner Road, Pune 411 007

- **Special resolutions passed in the last 3 AGMs :** No special resolution was passed during the previous three Annual General Meetings.
- **Postal Ballot :** No resolution was passed through Postal Ballot during the Financial year 2009-2010 or is being proposed at the ensuing Annual General Meeting.

7. DISCLOSURES :

- i) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large.
- ii) 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.
- iii) None of the Directors of the Company are related to each other.

- iv) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.
- v) The Company released a Whistle Blower Policy during the financial year 2003-2004 which is a non-mandatory requirement as per clause 49 of the Listing Agreement. No person has been denied access to the Finance and Audit Committee under the Whistle Blower Policy.

8. MEANS OF COMMUNICATION :

- The quarterly shareholding pattern and quarterly / half-yearly/ yearly unaudited / audited financial results were posted on SEBI website www.sebidifar.nic.in (w.e.f. April 1, 2010 the same has been discontinued by SEBI) as well as on the Company's website www.cumminsindia.com.
- The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.
- The quarterly / half-yearly unaudited and annual audited financial results were published in :
 - Maharashtra Times - year ended March 2009 and quarters ended June, September and December 2009
 - Business Standard - year ended March 2009 and quarters ended June, September and December 2009
- Transcript of Conference calls with the Analysts held on May 27, 2009, July 30, 2009, October 30, 2009 and Chairman's Presentation to Shareholders made at AGM on July 29, 2009 were displayed on the Company's website www.cumminsindia.com.

9. COMPLIANCE CERTIFICATE OF THE AUDITORS :

The Company has obtained a Certificate from the Statutory Auditors confirming compliance with conditions of the Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed.

Declaration - Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the financial year 2009-2010.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Mumbai : May 29, 2010

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Cummins India Limited

We have examined the compliance of conditions of Corporate Governance by Cummins India Limited, for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Price Waterhouse

Firm Registration Number: 007568S
Chartered Accountants

Mehul Desai

Partner

Membership Number: 103211

Place : Mumbai

Date : May 29, 2010

Auditors' Report to the Members of Cummins India Limited

1. We have audited the attached Balance Sheet of Cummins India Limited (the "Company") as at March 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have 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 appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Firm Registration Number: 007568S
Chartered Accountants

Mehul Desai
Partner

Membership Number: 103211

Mumbai
May 29, 2010

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Cummins India Limited on the financial statements for the year ended March 31, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets (including assets lying with third parties) has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2010 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. '000)	Period to which the amount relates	Forum where the dispute is pending
The Central Sales Tax Act, 1956 (C.S.T) / Bombay Sales Tax Act, 1959 (B.S.T)	Disallowance of Sales Tax declaration forms, disallowances of set off claimed under rule 41D and 42H and interest thereon	53,822	1999-00 to 2003-04	Maharashtra Sales Tax Tribunal, Mumbai / Joint Commissioner of Sales Tax (Appeals) – Pune
The Central Sales Tax Act, 1956 (C.S.T) / Bombay Sales Tax Act, 1959 (B.S.T)	Taxation of sales turnover under B.S.T Act and disallowance of claim of inter state sale u/s 3(a) of C.S.T Act, 1956	112,902	2003-04, 2004-05	Joint Commissioner of Sales Tax (Appeals) – Pune / Sr Deputy Commissioner of Sales Tax (Appeals) – Pune
The Central Excise Act, 1944	Disallowance of credit taken on inputs	1,395	2004-05	Central Excise and Service Tax Appellate Tribunal (Mumbai / Ahmedabad)
The Maharashtra Sales tax on Transfer of property in Goods involved in the Execution of Works Contracts (Re-enacted) Act, 1989	Demand on account of Purchase tax/ Works contract tax and surcharge thereon	15,492	1999-2000	Assistant Registrar, Maharashtra Sales Tax Tribunal, Mumbai
VAT Act, 2002	Additional demand on account of non receipt of 'C' Forms	5,153	2005-2006	Deputy Commissioner (Appeals), Sales Tax
Customs Act, 1962	Demand for recovery of refund of additional custom duty granted earlier	18,194	1985-2000	Assistant and Deputy Commissioner of Customs

10. The Company has no accumulated losses as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi /mutual benefit fund / societies are not applicable to the company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Price Waterhouse
Firm Registration Number: 007568S
Chartered Accountants

Mumbai
May 29, 2010

Mehul Desai
Partner
Membership Number: 103211

Balance Sheet as at 31st March, 2010

	Schedule Number	Rupees '000	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	15,213,964		13,550,505
			15,609,964	13,946,505
Loan funds :				
Secured loans	3	86,238		211,976
Unsecured loans	4	133		403
			86,371	212,379
Finance Lease Liability			—	16,702
			15,696,335	14,175,586
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	7,776,224		7,413,794
Less : depreciation		4,439,638		4,323,632
Net block			3,336,586	3,090,162
Investments	6		7,329,224	3,992,691
Deferred Taxation :				
Deferred tax Asset	7	499,415		446,115
Deferred tax Liability		(329,522)		(215,469)
			169,893	230,646
Current assets, loans and advances :				
Inventories	8	4,096,685		4,679,747
Sundry debtors		5,229,012		6,821,030
Cash and bank balances		559,282		323,227
Other current assets		92,655		83,193
Loans and advances		2,694,940		2,663,192
		12,672,574		14,570,389
Less : Current liabilities and provisions :				
Current liabilities	9	5,177,723		5,976,649
Provisions		2,634,219		1,731,653
		7,811,942		7,708,302
Net current assets			4,860,632	6,862,087
			15,696,335	14,175,586

Notes :

12

Note: Schedules 1 to 9 and 12 are an integral part of the balance sheet

In terms of our report of even date

For and on behalf of the Board

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Mehul Desai
Partner
Membership Number 103211
Mumbai
Date: May 29, 2010

Dinesh Castellino
Vice President Legal &
Company Secretary
Mumbai
Date: May 29, 2010

Profit and Loss Account for the year ended 31st March, 2010

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :				
Gross Sales and Services		30,287,925		36,350,548
Less : Excise Duty		1,839,221		3,307,711
Net Sales			28,448,704	33,042,837
Other Income	10		1,215,595	1,507,467
			29,664,299	34,550,304
EXPENDITURE :				
Cost of sales and other expenses	11	23,173,844		28,270,458
Depreciation & Amortisation		360,801		455,587
INTEREST :				
on fixed loans		487		1,038
others		20,020		25,042
			20,507	26,080
			23,555,152	28,752,125
PROFIT BEFORE TAX AND EXCEPTIONAL ITEM			6,109,147	5,798,179
Add : Exceptional Item (Refer Note 23 of Schedule 12)			—	192,037
PROFIT BEFORE TAX BUT AFTER EXCEPTIONAL ITEM			6,109,147	5,990,216
PROVISION FOR TAX:				
Current Tax (including net excess provision for earlier years Rs. ('000) 65,433 (previous year net short provision Rs. ('000) 7,409)		1,609,722		1,703,986
Deferred Tax		60,753		(78,036)
Fringe Benefit Tax		—		27,655
			1,670,475	1,653,605
NET PROFIT FOR THE YEAR			4,438,672	4,336,611
Balance carried forward from last balance sheet			4,955,127	3,154,023
APPROPRIATIONS :				
I Proposed final dividend			1,188,000	514,800
II Interim dividend			1,188,000	1,267,200
III Tax on dividend			399,213	319,846
IV Transferred to general reserve			443,867	433,661
Balance carried to balance sheet			6,174,719	4,955,127
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			22.42	21.90

Notes :

12

Note: Schedules 10 to 12 are an integral part of the profit and loss account

In terms of our report of even date

For and on behalf of the Board

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Mehul Desai
Partner
Membership Number 103211
Mumbai
Date: May 29, 2010

Dinesh Castellino
Vice President Legal &
Company Secretary
Mumbai
Date: May 29, 2010

Schedules forming part of the Balance Sheet

	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised : 200,000,000 equity shares of Rs. 2 each	400,000	400,000
Issued and subscribed : 198,000,000 equity shares of Rs. 2 each fully paid up	396,000	396,000

Of the above equity shares;

- i) 190,500,000 shares of Rs. 2 each are allotted as fully paid bonus shares by capitalisation of reserves.
- ii) 100,980,000 shares of Rs. 2 each are held by the holding company, Cummins Inc.,USA.

	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 2		
RESERVES AND SURPLUS :		
Capital redemption reserve account	7,000	7,000
General reserve :		
Balance as per last account	8,588,378	7,479,828
Add : Addition on amalgamation	—	674,889
 Add : Transferred from profit and loss account	 443,867	 433,661
	9,032,245	8,588,378
Profit and loss account	6,174,719	4,955,127
	15,213,964	13,550,505

Schedules forming part of the Balance Sheet

	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, receivables and movable assets of the Company.	86,238	211,976
	86,238	211,976
SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (matured)	133	403
	133	403

Schedules forming part of the Balance Sheet

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2009	Addition on Amalgamation @	Additions	Deductions	Gross block (at cost) as at 31st March, 2010	Depreciation as per Schedule 5A	Net block as at 31st March, 2010
Tangible Assets:							
Land							
-Freehold	39,584 *	—	—	—	39,584 *	—	39,584
Roads	32,505	—	—	—	32,505	6,061	26,444
Buildings	758,067	—	29,804	—	787,871	166,280	621,591
Plant and machinery	5,329,353	—	793,793	276,539	5,846,607	3,804,434	2,042,173
Furniture and fittings	108,467	—	6,195	3,432	111,230	48,059	63,171
Vehicles	53,506	—	1,061	2,885	51,682	29,713	21,969
Intangible Assets:							
Software	91,869	—	2,336	—	94,205	70,433 #	23,772
Technical Knowhow	205,984	—	—	—	205,984	100,332 #	105,652
Global Sourcing Consideration	214,326	—	—	—	214,326	214,326 #	—
	6,833,661	—	833,189	282,856	7,383,994	4,439,638	2,944,356
	(6,169,822)	(405,850)	(702,094)	(444,105)	(6,833,661)	(4,323,632)	(2,510,029)
					392,230	—	392,230
					(580,133)	—	(580,133)
					7,776,224	4,439,638	3,336,586
					(7,413,794)	(4,323,632)	(3,090,162)

Buildings, plant and machinery etc., under erection including advances for capital expenditure

NOTES :

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

@ Pursuant to the scheme of amalgamation of Cummins Sales and Service India Ltd. and Cummins Auto Services Ltd. effective 1st April 2008.

