



Cummins India Limited

Annual Report 2011-12

50 years of
enriching lives,
empowering
people.



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50 years of enriching lives, empowering people.

Photographs on the cover and those on this page illustrate the 50-year journey.

It was in 1962 that Cummins Engine Company Inc. of USA forayed into India and laid the foundation for a spectacular journey. The story began with a manufacturing unit in Pune that continues till date as the Company's largest campus in the city and a proud testimony of its achievements in India.

In the years that followed, the growth curve rose exponentially with the establishment of an R&D center and foundry, production of V-28 engines for customers worldwide and entrance into the automotive segment. Towards the late 1990's, renamed as Cummins India Limited, the Company expanded its capabilities to offer software development, low horsepower generator sets and power projects. Continuing to make lives better for its many stakeholders and setting the stage for an exciting journey ahead the Cummins Megasite became operational in 2011.

Alongside growth, Cummins' commitment to Corporate Responsibility through the three identified focus areas, namely; Higher Education, Energy & Environment and Local Community Infrastructure Development, has brought phenomenal positive changes to the communities in Pune, Phaltan and other locations where Cummins is present. Cummins College of Engineering for Women in Pune and Nagpur, and other such projects are an evidence of this commitment.



To Our Shareholders

I feel very privileged to report on a year that marks your Company's 50th year of operations in India. Before recounting the performance of your Company for the fiscal year 2011-12, it is only apt to glance back for a moment at the journey that began modestly in the form of a single factory on the outskirts of Pune in 1962, and the evolution over the succeeding fifty years that took your Company from strength to strength, as narrated below;

1962 – 1972 : Erstwhile Cummins Engine Company Inc., U.S.A forayed into the Indian subcontinent in partnership with Kirloskar Oil Engines Limited and built the first factory on a 70-acre campus on the outskirts of Pune. In 1964, the Company commenced production of engines for industrial and marine applications and soon after progressed to exporting engines and spare parts. During the course of the decade, the Company acquired its first wholly owned subsidiary, Cummins Diesel Sales and Service (India) Pvt. Ltd.

1972 – 1982 : In 1975, a decade after commencing production, the Company reached its then full, licensed capacity of 2,520 engines per annum. From gross sales of Rs. 1.8 million in 1964, the Company reported gross sales of Rs. 177 million in 1975. The Company also established an R&D Center in India.

1982 – 1992 : The second plant in the form of a foundry at Lohegaon became operational. The Company expanded its presence in the automotive segment. The R&D Center completed the development of dual fuel and natural gas engines. It was at this time that the Company also became the sole supplier of the V-28 engine for customers worldwide. It also became the first diesel engine manufacturer in India to receive the ISO 9001 Certification.

1992 – 2002 : The R&D Center transformed into a global center and the total design control authority of 495 and 743 engine models moved to India. In 1996-97, the Company produced a record 10,000 plus engines, and a year later exported the 10,000th V-28 engine. Annual exports crossed the Rs. 100 crore mark. The Company started the Aluminium foundry in Pune.



Anant J. Talaulicar
Chairman and
Managing Director
Cummins India Limited

In the same decade, Cummins Engine Company Inc., U.S.A and Kirloskar Oil Engines Limited decided to go independently. The former increased its share holding from 50 percent to 51 percent, the Company was renamed as Cummins India Limited and the latter sold most of its shares in the Company. Soon after, Cummins India Limited invested in subsidiary companies, expanding its capabilities to offer low horsepower generator sets, power projects and software development.

2002 – 2012 : Through the course of the fifth decade, transforming itself into a performance driven organization, the Company began exhibiting profitable growth at double digit rates while holding true to its Vision, Mission and six Core Values. The year 2012, marks fifty successful years of realizing the Company's vision of making lives better in the Indian subcontinent.

It is with a sense of pride and fulfillment that I report the performance of Cummins India Limited at this historic juncture. In the fiscal year 2011-12, the Company has demonstrated sustained performance, with record levels of sales, profits, and cash flow from operations. Net sales for Cummins India Limited grew 2.6 percent, despite softening GDP conditions, to Rs. 4,052.2 crores. Net profit before tax at Rs. 824.6 crores increased 2.8 percent. The Company generated significant cash, strengthening its balance sheet and financial position.

Your Company's performance in 2011-12 is attributable to focused efforts towards maintaining market leadership, placing the customer first, and integrating a diverse workforce that fosters innovation and superior performance. All the four businesses; Industrial, Power Generation, Automotive and Distribution demonstrated

these attributes, positively influencing the many stakeholders of your Company.

Shareholders

As a result of the excellent performance demonstrated by your Company over the past several years, on the occasion of the 50th Annual General Meeting of your Company, shareholders were allotted fully paid bonus shares of the face value of Rs. 2 each in the ratio of 2:5. Continuing our commitment to return value to our shareholders, we had disbursed an interim dividend of 250 percent (Rs. 5 per fully paid-up equity share of Rs. 2 each) in February 2012. We concluded the 2011-12 financial year recommending a final dividend of 300 percent (Rs. 6 per share of Rs. 2 each) aggregating to 550 percent (Rs. 11 per share of Rs. 2 each), subject to your approval at our next AGM. The total return to shareholders during the fiscal year including dividends and share price appreciation was 3.9 percent, a positive return as compared to 10 percent decline in the Sensex in the last year. Over the last five fiscal years, the total return has been 23.8 percent on a compounded annual growth basis.

Despite significant pressure on margins owing to an inflationary, slower economic growth environment compounded by an adverse product mix, your Company has sustained its profitable growth. One of the primary factors for achieving this has been our concentrated focus on increasing efficiencies and reducing costs. Three initiatives that have been contributing to this for many years now are Six Sigma, Accelerated Cost Efficiency (ACE) and Total Reduction in Indirect Materials and Services (TRIMS).

Six Sigma is currently in its 12th year and as a result has

now become an intrinsic part of the organization's culture. Continuing to drive Six Sigma across all levels in the organization, we have been making significant investments towards training our employees to become Green Belts, Black Belts and Master Black Belts. As a result, your Company now has over a 1,000 belts working on multiple projects. During the year these belts have successfully closed 475 projects, a significant increase from the 355 projects that concluded last year. All together, these projects have generated savings of over Rs. 100 crore for your Company. Apart from the tangible benefits, Six Sigma remains a critical initiative for developing leaders who will drive the future profitable growth of your Company. Over the past two years we have been proactively engaging our customers and suppliers in Six Sigma project teams that have a direct positive impact on them. Out of the 475 projects completed this year, 35 focused on customers and 34 on suppliers. These projects have gone a long way in deepening our relationships with customers as well as suppliers. Last year, we extended the Six Sigma program to our junior managers in the form of 'Introduction of Six Sigma'. We are now taking the program to the next level with an aim to cultivate the Six Sigma methodology of problem solving amongst our Associates. Encouraged by the multi-fold benefits of Six Sigma, we recently integrated this approach into our community improvement projects as well. We closed nine projects in the area of Corporate Responsibility. In 2011, your Company's progress in Six Sigma was acknowledged at the most prestigious forum in the organization, wherein our global Chairman, Tom Linebarger recognized six projects from India with the Cummins Inc. Chairman's Quality Award.

As mentioned in the previous year's Annual Report, the

success of our second program, ACE which lasted from 2005 through 2008, was replicated with ACE II in 2008 through 2011. Subsequently, we launched ACE III in 2011 to further leverage this program through 2014. ACE III targets to reduce the Total Cost of Ownership for direct materials by 20 percent over a period of three years. The initiative is expected to generate savings of approximately Rs. 230 crores upon successful completion in 2014. In the first year of implementation, savings of Rs. 30 crores have been reported.

I had mentioned about the initiation of TRIMS in the year 2010. This program was launched to reduce the Total Cost of Ownership in indirect materials and services by 10 percent per year over a period of three years. In 2011, this initiative along with other purchasing projects in the indirect spend space have generated combined bottom line savings of Rs. 8.1 crores and avoidance savings of Rs. 12 crores for your Company. Additionally, this Program has helped consolidate the indirect materials and services supply base and better leveraged our spend.

In order to capitalize on the domestic as well as exports growth, your Company is sustaining the implementation of its longstanding four strategies of maintaining or increasing domestic market share, becoming a low cost provider, maximizing exports and creating a great place to work. With these, your Company is strongly positioned to sustain its profitable growth in the long term, and consequently returning value to its shareholders with increased dividends.