Represents amounts amortised till date.

Figures in brackets are in respect of the previous year.

Schedules forming part of the Balance Sheet

SCHEDULE NO. 5 A

DEPRECIATION AND AMORTISATION

Rupees '000

Particulars	Depreciation upto 31st March, 2009	Addition on Amalgamation @	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2010
Tangible Assets:					
Land -Freehold	—	—	—	—	—
Roads	5,590	—	471	—	6,061
Buildings	142,003	—	24,277	—	166,280
Plant and machinery	3,780,389	—	264,383	240,338	3,804,434
Furniture and fittings	41,112	—	9,058	2,111	48,059
Vehicles	27,435	—	4,624	2,346	29,713
Intangible Assets:					
Software	41,453	—	28,980	—	70,433 #
Technical Knowhow	73,523	—	26,809	—	100,332 #
Global Sourcing Consideration	212,127	—	2,199	—	214,326 #
	<u>4,323,632</u>	<u>—</u>	<u>360,801</u>	<u>244,795</u>	<u>4,439,638</u>
	<u>(3,928,945)</u>	<u>(255,129)</u>	<u>(455,587)</u>	<u>(316,029)</u>	<u>(4,323,632)</u>

@ Pursuant to the scheme of amalgamation of Cummins Sales and Service India Ltd. and Cummins Auto Services Ltd. effective 1st April 2008.

Represents amounts amortised till date.

Figures in brackets are in respect of the previous year.

Schedules forming part of the Balance Sheet

			As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 6				
INVESTMENTS:				
Number	Face value per unit Rupees			
		LONG TERM INVESTMENTS AT COST		
		INVESTMENT IN JOINT VENTURES		
		Fully paid equity shares		
9,500,000	10	Valvoline Cummins Limited	80,375	80,375
1,999,900	10	Cummins Exhaust India Limited	19,999	19,999
114,600	10	Cummins Research and Technology India Limited	1,146	1,146
			101,520	101,520
		TRADE INVESTMENTS		
		Fully paid equity shares		
779,997	10	Cummins Generator Technologies India Limited	171,989	171,989
			171,989	171,989
		OTHER THAN TRADE INVESTMENTS		
		EQUITY SHARES		
5,091,330	2	KPIT Cummins Infosystems Limited *	39,685	39,685
1,000	25	The Shamrao Vithal Co-operative Bank Limited	25	25
1,000	10	The Saraswat Co-operative Bank Limited	10	10
120,000	10	Housing Development Finance Corporation Limited *	1,575	1,575
500	10	HDFC Bank Limited *	5	5
20,000	2	Kirloskar Industries Limited * (Formerly Kirloskar Oil Engines Limited)	29	29
			41,329	41,329
		Carried forward	314,838	314,838

Schedules forming part of the Balance Sheet

			As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
		Brought forward	314,838	314,838
TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS				
400	100,000	5.75% National Housing Bank *	41,410	41,410
500	100,000	5.50% Nuclear Power Corporation Limited *	50,000	50,000
	100	6.60% ARS Bonds 2009 UTI *	—	52,404
			91,410	143,814
GOVERNMENT OF INDIA BONDS				
		8.35% Government of India 2022 * (Face Value Rs.50,000,000)	63,100	63,100
		7.49% Government of India 2017 * (Face Value Rs.55,000,000)	65,415	65,415
		11.99% Government of India 2009 * (Face Value Rs.50,000,000)	—	65,575
		7.38% Government of India 2015 * (Face Value Rs.50,000,000)	56,575	56,575
			185,090	250,665
CORPORATE BONDS				
12	1,250,000	6.68% Power Grid Corporation of India 2019 *	15,175	15,175
			15,175	15,175
UNITS OF MUTUAL FUNDS				
Debt Fund (Growth Option)				
	10	ICICI Prudential FMP series 41 - 19 Mths Plan - Institutional Growth Option	—	50,000
	10	HDFC FMP 370D Mar 2008 (VII) (2) - Wholesale Plan	—	100,000
5,000,000	10	HDFC FMP 18M October 2009 - Growth	50,000	—
10,000,000	10	Birla Sunlife Fixed Term Plan Series CC	100,000	—
10,000,000	10	Kotak FMP 370 days series- 2	100,000	—
		Carried forward	606,513	724,492

Schedules forming part of the Balance Sheet

			As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
		Brought forward	606,513	724,492
5,000,000	10	Kotak FMP 370 days series- 3	50,000	—
5,002,331	10	SBI SDFS 370 Days	50,023	—
5,000,000	10	IDFC FMP TMS Series -5	50,000	—
1,937,446	10	Birla Sun Life Dynamic Bond Fund- Retail Plan-Growth	30,000	—
5,000,000	10	Tata Fixed Horizon Fund Series 25	50,000	—
			480,023	150,000
		Debt Fund (Dividend Option)		
	10	Fortis Fixed Term Plan - Series 12 - Plan B - Instl Plan - Calendar Quarterly Dividend Option	—	55,362
2,809,831	10	DWS Money Plus Advantage Fund- Inst-Div	30,000	—
1,884,890	10	DWS Money Plus Advantage Fund- Reg-Div	20,000	—
5,048,002	10	HDFC Short Term Plan-Dividend	51,959	—
16,899,248	10	UTI - Short Term Income Fund - Institutional Dividend Option	170,005	—
3,962,719	10	HDFC MF Monthly Income Plan- Long Term Plan-Monthly Dividend Option	50,000	—
			321,964	55,362
		Equity Fund (Dividend Option)		
	10	DSP Merrill Lynch Top 100 Equity Fund- Dividend	—	23,904
	10	HSBC Equity Fund - Dividend	—	10,000
			—	33,904
		Total Long term investments	(A) 1,408,500	963,758

Schedules forming part of the Balance Sheet

SCHEDULE NO. 6 (Contd.)			As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
Number	Face value per unit Rupees			
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS				
UNITS OF MUTUAL FUNDS				
Fixed Maturity Plan				
5,014,527	10	ICICI Prudential Banking & PSU Debt Fund	50,213	—
10,000,000	10	Birla sunlife Interval Income Fund- Qrty Plan- Series -1	100,000	—
5,018,433	10	Tata Fixed Income Portfolio Fund Scheme -3	50,185	—
5,000,000	10	UTI Fixed Income Interval Fund- Qrty Interval Plan -III	50,000	—
5,000,000	10	UTI Fixed Income Interval Fund Quarterly Interval Plan -1	50,000	—
10,000,000	10	UTI Fixed Income Interval Fund Monthly Interval Plan -1	100,000	—
			400,398	—
Liquid Fund (DIVIDEND)				
33,323,364	10	Birla Sun Life Savings Fund- Institutional Plan- Daily Dividend	333,460	—
5,024,099	10	Birla Sun Life Short Term Opportunities Fund-Institutional Weekly Dividend Plan	50,257	—
48,566,836	10	Canara Robeco Treasury Advantage Fund - Super Institutional Plan- Daily Div Reinvest	602,574	—
40,330,868	10	DWS Cash Opportunities Fund Institutional-Daily	404,289	—
	10	DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend	—	100,016
18,159,889	10	DWS Ultra Short Term Fund- Inst Plan - Daily Dividend	181,906	512,254
		Carried forward	400,398	—

Schedules forming part of the Balance Sheet

		Rupees '000	As at 31st	As at 31st
			March, 2010	March, 2009
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	400,398	—
	10	Fidelity Ultra Short Term Debt Fund - Institutional Plan - Daily Dividend Option	—	81,904
	10	Fidelity Ultra Short Term Debt Fund - Super Institutional Plan - Daily Dividend Option	—	532,354
56,167,491	10	IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily Div.	562,517	—
	10	HDFC Cash Management Fund - Savings Plan-Daily Dividend Option	—	242,232
54,084,499	10	HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Daily Dividend Option	542,549	216,702
	10	HSBC Floating Rate Fund - Long Term - Inst. - Dividend - Weekly	—	76,224
6,025,298	100	ICICI Prudential Flexible Income Plan-Daily Dividend Plan	637,225	553,559
48,303,782	10	JPMorgan India Treasury Fund-Super Institutional -Daily dividend re-investment option	483,468	—
45,928,236	10	Kotak Floater Long-Term-Daily Dividend	462,947	—
	10	Magnum Insta Cash Fund - Daily Dividend	—	200,035
	10	SBI Premier Liquid Fund - Institutional - Daily Dividend	—	24,113
48,976,459	10	SBI Short Horizon Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend	490,058	41,096
	10	Sundaram BNP Paribas Money Fund Super Institutional Daily Div. Reinvest	—	100,014
52,314,996	10	Tata Floater Fund Daily Dividend	525,012	248,413
	1,000	Tata Liquid Super High Investment Plan - Daily	—	100,017
244,012	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend	244,064	—
			5,520,326	3,028,933
		Carried forward	5,920,724	3,028,933

Schedules forming part of the Balance Sheet

		As at 31st	
		Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)	Face value per unit Rupees	March, 2010	March, 2009
Number	Rupees	Rupees '000	Rupees '000
		5,920,724	3,028,933
	Brought forward		
	Total Current Investments	(B) 5,920,724	3,028,933
	Total Investments	(A+B) 7,329,224	3,992,691
	* Aggregate cost of quoted investments	332,969	450,948
	Aggregate cost of unquoted investments	6,996,255	3,541,743
		7,329,224	3,992,691
	Aggregate market value of quoted investments	1,170,529	657,531

Schedules forming part of the Balance Sheet

SCHEDULE NO. 6 (Contd.)