Customers

Your Company believes that its success lies in bringing success to its customers. Staying true to this belief,

Cummins continued to introduce new and advanced technologies in the market place. The Engine Business launched local assembly of the Cummins 60 liter engine for industrial and power generation applications in India as well as overseas. This product has a potential to generate approximately Rs. 260 crores sales over the next five years. Additionally, the Industrial Engine Business introduced several new value packages for increasing its presence in the segments that it serves. For the Wheeled Construction market, your Company launched cost effective indigenous 6 cylinder (6B5.9 engine) and 4 cylinder (4B3.9 engine & B3.3 engine) mechanical solutions to facilitate the transition to BSIII CEV emission norms. This high potential segment is likely to yield business of approximately Rs. 12-15 crores on an annual basis. For the Rail segment, your Company seeded a prototype unit comprising a 1,600 HP engine. Your Company has also obtained consent from the Indian Railways to develop a power pack for 'End-on-Generation' for the express mail, which substantially reduces the life cycle costs for the trains as compared to existing technology. Catering to 500 express mails, an overall business potential of Rs. 300 crores is being envisaged from this solution. Upon commencing production of the prototype unit that had been seeded last year for the Self Propelled Accident Relief Train (SPART), your Company is now partnering with leading locomotive OEMs to develop a power pack for SPART. This positions the Business to further enhance its share in this segment. For the Marine segment, the Business has developed indigenized IMO Tier II emission compliant products.

Collaborating with the Emission Solutions Business, a part of the Cummins Technologies India Limited legal entity, the Engine Business is preparing itself with

products and technologies that will comply with Bharat Stage IV emissions norms that are likely to be announced in the future. The Engine Business stands to benefit immensely from the vast experience which this Business has already garnered in India.

The Power Generation Business has added two diesel generator set ranges to its exports portfolio – the S3.8 and the 6B. Designed to meet international standards and certified for CE, SONCAP and GOST, both the ranges will cater to diverse applications in low kVA markets. In line with our efforts to provide value to our customers, both the generator sets have been designed to offer extended fuel autonomy of over 12 hours owing to larger fuel tank capacities. These new ranges, that are being exported to markets in Asia, Africa, Europe and South America, represent significant future business potential for your Company.

The Central Pollution Control Board (CPCB) has taken a lead in ensuring that the industry is inventing solutions that are improving the environment. The country is likely to adopt tighter CPCB II norms which are similar to Euro Stage III norms. Responding positively to this, your Company will be going beyond the intent of the legislation. Cummins has explored various technology options to best fulfill customer demands and emissions regulations and has taken a strategic decision to not limit itself to one approach only, but to develop “the right technology” for each application and market. Your Company is making investments in developing critical components and subsystems across the product line in alignment with this strategy.

After the successful validation of the CNG parallel hybrid technology that was offered by the Automotive Business

to buses supplied by Tata Motors to Delhi Transport Corporation (DTC) for the Commonwealth Games held in Delhi last year, Tata Motors has now entrusted your Company with the opportunity of developing and delivering the CNG series hybrid technology. Ten such engines have already been shipped to Spain. The CNG series hybrid technology offers substantial improvement in fuel economy and reduction in emissions, providing a more environment friendly public transportation to commuters.

Customer Support Excellence (CSE) continues to be a critical initiative to strengthening our support and relationships with our customers. Customer feedback remains an essential element to enhance your Company's customer support capabilities. The Distribution Business periodically conducts the Net

Promoter Score (NPS) transactional surveys for obtaining customer feedback. These surveys provide an insight into reasons for dissatisfaction and allow your Company to adopt corrective actions. Consequently, the Business has undertaken numerous initiatives to improve satisfaction levels, which include compliance to a re-engineered service delivery process by dealerships, customer loyalty workshops across zones, NPS Council, SmarTech Champion Program for Service Advisors and Six Sigma. These efforts have resulted in enhancing the Customer Loyalty score of your Company from 37.5 percent in 2010-11 to 53 percent in 2011-12.

Subsequent to starting operations at three factories at the Cummins Megasite in early 2011, we opened the India Parts Distribution Center, planned the common facilities incorporating a crèche, medical center and



Raising the bar in customer service: *The India Parts Distribution Center is the fourth project to become operational at the Cummins Megasite at Phaltan. Equipped with robust processes and systems, the project facilitates improved inbound receiving and inventory management capabilities, enabling enhanced delivery of parts and information to aftermarket dealer channels at the lowest possible, end-to-end logistics cost, thus raising Cummins' customer service capabilities in parts distribution to the next level.*