Notes :

	Nos.	Cost (Rs.)	Face Value (Rs.)
I) Sale / Redemption :			
Tax Free Bonds			
6.60% ARS Bonds 2009 UTI	500,000	52,403,933	50,000,000
Government Bonds			
11.99% Government of India 2009	50,000,000	65,575,000	50,000,000
UNITS OF MUTUAL FUNDS			
Equity Fund			
DSP Blackrock Top 100 Equity Fund - Regular Plan - Dividend	990,970	23,904,115	25,886,055
HSBC Equity Fund - Dividend	335,542	10,000,000	10,000,000
Debt Fund (Growth Option)			
HDFC FMP 370D March 2008 (2) Wholesale Plan - Normal Dividend Option	10,000,000	100,000,000	100,000,000
Debt Fund (Dividend Option)			
Fortis Fixed Term Plan - Series 12 - Plan B - Instl Plan - Calendar Quarterly Dividend Option	5,535,814	55,361,640	57,637,150
ICICI Prudential FMP series 41 - 19 Mths Plan - Institutional Dividend Option Total	5,000,000	50,000,000	50,000,000
Liquid Fund - Dividend			
DWS Ultra Short Term Fund- Inst Plan - Daily Dividend	44,919,594	449,869,733	449,195,939
DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend	9,974,252	100,015,815	99,742,521
Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	8,188,346	81,903,933	81,883,462
Fidelity Ultra Short Term Debt Fund - Institutional Plan - Daily Dividend Option	53,222,129	532,354,343	532,221,287
HDFC Cash Management Fund - Savings Plan- Daily Dividend Option	22,773,886	242,232,165	227,738,863
HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Daily Dividend Option	19,937,198	200,000,000	199,371,978
HSBC Floating Rate Fund - Long Term - Inst. - Dividend - Weekly	6,784,761	76,223,603	67,847,607
ICICI Prudential Flexible Income Plan Premium-Daily Dividend Plan	5,201,683	100,012,153	52,016,835
Magnum Insta Cash Fund - Daily Dividend	11,942,166	200,034,865	119,421,661
SBI Premier Liquid Fund - Institutional - Daily Dividend	2,403,451	24,112,620	24,034,507
SBI Short Horizon Debt Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend	4,107,545	41,095,990	41,075,453
Sundaram BNP Paribas Money Fund Super Institutional Daily Div. Reinvest	9,906,954	100,013,670	99,069,537

Schedules forming part of the Balance Sheet

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Tata Floater Fund Daily Dividend	9,964,526	100,000,000	99,645,263
Tata Liquid Super High Investment Plan - Daily	89,740	100,017,451	89,740,383

II) Purchased and sold / redeemed during the year :-

LIQUID-DIVIDEND

Birla Sun Life Cash Plus-Institutional Premium Plan - Daily Dividend	59,889,512	600,062,967	598,895,122
Birla Sun Life Savings Fund-Institutional Plan- Daily Dividend	27,980,973	280,000,000	279,809,729
Canara Robeco Liquid-Super Institutional-Daily Div Reinvest	59,759,712	600,047,264	597,597,116
DSP BlackRock Cash Manager Fund - Institutional Plan - Daily Dividend Reinvest	179,993	180,011,240	179,993,241
DSP BlackRock Floating Rate Fund - Institutional Plan- Daily Dividend Reinvest	201,392	201,501,494	201,391,695
DWS Insta Cash Plus Fund-Institutional Plan-Daily Dividend	4,974,745	50,004,152	49,747,455
DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend	4,985,674	50,020,260	49,856,738
Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	11,997,829	120,008,286	119,978,292
Fidelity Ultra Short Term Debt Fund - Institutional Plan - Daily Dividend Option	7,213,637	72,154,405	72,136,371
Fidelity Ultra Short Term Debt Fund - Super Institutional Plan - Daily Dividend Option	11,526,455	115,293,365	115,264,549
HDFC Cash Management Fund - Savings Plan- Daily Dividend Option	9,402,826	100,012,222	94,028,263
HSBC Floating Rate Fund - Long Term - Inst. - Dividend - Weekly	39,247,103	441,340,012	392,471,033
Fortis Money Plus Fund-Institutional Plan- Daily Dividend Option (Compulsory Reinvestment)	61,105,906	611,248,484	611,059,056
Fortis Overnight Fund-Institutional Plan-Daily Dividend Option	54,987,654	550,041,505	549,876,542
HSBC Cash Fund - Inst. Plus - Dividend - Daily	41,978,779	420,022,873	419,787,792
IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily Div.	4,992,511	50,000,000	49,925,112
IDFC CF-Plan C-Daily Dividend	49,992,136	500,046,342	499,921,362
IDFC-Money Manager Fund-Treasury Plan-Plan B-Daily Div.	10,018,222	100,886,498	100,182,217
IDFC-Money Manager Fund-Treasury Plan Plan C-Daily Dividend	35,122,820	351,280,882	351,228,198
JPMorgan India Liquid Fund-Super Institutional-Daily dividend re-investment option	54,960,991	550,044,098	549,609,906
JPMorgan India Treasury Fund-Super Institutional - Daily dividend re-investment option	21,980,437	220,000,000	219,804,374
Kotak Floater Long-Term-Daily Dividend	19,841,664	200,000,000	198,416,635
Kotak Liquid-Institutional Premium Plan - (Daily Dividend)	49,072,681	600,065,655	490,726,813
Magnum Insta Cash Fund - Daily Dividend	53,143,396	890,167,819	531,433,956
SBI Premier Liquid Fund - Institutional - Daily Dividend	4,839	48,548	48,390
SBI Short Horizon Debt Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend	80,693,643	807,360,102	806,936,432
Sundaram BNP Paribas Money Fund Super Institutional Daily Div. Reinvest	12,946,483	130,698,633	129,464,833

Schedules forming part of the Balance Sheet

SCHEDULE NO.6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Sundaram BNP Paribas Ultra Short Term Super Inst Daily Dividend	9,974,066	100,109,697	99,740,656
Tata Liquid Super High Investment Plan - Daily	44,890	50,030,623	44,889,839
Templeton India Treasury Management Account-Super Institutional Plan - Daily Dividend	519,694	520,043,603	519,693,849
Templeton India Ultra-short Bond Fund - Super Institutional - Dividend	60,463,688	605,338,256	604,636,877
UTI- Liquid Fund-Cash Plan-INST - Income	539,562	550,054,497	539,562,329
UTI - Treasury Advantage Fund - Institutional-Daily Dividend	332,489	332,591,294	332,489,340
Debt Fund (DIVIDEND OPTION)			
Fortis Fixed Term Plan - Series 12 - Plan B - Instl Plan - Calendar Quarterly Dividend Option	227,444	2,275,510	2,274,440
Equity - Blended			
HDFC Arbitrage Fund Wholesale Plan Quarterly Dividend Option	4,956,875	50,000,000	49,568,752
ICICI Prudential Blended Plan A-Dividend Option	4,887,824	50,000,000	48,878,244
Kotak Equity Arbitrage Fund - Dividend	4,697,703	50,000,000	46,977,028
Equity Fund			
DSP Blackrock Top 100 Equity Fund - Regular Plan - Dividend	113,761	1,981,940	1,137,608

III) Purchased during the year :-

Debt Fund (GROWTH OPTION)			
Birla Sun Life Fixed Term Plan - Series CC-Growth	10,000,000	100,000,000	100,000,000
HDFC FMP 18M October 2009 - GROWTH OPTION	5,000,000	50,000,000	50,000,000
IDFC Fixed Maturity Plan - Thirteen Months Series 5 - Growth	5,000,000	50,000,000	50,000,000
Kotak FMP 370 Days Series 2 - Growth	10,000,000	100,000,000	100,000,000
Kotak FMP 370 Days Series 3 - Growth	5,000,000	50,000,000	50,000,000
SBI Debt Fund Series- 370 Days - 3 - Growth	5,002,331	50,023,310	50,023,310
Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth	1,937,446	30,000,000	19,374,463
Tata Fixed Maturity Plan Series 25 - Scheme A - Super High Investment Plan - Growth	5,000,000	50,000,000	50,000,000
Debt Fund (DIVIDEND OPTION)			
Birla Sun Life Interval Income Fund - Quarterly Series I- Institutional Dividend	10,000,000	100,000,000	100,000,000
ICICI Prudential Banking & PSU Debt Fund- Daily Dividend	5,014,527	50,213,132	50,145,272
Tata Fixed Income Portfolio Fund - Scheme C3 - Institutional Plan - Monthly Dividend	5,018,433	50,184,516	50,184,327
DWS Money Plus Advantage Fund- Inst-Div	2,809,831	30,000,000	28,098,307
DWS Money Plus Advantage Fund- Reg-Div	1,884,890	20,000,000	18,848,898

Schedules forming part of the Balance Sheet

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
HDFC MF Monthly Income Plan-Long Term Plan- Monthly Dividend Option	3,962,719	50,000,000	39,627,187
HDFC Short Term Plan-Dividend	5,048,002	51,958,823	50,480,022
UTI - Short Term Income Fund -Institutional Dividend Option	16,899,248	170,004,745	168,992,480
UTI Fixed Income Interval Fund - Quarterly Interval Plan Series- I - Inst Dividend Plan	5,000,000	50,000,000	50,000,000
UTI Fixed Income Interval Fund - Quarterly Plan Series - III- Inst Dividend Plan	5,000,000	50,000,000	50,000,000
UTI Fixed Income Interval Fund - Monthly Interval Plan Series - I - Inst. Dividend Plan	10,000,000	100,000,000	100,000,000
LIQUID-DIVIDEND			
Birla Sun Life Savings Fund-Institutional Plan- Daily Dividend	33,323,364	333,460,243	333,233,644
Birla Sun Life Short Term Opportunities Fund- Institutional Weekly Dividend Plan	5,024,099	50,257,020	50,240,991
Canara Robeco Treasury Advantage Fund - Super Institutional Plan- Daily Div Reinvest	48,566,836	602,573,587	485,668,357
DWS Cash Opportunities Fund Institutional-Daily	40,330,868	404,288,718	403,308,680
DWS Ultra Short Term Fund- Inst Plan - Daily Dividend	11,930,794	119,521,505	119,307,940
HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Daily Dividend Option	52,419,580	525,847,018	524,195,801
ICICI Prudential Flexible Income Plan Premium-Daily Dividend Plan	1,736,876	183,678,333	173,687,600
IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily Div.	56,167,491	562,517,426	561,674,913
JPMorgan India Treasury Fund-Super Institutional - Daily dividend re-investment option	48,303,782	483,467,719	483,037,815
Kotak Floater Long-Term-Daily Dividend	45,928,236	462,947,432	459,282,359
SBI Short Horizon Debt Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend	48,976,459	490,058,449	489,764,590
Tata Floater Fund Daily Dividend	37,526,360	376,599,541	375,263,603
UTI - Treasury Advantage Fund - Institutional-Daily Dividend	244,012	244,064,497	244,012,265

Schedules forming part of the Balance Sheet

	Rupees '000	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 7			
DEFERRED TAXATION :			
Deferred Tax Asset :			
Provision for doubtful debts	20,574		34,222
Provision others	314,326		293,207
Voluntary retirement scheme	—		334
Provision for employee benefits	101,749		48,375
Disallowances under Section 43B	62,766		69,977
		499,415	446,115
Deferred Tax Liability :			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961	(329,522)		(215,469)
		(329,522)	(215,469)
		169,893	230,646

Schedules forming part of the Balance Sheet

	Rupees '000	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories **::			
Stores and Spares		88,207	63,971
Loose tools and gauges		65,625	112,635
Stock-in-trade :			
Raw materials and components	1,956,116		2,150,895
Work-in-progress	737,477		1,019,739
Finished goods	700,208		614,962
Materials in transit	549,052		717,545
** Refer note 1(d) of Schedule 12 for method of valuation			
		3,942,853	4,503,141
		4,096,685	4,679,747
Sundry debtors : Secured			
Debts outstanding for a period exceeding six months			
Considered good	2,530		6,486
Other debts			
Considered good	235,004		120,287
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	105,244		280,168
Considered doubtful	71,494		104,843
Other debts -			
Considered good	4,886,233		6,414,089
Considered doubtful	6,560		—
	5,307,065		6,925,873
Less: Provision for doubtful debts	78,053		104,843
		5,229,012	6,821,030
Cash and bank balances :			
Cash on hand	383		679
Balances with scheduled banks :			
on current account	258,899		321,443
on deposit account	300,000		1,105
		559,282	323,227
Carried forward		9,884,979	11,824,004

Schedules forming part of the Balance Sheet

	Rupees '000	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 8 (Contd.)			
Brought forward		9,884,979	11,824,004
Other current assets :			
Interest accrued on investments	19,702		11,012
Lease Rent Receivables	—		1,181
Other receivables	72,953		71,000
		92,655	83,193
Loans and advances :			
Unsecured considered good :			
Inter Corporate Deposit (Refer Note 3(a) of Schedule 12)	673,299		410,093
Advances recoverable in cash or in kind or for value to be received			
Considered good	1,686,542		1,899,454
Considered doubtful	—		8,163
	1,686,542		1,907,617
Less: Provision for doubtful Advances	—		8,163
	1,686,542		1,899,454
Balance with Excise Department	211,255		169,536
Taxation (Net of provision)	123,844		184,109
		2,694,940	2,663,192
		12,672,574	14,570,389

Schedules forming part of the Balance Sheet

	Rupees '000	As at 31st March, 2010 Rupees '000	As at 31st March, 2009 Rupees '000
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	784,447		624,677
Sundry creditors			
i) Micro & Small Enterprises (Refer Note 3(b) of Schedule 12)	140,942		109,732
ii) Others	3,627,301		4,652,666
Advances from customers	143,367		84,081
Dividend warrants posted but not encashed *	20,364		20,009
Advance Income	72,421		38,466
Dealer Deposit	153,675		146,386
Other Liabilities	235,206		300,632
		5,177,723	5,976,649
Provisions :			
Proposed dividend	1,188,000		514,800
Tax on dividend	197,312		87,490
Post retirement benefits and leave entitlement	294,811		266,703
Others (Refer Note 7 of Schedule 12)	954,096		862,660
		2,634,219	1,731,653
		7,811,942	7,708,302

* **Note :** There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.

Schedules forming part of the Profit and Loss Account

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 10			
OTHER INCOME :			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs.('000) 3,258 ; previous year Rs.('000) 8,268)	45,776		44,848
Provision for earlier years written back	—		193,638
Miscellaneous income	463,326		653,703
Export benefits	60,474		221,338
Income from investments			
Interest Income			
- On Bonds	18,133		38,256
- On Deposits (tax deducted at source Rs. ('000) 1,341 , previous year Rs. NIL)	13,413		—
	31,546		38,256
Dividend Income			
- On Mutual Funds, Current Investments	218,984		240,813
- On Investment in Associates / Joint Ventures	387,119		92,420
	606,103		333,233
Gain on sale/redemption of investments	—		22,451
Net gain on fixed assets sold or discarded	8,370		—
	1,215,595	1,215,595	1,507,467
	1,215,595	1,215,595	1,507,467

Schedules forming part of the Profit and Loss Account

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		17,324,236	21,697,705
Purchase of goods for resale		1,033,389	748,585
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	1,600,001		1,713,900
Company's contribution to provident and other funds (Net)	171,034		178,985
Welfare expenses	181,579		236,731
		1,952,614	2,129,616
Operating and other expenses :			
Stores, spares, consumable materials, etc.	344,656		661,115
Tools and gauges	68,849		71,472
Repairs to buildings	58,423		105,287
Repairs to machinery	30,936		51,779
Other repairs	13,597		9,732
Power and fuel	184,999		248,846
Rent	63,441		55,009
Rates and taxes	78,299		92,398
Insurance	14,095		13,292
Outside processing charges	98,840		220,852
Commission on Sales	323,883		302,337
Other expenses	1,101,470		1,499,481
Donations and contributions	10,000		20,000
Net loss on fixed assets sold / discarded	—		19,751
Net Loss on sale/redemption of investments	3,626		—
		2,395,114	3,371,351
Technical fees and royalties		274,500	431,779
Carried forward		22,979,853	28,379,036

Schedules forming part of the Profit and Loss Account

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11 (Contd.)			
Brought forward		22,979,853	28,379,036
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	700,208		614,962
Work-in-progress	737,477		1,019,739
	1,437,685		1,634,701
Opening inventories :			
Finished goods	614,962		786,986
Work-in-progress	1,019,739		747,806
	1,634,701		1,534,792
		197,016	(99,909)
		23,176,869	28,279,127
Less : cost of plant and machinery manufactured		3,025	8,669
		23,173,844	28,270,458

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

SCHEDULE NO.12

1. Significant accounting policies

a) Basis of accounting

- i) The financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- ii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.

b) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.
- ii) Depreciation is provided using the straight-line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at rates prescribed therein or based on the useful life of assets, whichever is higher. Leasehold land is amortised over the period of lease. Computers (desktops, laptops) acquired under finance lease are amortised over the period of lease and those acquired subsequently and not covered by the lease are depreciated over the remaining period of the said computer lease. Other computers and related assets are depreciated over a period of four years.

Intangible assets are amortized over a period of their respective useful lives ranging between three years to seven years.

c) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. Current investments are stated at the lower of cost and fair value. Fixed Income Securities (Bonds) are stated at their cost of acquisition and held till maturity.

d) Inventories

Inventories are stated at lower of cost and net realisable value after providing for obsolescence. The material costs are determined on weighted average basis and the valuation of manufactured goods represents the combined cost of material, labour and all manufacturing overheads. Material in transit is valued at cost incurred till date.

e) Foreign currency transactions

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transactions. Monetary foreign currency current assets and current liabilities are translated at the year-end exchange rates. The resulting profits and losses are appropriately recognised in the Profit and Loss Account.

The Company uses foreign exchange forward contracts to cover its foreign currency cash flow risks, arising from exposures from exports and imports, against movements in foreign exchange rates. Foreign exchange forward contracts are not used for trading or speculation purpose. Premium/Discounts are recognized over the life of the contracts. Gains and Losses at the end of each accounting period are recognized in the profit and loss account and correspondingly in the Balance sheet against the respective line items covered.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

f) Revenue recognition

- i) Sale of goods is recognised as per the terms of sale. Sales exclude amounts recovered towards excise duty and sales tax.
- ii) Revenue from Long Term Service Contracts is recognized using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Advance Income' under 'Current Liabilities' in the Balance Sheet. In case of other Service contracts, revenue is recognized on a straight line basis.
- iii) Dividend income from investments is recognised when the right to receive payment is established.

g) Lease charges under operating leases

Lease charges under operating leases are recognised as expense on straight-line basis over the lease term.

h) Product warranty and New Engine Performance Inspection fees

Product warranty costs and New Engine Performance Inspection fees are accrued in the year of sale of products, based on past experience. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty provision, for actual experience and are included as under:

- i) Cost of product warranty is included in 'Raw materials and components consumed' for free replacement of spares. Accrual of warranties towards replacement of spares, labour charges etc., are included in 'Other expenses'.
- ii) New Engine Performance Inspection fee is included under 'Other expenses'.

i) Employee benefits

- i) Post-employment Benefits

- a) Defined Contribution Plans:

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 / Company managed Trust / 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.

- b) 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 trust / Life Insurance Corporation (LIC) / Regional Provident Fund Commissioner.

Unfunded Plan: The Company has unfunded Defined Benefit plans in the form of Post Retirement Medical Benefits and Ex-gratia benefits as per the policy of the company.

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

- ii) Other Long-term Employee Benefit:

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date,

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

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

- iii) Termination benefits are recognized as an expense as and when incurred.
- iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortization.

j) Research and development costs

Research and development expenditure of a capital nature is added to Fixed Assets. All other research and development expenditure is written off in the year in which it is incurred.

k) Income Tax

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 arising from unabsorbed depreciation or carry forward of losses under tax laws are recognised only to the extent that there is virtual certainty of realization. Other deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty of realization.

l) Provisions

A provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, 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.

m) Impairment of Asset

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

2. Capital Commitments

	Rs. '000	Previous year Rs. '000
Capital Commitments, net of capital advances	613,560	616,602

3. a) Inter Corporate deposits include –

- i) An inter corporate deposit of **Rs. ('000) 265,000** (previous year Rs. ('000) 230,000) placed with Cummins Technologies India Limited (previously known as Cummins Turbo Technologies India Limited), a fellow subsidiary. Maximum amount due during the year **Rs. ('000) 273,836** (previous year Rs. ('000) 235,361).
- ii) An inter corporate deposit of **Rs. ('000) NIL** (previous year Rs. ('000) 70,000) placed with Cummins Research and Technology India Limited, a Joint Venture. Maximum amount due during the year **Rs. ('000) 70,538** (previous year Rs. ('000) 70,490).

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

- iii) An inter corporate deposit of **Rs. ('000) NIL** (previous year Rs. ('000) 100,000) placed with Valvoline Cummins Limited, a Joint Venture. Maximum amount due during the year **Rs. ('000) 106,301**(previous year Rs. ('000) 104,242).

- b) Sundry creditors include –

	Rs. '000	Previous year Rs. '000
Total outstanding dues of micro and small enterprises	140,942	109,732

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

		Rupees '000
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.	
	a. Principal	136,197
		(98,753)
	b. Interest	4,745
		(10,979)
	Total	140,942
		(109,732)
2	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	
	a. Principal	601,069
		(651,091)
	b. Interest	10,979
		(1,854)
	Total	612,048
		(652,945)
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—
		(—)
4	The amount of interest accrued and remaining unpaid at the end of the year.	
	a. Total Interest accrued	4,745
		(10,979)
	b. Total Interest unpaid	4,745
		(10,979)
5	The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	<i>Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.</i>

The figures in brackets are in respect of the previous year.

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 the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

4. Contingent liabilities

	As at 31st March, 2010 Rs. '000	As at 31 st March, 2009 Rs. '000
a) Bills discounted not matured	337,804	240,208
b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	66,176	58,345
c) Central excise duty/customs duty – demands not accepted by the Company	25,141	23,564
d) Sales Tax Matters pending in appeal	178,943	53,249
e) Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	665	—
f) Civil liability / secondary civil liability in respect of suits filed against the Company	1,944	43,150

During the year the company has received a draft assessment order u/s 143 (3) read with Section 144C of the Income Tax Act, 1961 proposing adjustments to income returned by the company by **Rs. ('000) 510,700** on account of transfer pricing and other matters for the assessment year 2006-07, the tax impact of which could range upto **Rs. ('000) 171,900**. The company has filed objections with the Dispute Resolution Panel which are yet to be heard and only post this hearing a demand may potentially be raised. Pending hearing before the Dispute Resolution Panel, the management is of the opinion that the said amount is not payable.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

5. Related Party Disclosures

a) Name of the related party and nature of relationship where control exists

Name of the related party	Nature of relationship
Cummins Inc.	Holding Company

b) Transactions with related parties as per the books of account during the year ended 31st March, 2010.

Rs. ('000)

Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Purchases of goods	Cummins Inc.	1,557,596 (2,826,796)	— (—)	— (—)	— (—)	— (—)	— (—)	1,557,596 (2,826,796)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	2,489,891 (1,931,188)	2,489,891 (1,931,188)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	383,651 (600,017)	— (—)	— (—)	383,651 (600,017)
	Others	— (—)	1,684,054 (2,790,746)	281,663 (262,281)	— (—)	— (—)	— (—)	1,965,717 (3,053,027)
Sale of goods	Cummins Limited	— (—)	2,734,553 (6,194,930)	— (—)	— (—)	— (—)	— (—)	2,734,553 (6,194,930)
	Cummins Inc.	46,851 (154,711)	— (—)	— (—)	— (—)	— (—)	— (—)	46,851 (154,711)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	2,422 (—)	— (—)	— (—)	2,422 (—)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	13,312 (6,455)	13,312 (6,455)
	Others	— (—)	916,760 (4,195,939)	— (8)	— (—)	— (—)	— (—)	916,760 (4,195,947)
Purchase of fixed assets	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	854 (1,760)	— (—)	— (—)	854 (1,760)
	Cummins Inc.	— (9,522)	— (—)	— (—)	— (—)	— (—)	— (—)	— (9,522)
Sale of fixed assets	Cummins Technologies India Limited	— (—)	31,810 (—)	— (—)	— (—)	— (—)	— (—)	31,810 (—)
Services Rendered	Cummins Inc.	86,489 (110,304)	— (—)	— (—)	— (—)	— (—)	— (—)	86,489 (110,304)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	175,094 (118,651)	175,094 (118,651)
	Valvoline Cummins Limited	— (—)	— (—)	73,213 (35,010)	— (—)	— (—)	— (—)	73,213 (35,010)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	10,896 (28,651)	— (—)	— (—)	10,896 (28,651)
	Others	— (—)	61,170 (190,514)	3,665 (5,670)	— (—)	— (—)	— (—)	64,835 (196,183)
Remuneration Paid	Anant Talaulicar	— (—)	— (—)	— (—)	— (—)	4,379 (4,073)	— (—)	4,379 (4,073)
Services Received	Cummins Inc.	39,989 (12,849)	— (—)	— (—)	— (—)	— (—)	— (—)	39,989 (12,849)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	15,989 (—)	15,989 (—)

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

Rs. ('000)

Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total
	Cummins Technologies India Limited	— (—)	208,264 (—)	— (—)	— (—)	— (—)	— (—)	208,264 (—)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	— (1,161)	— (—)	— (—)	— (1,161)
	Others	— (—)	5,861 (35,053)	12,491 (7,129)	— (—)	— (—)	— (—)	18,352 (42,182)
Transfer of Technology including royalty	Cummins Inc.	274,500 (431,779)	— (—)	— (—)	— (—)	— (—)	— (—)	274,500 (431,779)
Intercompany Deposits Given and recovered	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	— (150,000)	— (—)	— (—)	— (150,000)
Intercompany Deposits Recovered	Cummins Research and Technology India Limited	— (—)	— (—)	70,000 (—)	— (—)	— (—)	— (—)	70,000 (—)
	Cummins Technologies India Limited	— (—)	220,000 (—)	— (—)	— (—)	— (—)	— (—)	220,000 (—)
	Valvoline Cummins Limited	— (—)	— (—)	100,000 (—)	— (—)	— (—)	— (—)	100,000 (—)
Inter Corporate Deposits Given	Cummins Technologies India Limited	— (—)	255,000 (230,000)	— (—)	— (—)	— (—)	— (—)	255,000 (230,000)
Interest Received On inter corporate deposit	Cummins Research and Technology India Limited	— (—)	— (—)	3,090 (4,898)	— (—)	— (—)	— (—)	3,090 (4,898)
	Cummins Technologies India Limited	— (—)	20,627 (5,361)	— (—)	— (—)	— (—)	— (—)	20,627 (5,361)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	— (5,407)	— (—)	— (—)	— (5,407)
	Valvoline Cummins Limited	— (—)	— (—)	8,050 (7,610)	— (—)	— (—)	— (—)	8,050 (7,610)
IT Service Charges	Cummins Inc.	26,643 (71,096)	— (—)	— (—)	— (—)	— (—)	— (—)	26,643 (71,096)
	Cummins Diesel Sales Corporation	— (—)	23,296 (41,329)	— (—)	— (—)	— (—)	— (—)	23,296 (41,329)
Dividend Received	Cummins Exhaust India Limited	— (—)	— (—)	49,000 (30,998)	— (—)	— (—)	— (—)	49,000 (30,998)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	218,399 (23,400)	— (—)	— (—)	218,399 (23,400)
	Valvoline Cummins Limited	— (—)	— (—)	119,700 (38,000)	— (—)	— (—)	— (—)	119,700 (38,000)
Dividend paid	Cummins Inc.	868,428 (646,272)	— (—)	— (—)	— (—)	— (—)	— (—)	868,428 (646,272)

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

c) Amounts outstanding as at 31st March, 2010.

Rs. ('000)

Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Sundry Creditors	Cummins Inc.	573,855 (992,724)	— (—)	— (—)	— (—)	— (—)	— (—)	573,855 (992,724)
	Cummins Limited	— (—)	162,441 (144,622)	— (—)	— (—)	— (—)	— (—)	162,441 (144,622)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	76,761 (79,865)	— (—)	— (—)	76,761 (79,865)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	149,905 (66,403)	149,905 (66,403)
	Others	— (—)	183,123 (59,477)	24,887 (24,634)	— (—)	— (—)	— (—)	208,010 (84,111)
Sundry Debtors	Cummins Limited	— (—)	1,061,254 (2,083,778)	— (—)	— (—)	— (—)	— (—)	1,061,254 (2,083,778)
	Cummins Inc.	26,639 (107,972)	— (—)	— (—)	— (—)	— (—)	— (—)	26,639 (107,972)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	51,205 (37,138)	51,205 (37,138)
	Cummins Generator Technologies India Limited	— (—)	— (—)	— (—)	4,837 (6,420)	— (—)	— (—)	4,837 (6,420)
	Others	— (—)	278,312 (412,373)	2,790 (13,953)	— (—)	— (—)	— (—)	281,102 (426,326)
Inter Corporate Deposit Receivable	Cummins Reseach and Technology India Limited	— (—)	— (—)	— (70,000)	— (—)	— (—)	— (—)	— (70,000)
	Valvoline Cummins Limited	— (—)	— (—)	— (100,000)	— (—)	— (—)	— (—)	— (100,000)
	Cummins Technologies India Limited	— (—)	265,000 (230,000)	— (—)	— (—)	— (—)	— (—)	265,000 (230,000)
Interest Receivable on ICD Balance	Cummins Technologies India Limited	— (—)	8,299 (5,361)	— (—)	— (—)	— (—)	— (—)	8,299 (5,361)
	Valvoline Cummins Limited	— (—)	— (—)	— (4,242)	— (—)	— (—)	— (—)	— (4,242)
	Cummins Reseach and Technology India Limited	— (—)	— (—)	— (490)	— (—)	— (—)	— (—)	— (490)

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

Notes:

- i) The names of the related parties under the appropriate relationship included in notes 5 (b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Holding Company	Cummins Inc.
Fellow subsidiaries	Cummins (China) Investment Company Ltd. Cummins Business Services, Nashville Cummins Commercializadora Cummins Deutschland Gmbh Cummins Diesel N.V. Cummins Diesel Sales Corporation, Singapore Cummins Diesel South Africa Pvt. Ltd. Cummins Diesel UK Cummins Diethelm Limited Cummins Engine (China) Investment Co. Ltd. Cummins Engine (Shanghai) Trading And Service Co. Cummins Engine (Beijing) Co., Ltd. Cummins Filtration Australia Cummins Firepower Cummins France Sa Cummins Generator Technologies (China) Co., Ltd. Cummins Generator Technologies Limited, UK Cummins Hong Kong Limited Cummins Indiana Cummins Italia Spa Cummins Japan Ltd. Cummins Mexico Sa Cummins Middle East Fze Cummins Mid-South, LLC Cummins Natural Gas Engines, Inc. Cummins Power Generation (China) Co., Ltd. Cummins Power Generation, Australia Cummins Power Generation Limited, U.S.A. Cummins Power Generation Limited, Kent Cummins Power Generation Singapore PTE Ltd. Cummins Power Generation(China) Co. Ltd. Cummins Rocky Mountain Llc Cummins Sales & Service Philippines Inc. Cummins South Africa (Pty) Ltd. Cummins Taiwan Pte. Ltd. Cummins Technologies India Limited Cummins Turbo Technologies (US) Cummins Turbo Technologies Ltd. Cummins UK Cummins Westport Cummins Generator Technologies (China) Co., Ltd. Diesel Recon Co. Diesel Recon, El Paso Shanghai Cummins Trade Co. Ltd. Cummins Npower Cummins Brasil Ltd. Cummins Limited Cummins S De R L De C V

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

Nature of Relationship	Name of the Party
Key Management Personnel	Anant Talaulicar
Associate	Cummins Generator Technologies India Limited
Joint Venture	Valvoline Cummins Limited
	Cummins Exhaust India Limited
	Cummins Reseach and Technology India Limited
Enterprise with common Key Management Personnel	Tata Cummins Limited

- ii) Reimbursement of expenses incurred by related parties for and on behalf of the company and vice versa have not been included above.
- iii) The information given above, has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- iv) Figures in brackets are in respect of the previous year.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

6. Segmental Information

a) Primary Segment

The Company's operations predominantly relate to manufacture of Internal combustion engines, gensets and parts thereof (Engines business segment) used for various applications such as power generation, construction, compressor, mining, marine, locomotive, fire-fighting, etc. Others includes income from Service solutions business.

b) Secondary Segment

Two secondary segments have been identified based on the geographical locations of customers: domestic and export.

	Rs. '000		
Information about business segments (Primary Segments)	Engine Business	Others	Total
i) Segment Revenue	25,913,976	2,534,728	28,448,704
	(31,168,459)	(1,874,378)	(33,042,837)
ii) Segment result	4,522,892	932,776	5,455,668
	(4,575,488)	(515,487)	(5,090,975)
Unallocated -Other Income			673,988
Interest			(733,284)
			20,507
			(26,080)
Profit before tax and exceptional item			6,109,147
			(5,798,179)
Exceptional item (Refer to Note 23 of Schedule No. 12)			—
			(192,037)
Profit before tax but after exceptional item			6,109,147
			(5,990,216)
Provision for tax			
Current tax			1,609,722
			(1,703,986)
Deferred tax			60,753
			(-78,036)
Fringe Benefit Tax			—
			(27,655)
Net Profit for the year			4,438,672
			(4,336,611)
iii) Segment assets	15,130,053	735,561	15,865,614
	(16,802,483)	(662,947)	(17,465,430)
Common assets			7,642,663
			(4,418,458)
Enterprise assets			23,508,277
			(21,883,888)
iv) Segment liabilities	6,096,634	395,869	6,492,503
	(7,035,271)	(282,101)	(7,317,372)
Common liabilities			1,405,810
			(620,011)
Enterprise liabilities			7,898,313
			(7,937,383)
v) Capital Expenditure	1,814,859	2,890	1,817,749
	(963,200)	(8,130)	(971,330)
Depreciation	354,916	5,885	360,801
	(446,012)	(9,575)	(455,587)
Information about geographical segments (Secondary Segments)	Domestic	Export	Total
vi) Segment revenue	23,565,444	4,883,260	28,448,704
	(19,913,819)	(13,129,018)	(33,042,837)

Notes:

- i) The Company's tangible assets are located entirely in India.
- ii) Figures in brackets are in respect of the previous year.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

7. Disclosure on Provisions made, utilised and reversed during the year as per Accounting Standard 29 issued by The Institute of Chartered Accountants of India

	Rs. '000			
	Warranty	Service Costs and Overhaul	Statutory Matters	Total
Opening Balance	796,897 (524,556)	50,528 (147,946)	15,235 (9,505)	862,660 (682,007)
Additions	452,915 (468,521)	31,489 (38,604)	1,354 (5,730)	485,758 (512,855)
Utilisations	364,029 (196,180)	26,204 (54,121)	4,089 (—)	394,322 (250,301)
Reversal	— (—)	— (81,901)	— (—)	— (81,901)
Closing Balance	885,783 (796,897)	55,813 (50,528)	12,500 (15,235)	954,096 (862,660)

Figures in brackets are in respect of the previous year.

- i) The provision for warranty is on account of warranties given on products sold by the Company. The provision is based on the historic data and estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- ii) The provision for overhaul is on account of engines given on rent to various customers. The provision is based on the data on overhaul costs on various types of gensets as accumulated by the Company. The timing and amount of the cash flows that will arise from these matters will be determined at the time of actual overhauling of the gensets.

Provision for service costs comprise of dealer claims. Provision is made on the amount claimed by the dealers. The timing and the amount of cash flows that will arise from the dealer claims will be determined at the time of settlement of these claims.
- iii) The provisions for statutory matters are on account of legal matters where the Company anticipates probable outflow. The amount of provision is based on estimate 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.

8. Lease income

The Company has not provided any equipment under finance / operating lease arrangements during the year and does not have any such arrangements outstanding as at the end of the year.

9. Lease commitments

- i) Finance lease :

The Company had acquired computers under finance lease arrangements in earlier years for a period of three years which expired during the year and no amount is outstanding as at the end of the year.

- ii) Operating lease :

The Company had acquired equipment under operating lease arrangements in earlier years at stipulated rentals for a period of five years. There are no future minimum lease payments under these leases as at the end of the year.

The minimum lease payments recognized in the statement of profit and loss (included under other expenses) for the year are **Rs. ('000) 16,473** (previous year Rs. ('000) 10,420).

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

10. The net exchange differences (gains/(losses)) arising during the year appropriately recognised in the profit and loss account is **Rs. ('000) 101,973** (previous year Rs. ('000) 228,690).

11. a) Managerial Remuneration

Particulars	Rs. ('000)	Previous Year Rs. ('000)
Salary	12	12
Perquisites	4,367	4,061
Commission - non-whole time directors	1,375	1,375
Sitting fees	320	355
Total	6,074	5,803

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Directors is not ascertainable and is therefore not included above.

b) Computation of net profits in accordance with section 309 (5) of the Companies Act, 1956

Particulars	Rs. '000	Rs. '000	Previous Year Rs. '000
Profits before Tax as per Profit and Loss account		6,109,147	5,990,216
Add: Directors' remuneration	6,074		5,803
Depreciation (including amortization) provided in the books	360,801		455,587
Net (profit) / loss on fixed assets sold or Discarded	(8,370)		19,751
Provision for doubtful debts and advances	24,405		86,695
		382,910	567,836
Less: Depreciation (including amortization) under section 350 of the Companies Act, 1956 *	360,801		455,587
Profit from Sale of Company's Power Generation Rental Power Business	—		192,037
Net (profit) / loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	(8,370)		19,751
Net Profit / (loss) on redemption or sale of Investments	(3,626)		22,451
		348,805	689,826
Net Profit as per section 309(5)		6,143,252	5,868,226
Restricted to 1%		61,433	58,682
Commission payable to non-wholetime directors		1,375	1,375

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by Schedule XIV.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

12. Remuneration to Auditors

	Rs. '000	Previous year Rs. '000
Statutory Audit	5,863	7,250
Limited Review	1,500	1,500
Tax Audit	2,200	2,200
Other services	340	20
Reimbursement of out of pocket expenses	84	81
	9,987	11,051

13. Other expenses include provision for doubtful debts **Rs. ('000) 24,405** (previous year Rs. ('000) 86,695).

14. The total research and development expenses incurred by the Company are as under. As per the requirement specified by Department of Scientific and Industrial Research, New Delhi, details of expenses incurred on auto projects are as follows :

Particulars	Rs. ('000)
	Total Research and Development expense
a. On capital A/c	314,195 (100,132)
b. On revenue A/c	317,559 (307,990)
Total	631,754 (408,122)

The expenses disclosed above include expenses incurred on development of parts. Figures in brackets are in respect of the previous year.

15. The Company has 50% interest in Joint Ventures namely Cummins Exhaust India Limited, Cummins Research and Technology India Limited and Valvoline Cummins Limited, incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2010 and Income and Expenses for the year ended on that date.

a) Cummins Exhaust India Limited

	As at March 31, 2010 Rs. '000	As at March 31, 2009 Rs. '000
Assets	117,117	127,750
Liabilities	30,932	42,182
Income	223,786	214,783
Expenses (including provision for tax)	189,240	176,697
Contingent Liabilities	Nil	Nil
Capital Commitments	1,276	Nil

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

b) Cummins Research and Technology India Limited

	As at March 31, 2010 Rs. '000	As at March 31, 2009 Rs. '000
Assets	204,836	179,805
Liabilities	36,684	54,394
Income	204,955	241,359
Expenses (including provision for tax)	162,214	158,783
Contingent Liabilities	13,883	15,086
Capital Commitments	179	Nil

c) Valvoline Cummins Limited

	As at March 31, 2010 Rs. '000	As at March 31, 2009 Rs. '000
Assets	985,548	635,075
Liabilities	399,273	342,761
Income	2,911,677	2,235,329
Expenses (including provision for tax)	2,477,673	2,110,832
Contingent Liabilities	11,909	12,020
Capital Commitments	Nil	Nil

16. Earnings Per share

	As at March 31, 2010	As at March 31, 2009
a) 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 :		
b) Profit for the year after taxation Rs. ('000)	4,438,672	4,336,611
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	22.42	21.90
Face value per share Rs.	2.00	2.00

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

17. a) Quantitative information with regard to installed capacity and production -

	Installed capacity * Nos.	Production Nos.
Internal Combustion engines in all H.P. ranges.	53,300 (56,300)	30,176 (29,832)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	62,800 (66,300)	9,084 (15,329)
Machine tools including special purpose machines and transfer lines	7 (7)	— (—)
Hydraulic Governors	300 (300)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	0.259 (0.164)

* On triple shift basis including capacity for manufacture of components, as certified by management. The installed capacity is subject to product mix, utilisation of plant and machinery which is common for different models and availment of sub-contracting facilities.

Notes:

- i) Production includes Engines captively consumed **1 no.** (Previous year – 1 no.)
- ii) Production quantities represent the number of components sold during the year, as the Company considers a component as 'meant for sale' only when it is actually sold.
- iii) Figures in brackets are in respect of the previous year.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

b) Turnover, opening and closing stocks :

	S a l e		S t o c k s			
	Qty. Nos.	Value Rs '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Internal Combustion Engines	29,131* (29,587)*	18,913,094 (22,193,301)	86 (113)	67,891 (33,110)	187 (86)	32,851 (67,891)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	8,934# (15,648)#	1,693,299 (3,154,224)	75 (426)	16,972 (59,612)	127 (75)	23,980 (16,972)
Goods for resale :						
Engines	3,823 (1,971)	783,292 (478,054)	— (—)	— (—)	— (—)	— (—)
Equipments	— (37)	— (156,629)	— (1)	— (14,022)	— (—)	— (—)
Lease rentals from equipments		— (169,226)				
Gross income from services rendered		933,343 (785,248)				
Spare parts accessories and components		5,180,729 (5,217,666)		393,119 (594,900)		574,295 (393,119)
Others		944,947 (888,489)		136,980 (85,342)		69,082 (136,980)
		28,448,704 (33,042,837)		614,962 (786,986)		700,208 (614,962)

* net of sales returns **78 nos.** (previous year 52 nos.), excluding engines given as free replacement **221 nos.** (previous year 209 nos.), seeding units sale of **264 nos.** (previous year 10 nos.) and R & R units sale of **380 nos.** (previous year Nil nos.)

net of sales returns **36 nos.** (previous year 12 nos.), excluding gensets given as free replacement **6 nos.** (previous year 20 nos.) and R & R units sale of **56 nos.** (previous year Nil nos.)

Figures in brackets are in respect of the previous year

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

c) Details of raw materials and components consumed :

	Rs '000	Previous year Rs. '000
i) Castings – various	157,388	350,140
ii) Forgings – various	191,200	456,006
iii) Components	12,710,036	16,511,355
iv) Engines (nos. 21,613 ; previous year 26,415 nos.)	1,900,162	2,471,286
v) Long Blocks (nos. 3,230 ; previous year 1,322 nos.)	338,396	135,227
vi) Others including semi-finished components	2,027,054	1,773,691
	17,324,236	21,697,705

Note :

Item (iii) includes -

- i) the cost of accessories sold and cost of purchased components sold as spare parts (for the goods manufactured and sold by the Company), this activity being ancillary to the Company's manufacturing activity, and
- ii) the cost of purchased components issued as free replacements under the Company's warranty for goods sold.

d) Details of purchase of goods for resale :

	Qty. Nos.	Value Rs. '000	Previous Year Qty. Nos.	Value Rs. '000
Engines	3,823	783,292	1,971	478,054
Equipment	—	—	36	152,431
Others		250,097		118,100
Total	3,823	1,033,389	2,007	748,585

e) Value of imported and indigenous raw materials and components consumed :

	Rs.'000	%	Previous year Rs '000	%
Imported	3,828,860	22.12	6,131,658	28.26
Indigenously procured	13,495,376	77.88	15,566,047	71.74
Total	17,324,236	100.00	21,697,705	100.00

18. Value of imports calculated on CIF basis :

	Rs. '000	Previous year Rs. '000
a) Raw materials	915,549	1,336,392
b) Components	2,219,318	4,462,380
c) Machinery spares	8,674	16,183
d) Capital goods	305,254	261,073
e) Tools, stores, etc.	13,657	47,283
Total	3,462,542	6,123,311

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

19. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis :

	<u>Rs. '000</u>	<u>Previous year Rs. '000</u>
a) Royalty	274,500	431,779
b) Technical Know-how	—	—
c) Others (including IT Service charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	188,843	259,088
Total	<u>463,343</u>	<u>690,867</u>

20. Remittances during the year in foreign currency on account of dividend to non-resident Shareholders were as follows:

		<u>Previous Year</u>
Number of shareholders	1	1
Number of equity shares (shares of Rs. 2 each)	100,980,000	100,980,000
Amount remitted Rs. ('000)		
For the year ended 31st March, 2010 (Interim)	605,880	
For the year ended 31st March, 2009 (Final)	262,548	
For the year ended 31st March, 2009 (Interim & Special)		646,272
For the year ended 31st March, 2008 (Final)		262,548

The above information pertains to the non-resident shareholder to whom direct remittance has been made by the Company.

21. Earnings in foreign exchange :

	<u>Rs. '000</u>	<u>Previous Year Rs. '000</u>
i) Export on FOB basis	4,883,260	13,129,018
ii) Recovery of freight, insurance and other expenses on exports	3,368	13,766
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	189,649	282,068
Total	<u>5,076,277</u>	<u>13,424,852</u>

22. Disclosures in Accordance with Revised AS-15 on "Employee Benefits"

1. Defined Contributions Plans - The Company has recognised the following amounts in Profit and Loss for the year:

<u>Particulars</u>	<u>Rs. '000 Total</u>
Contribution to Management Superannuation Fund	47,138 <u>(33,813)</u>

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

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. A reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO):

Rs.'000

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	Total
	Opening DBO as on 1 st April 2009	440,035 (425,647)	237,149 (278,289)	8,344 (9,098)	3,677 (2,758)	604,182 (573,871)	1,293,387 (1,289,663)
i)	Current Service Cost	31,939 (26,868)	8,542 (8,902)	333 (330)	156 (112)	74,412 (92,869)	115,382 (129,081)
ii)	Interest Cost	32,269 (32,443)	16,785 (20,712)	578 (655)	262 (215)	49,831 (45,099)	99,725 (99,124)
iii)	Actuarial -Gains / Losses	-1,168 (15,124)	-21,558 (-19,348)	1,025 (481)	2,284 (866)	5,829 (-2,021)	-13,588 (-4,898)
iv)	Benefits Paid	-52,679 (-60,047)	-43,922 (-51,406)	-1,890 (-2,220)	-625 (-274)	-76,332 (-105,636)	-175,448 (-219,583)
v)	Past Service Cost	-2,118 (-)	16,477 (-)	- (-)	- (-)	- (-)	14,359 (-)
vi)	Acquisitions/ Transfer out	-4,050 (-)	- (-)	- (-)	- (-)	17,999 (-)	13,949 (-)
vii)	Plan Amendments	- (-)	1,058 (-)	- (-)	- (-)	- (-)	1,058 (-)
	Closing DBO as on 31 st March 2010	444,228 (440,035)	214,531 (237,149)	8,390 (8,344)	5,754 (3,677)	675,921 (604,182)	1,348,824 (1,293,387)

b. A reconciliation of the opening and closing balances of the fair value of plan assets:

Rs.'000

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	Total
	Opening Fair Value of Plan Assets	407,866 (417,631)	254,031 (271,641)	- (-)	- (-)	603,999 (573,712)	1,265,896 (1,262,984)
i)	Expected Return on Plan Assets	31,448 (31,164)	19,263 (20,081)	- (-)	- (-)	55,659 (43,070)	106,370 (94,315)
ii)	Actuarial Gains /-Losses	-11,175 (15,229)	3,271 (3,567)	- (-)	- (-)	- (-)	-7,904 (18,796)
iii)	Contribution by the Employer	23,149 (3,889)	17,417 (10,149)	1,890 (2,220)	625 (274)	92,385 (92,853)	135,466 (109,385)
iv)	Benefits Paid	-52,678 (-60,047)	-43,922 (-51,406)	-1,890 (-2,220)	-625 (-274)	-76,332 (-105,636)	-175,447 (-219,583)
	Closing Fair Value of Plan Assets	398,610 (407,866)	250,060 (254,032)	- (-)	- (-)	675,711 (603,999)	1,324,381 (1,265,897)

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

- c. Amount recognized in Balance Sheet including a reconciliation of the present value of the defined obligation in (a) and the fair value of the plan assets in (b) to the assets and liabilities recognized in the balance sheet for current year and last 2 years:

							Rs.'000
Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	Total
i)	Present value of Funded Obligations	444,228 (440,035) (320,086)	214,533 (237,149) (256,637)	— (—) (—)	— (—) (—)	616,232 (578,612) (—)	1,274,993 (1,255,796) (576,723)
ii)	Fair value of Plan Assets	-398,610 (-407,866) (-324,672)	-250,060 (-254,032) (-242,014)	— (—) (—)	— (—) (—)	-616,232 (-578,612) (—)	-1,264,902 (-1,240,570) (-566,686)
iii)	Amount not recognized as an asset, because of the limit in para 59(b)	— (—) (—)	11,632 (10,282) (—)	— (—) (—)	— (—) (—)	— (—) (—)	11,632 (10,282) (—)
iv)	Present Value of Unfunded Obligations	— (—) (—)	— (—) (—)	8,390 (8,344) (8,357)	5,755 (3,677) (2,417)	208 (119) (—)	14,353 (12,140) (10,774)
v)	Net Liability/ -Asset recognized in Balance Sheet	45,618 (32,169) (-4,586)	-23,895 (-6,601) (14,623)	8,390 (8,344) (8,357)	5,755 (3,677) (2,417)	208 (119) (—)	36,076 (37,708) (20,811)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	9,441 (-4,688)	22,135 (21,316)	- 408 (-199)	-501 (172)	— (—)	30,667 (16,257)
vii)	Experience Gain/ -Loss adjustments on plan Assets	-11,776 (15,229)	3,272 (3,567)	— (—)	— (—)	— (—)	-8,504 (18,796)
viii)	Actuarial Gain/ -Loss due to Change in assumptions	-8,273 (-10,436)	-577 (-1,968)	-618 (-282)	-1,783 (-1,038)	— (—)	-11,251 (-13,724)

- d. The total expense recognised in the statement of Profit and Loss Account :

							Rs.'000
Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	Total
i)	Current Service Cost	31,939 (26,868)	8,542 (8,902)	333 (330)	156 (111)	28,858 (36,550)	69,828 (72,761)
ii)	Interest Cost	32,269 (32,443)	16,785 (20,712)	578 (655)	262 (215)	49,831 (45,099)	99,725 (99,124)
iii)	Expected Return on Plan Assets	-31,448 (-31,164)	-19,262 (-20,081)	— (—)	— (—)	-49,817 (-44,635)	-100,527 (-95,880)
iv)	Actuarial -Gains / Losses	10,007 (-105)	-24,829 (-22,915)	1,025 (481)	2,285 (866)	-14 (-2,024)	-11,526 (-23,697)
v)	Past Service Cost	-2,118 (—)	17,535 (—)	— (—)	— (—)	— (—)	15,417 (—)
	Total	40,649 (28,042)	-1,229 (-13,382)	1,936 (1,466)	2,703 (1,192)	28,858 (34,990)	72,917 (52,308)

All of the above have been included in the line 'Company's contribution to provident and other funds', in Schedule 11 of the Profit and Loss Account.

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

- e. 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	8.40%	10.20%	0.00%	0.00%	48.48%	38.70%
ii)	Corporate Bonds	8.50%	8.90%	0.00%	0.00%	7.91%	22.99%
iii)	Special Deposit Scheme	9.60%	10.20%	0.00%	0.00%	0.00%	38.31%
iv)	Equity Shares of Listed Companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
v)	Property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
vi)	Insurer Managed Funds	54.80%	63.60%	100.00%	100.00%	0.00%	0.00%
vii)	Others	18.70%	7.20%	0.00%	0.00%	43.61%	0.00%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

- f. 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.

- g. The Actual Return on Plan Assets is as follows :

Sr.No.	Particulars	Gratuity	Pension	PF	Total
i)	Actual return on plan assets	23,160 (41,062)	21,404 (23,648)	55,659 (43,070)	100,223 (64,710)

- h. Following are the Principal Actuarial Assumption used as at the balance sheet date:

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount Rate	7.8% (8.2%)	7.8% (8.2%)	7.8% (8.2%)	7.8% (8.2%)	7.8% (8.2%)
Expected Rate of Return on Plan Assets	8.0% (8.0%)	8.0% (8.0%)	NA (NA)	NA (NA)	NA (NA)
Salary Escalation Rate - Management Staff	7.0% (7.0%)	NA (NA)	NA (NA)	NA (NA)	NA (NA)
Salary Escalation Rate - Non-Management Staff	5.5% (5.5%)	5.5% (5.5%)	5.5% (5.5%)	NA (NA)	NA (NA)
Annual Increase in Healthcare Costs - First 10 years	NA (NA)	NA (NA)	NA (NA)	10.0% (10.0%)	NA (NA)
Annual Increase in Healthcare Costs - Next 5 years	NA (NA)	NA (NA)	NA (NA)	8.0% (8.0%)	NA (NA)
Annual Increase in Healthcare Costs - Thereafter	NA (NA)	NA (NA)	NA (NA)	6.0% (6.0%)	NA (NA)

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- i. The effect of an increase of one percentage point and the effect of a decrease of one percentage point in assumed medical care cost trend rates on:

Particulars	One percentage point increase	One percentage point decrease
The aggregate of the current service cost and interest cost	15	-13
Components of net periodic post - employment medical costs; and	(43)	(-37)
The accumulated post - employment benefit obligation for medical Costs	336 (240)	-300 (-213)

Notes to the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended as on that date.

- j. Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

Figures in brackets are in respect of the previous year.

23. The Company had sold its Power Generation Rental Power Business in the previous year which resulted in a profit of Rs. 192,037 ('000) which was reflected as "Exceptional item" in the Profit & Loss Account.

24. Derivatives - Forward Contracts

- a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency							
FY 2009-10				FY 2008-09			
Currency	Amount in '000	Sell /Buy	Cross Currency	Currency	Amount in '000	Sell /Buy	Cross Currency
US \$	30,700	Sell	Rupees	US \$	24,066	Sell	Rupees
US \$	2,000	Buy	Rupees				

- b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	2009-2010 (in '000)	2008-2009 (in '000)
Receivables		
USD	3,139	36,774
Euro	1,049	669
GBP	1	—
Payables		
USD	8,386	9,978
Euro	—	124
GBP	182	301
JPY	1,808	2,284
CHF	—	1

25. Previous year's figures have been regrouped / reclassified, wherever necessary.

Signatures to the Schedules 1 to 12

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Mehul Desai
Partner
Membership Number 103211
Mumbai
Date: May 29, 2010

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary
Mumbai
Date: May 29, 2010

Balance Sheet abstract and Company's general business profile

Statement showing particulars as prescribed in the amendment to Schedule VI to the Companies Act, 1956, vide notification no. G.S.R. 388(E) dt. 15th May 1995 :

I. REGISTRATION DETAILS :

Registration no.	:	12276
State Code	:	11
Balance sheet date	:	31st March, 2010

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2010

	Rs. '000
Public issue	—
Right issue	—
Bonus issue	—
Private placement	—

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH, 2010

	Rs. '000
Total Liabilities (See Note 1)	15,696,335
Total Assets	<u>15,696,335</u>
Sources of Funds -	
Paid - up capital	396,000
Reserves & Surplus	15,213,964
Secured loans	86,238
Unsecured loans	133
Total :	<u>15,696,335</u>
Application of Funds -	
Net fixed assets	3,336,586
Investments	7,329,224
Deferred tax asset	169,893
Net current assets	4,860,632
Total :	<u>15,696,335</u>

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st MARCH, 2010 :

	Rs. '000
i) Turnover (net sales and other income as per the audited profit and loss account)	29,664,299
ii) Total Expenditure	23,555,152
iii) Profit before tax	6,109,147
iv) Profit after tax	4,438,672
v) Earning per share (See Note 2) (face value of Rs. 2)	22.42
vi) Dividend rate (%)	600%

V. PRODUCTS OF THE COMPANY

Generic Names of Three Principal Products / Services of Company : (As per monetary terms)

Item code no.

<u>(ITC Code)</u>	<u>Product description</u>
8408.90	Compression ignition internal combustion engines
8409.99	Components parts of compression ignition internal combustion engines
N.A.	1. Supply and maintenance of power generating equipment 2. Job Contracts - Repairs/ Overhaul of diesel engines and its components.

Notes :

- Total liabilities include share capital Rs. 396 million and reserves and surplus Rs. 15,214 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Mumbai
Date: May 29, 2010

Cash Flow Statement for the year ended 31st March, 2010

	Rupees '000	Rupees '000	Previous Year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	7,308,884		4,061,865
Tax paid (net of refunds)	(1,549,457)		(1,850,356)
Net cash provided by operating activities		5,759,427	2,211,509
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(664,548)		(908,166)
Sale	46,431		12,363
Sale consideration for Power Generation Rental Power Business	—		300,000
Interest received	22,856		46,149
Dividend received	567,103		240,813
Investments			
Purchase	(17,146,459)		(17,091,883)
Sale/redemption	13,806,298		17,504,439
Net cash used for investing activities		(3,368,319)	103,715
III. Cash flows from financing activities :			
Bank Overdraft (Net)	(125,738)		(75,189)
Finance Lease Liability	(16,702)		(31,078)
Loans repaid	(270)		(515)
Interest paid	(20,507)		(26,080)
Dividend paid (including tax on dividend)	(1,991,836)		(2,098,553)
Net cash used for financing activities		(2,155,053)	(2,231,415)
IV. Net change in cash and cash equivalents (I+II+III)		236,055	83,809
V. Cash and cash equivalents at the beginning of the year		323,227	239,418
Cash and cash equivalents at the end of the year (IV+V)		559,282	323,227

Cash Flow Statement for the year ended 31st March, 2010 (Contd.)

	Rupees '000	Rupees '000	Previous Year Rupees '000
Notes :			
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		6,109,147	5,990,216
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	360,801		455,587
Interest expense	20,507		26,080
Interest income (gross)	(31,546)		(38,256)
Dividend earned (gross)	(606,103)		(240,813)
Gain on assets sold, discarded etc;	(8,370)		19,751
Gain on redemption /sale of investments	3,626		(22,451)
Gain on sale of Power Generation Rental Power Business (refer Note 23 of Schedule 12)	—		(192,037)
Provision for doubtful debts	24,405		86,686
		(236,680)	94,547
b) Changes in working capital and other provisions :-			
Sundry debtors	1,567,613		(1,181,119)
Inventories	583,062		(729,789)
Loans and advances	(53,013)		(546,852)
Other current assets	(772)		23,963
Current liabilities	(780,017)		235,486
Provisions	119,544		175,413
		1,436,417	(2,022,898)
Total adjustments (a+b)		1,199,737	(1,928,351)
Cash generated from operations		7,308,884	4,061,865

- 2) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.

Cash Flow Statement for the year ended 31st March, 2010 (Contd.)

3) Cash and cash equivalents comprise :	Rupees '000 2009-10	Rupees '000 2008-09	Rupees '000 2007-08
Cash in hand	383	679	373
Balances with bank on current account :			
Unclaimed dividend account (restricted)	20,364	20,009	16,716
Other current accounts	238,535	301,434	105,916
Balances with bank on deposit account	300,000	1,105	—
Total	<u>559,282</u>	<u>323,227</u>	<u>123,005</u>

4) The figures in brackets represent outflows of cash and cash equivalents.

5) Previous year's figures have been regrouped/reclassified, wherever necessary.

In terms of our report of even date

For Price Waterhouse
Firm Registration No. 007568S
Chartered Accountants

Mehul Desai
Partner
Membership Number 103211
Mumbai
Date: May 29, 2010

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

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Vice President Legal &
Company Secretary
Mumbai
Date: May 29, 2010

I am Cummins. You can depend on me.



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