Growth story at the Megosite, continues: For further expanding its operations, the Engine Business broke ground for two new factories at the Megosite. The first (seen in the rendering) will be an upfit center for mid-range engines classified as B, C and L series for industrial, power generation and on-highway applications. The second facility to be built on the SEZ section of the Megosite will manufacture high horsepower QSK 60/23 engines.

training center, and broke ground for three additional projects which had been announced last year. Two of these are an expansion of our Engine Business, namely, an upfit center for midrange engines classified as B, C and L series for diesel and natural gas industrial, power generation and on-highway applications, and a facility for manufacturing high horsepower QSK 60/23 engines on the SEZ section of the Megosite. The third factory, again on the SEZ section, would manufacture generator sets and generator drives for exports in the low and medium horsepower range. Since commencing production at the second plant of Tata Cummins Limited at the Megosite last year, we have been able to substantially augment on-time supply of engines to the Industrial, Power Generation and Automotive businesses of Cummins India Limited. This plant is geared to increase its capacity to 1,20,000 engines this year. Envisaging the future demand for midrange (B 5.9, ISB 6.7 and ISLe 8.9) engines for on-highway and off-highway applications, we have

decided to further enhance our capacities and invest in the third plant of Tata Cummins Limited at the Megosite. These base engines will be sourced by Cummins India Limited and up fitted into Automotive, Industrial and Power Generation applications. Moreover, localization of the ISLe engine will provide your Company with an opportunity to offer an international product to the domestic market at competitive rates.

I am pleased to share that our plans to substantially expand the laboratories and engineering facilities at our Kothrud site into a global, full-fledged India Technical Center are progressing well. The Technical Center will be designing solutions that are cleaner, healthier and safer, and most of all cost effective for the Indian market.

All these investments are geared towards strengthening your Company's capability to contribute positively to the customers' performance and long term success.



Meeting market demands powerfully: Cummins' expanding footprint in the power generation space saw it break ground for a new factory on the SEZ section of the Megasite. To meet the increasing demand of customers the world over, this facility (seen in the rendering) will manufacture generator sets and generator drives in the low and medium horsepower range.

Suppliers

Your Company believes that its Suppliers are an intrinsic part of its journey towards being the first choice of customers as well as a key contributor to its accelerated growth strategy. 'Treatment of Preferred Suppliers as Partners' is an integral part of the Cummins Operating System and institutionalizes our partnerships with Suppliers at all levels within the organization. To this effect your Company has developed holistic and comprehensive strategies towards strengthening its partnership with its suppliers. Some of these initiatives include Supplier Focused Six Sigma projects to build robust processes, National Electronic Fund Transfer for on-time payments, Training programs to stay abreast of world class practices, and a dedicated foundry expert to help in process enhancement.

Your Company strives to provide an environment where its Suppliers are encouraged to work with integrity,

always doing what is right and not what is convenient.

To this effect, the Company has established a Supplier Code of Conduct that encourages Suppliers to conduct business with utmost integrity, while innovating to deliver superior results.

Your Company remains committed to helping its Supplier community succeed as it expands its businesses and capabilities.

Employees

Your Company believes that people development is critical to its current and future growth. Significant investments and energies are being channelized in this direction. Last year, I had mentioned the launch of the Global Leadership Development Program (GLDP). This program equips high potential individuals to contribute to the organization at senior levels. The first batch comprising 13 participants will graduate in July this year,

making way for the second batch of participants. Several amongst those graduating from the Program have already assumed senior leadership roles, developing and executing strategies that drive your Company's growth in a highly competitive global environment.

Furthering our leadership development efforts, we launched the Leadership Culture Series to reinforce the five leadership skills identified by the organization as being most critical. These five skills are; Coaching & Developing, Talent Management, Fostering Open Communications, Diversity Management and Strategic Thinking/Setting the Aim. We conducted senior leader led sessions for nearly 650 leaders across India this year. Additionally, we also launched 'Building Success in Others – Leadership Essentials', a program specifically designed for first level managers of individual contributors on how to provide good leadership and facilitate career development of their immediate reportees.

In addition to leadership development, we continue to invest heavily in creating the right environment in the organization. The 'Cummins Code of Business Conduct' and 'Treatment of Others' Policy is core to creating the right environment. All the employees of the Company have been taken through sessions that make them aware of the importance of working with integrity and treating every employee, dealer, vendor and customer with respect. Through periodic training modules, we continue to emphasize the right behaviours to all new and existing employees. The most exemplary instances of allegiance to the six Core Values of Cummins, namely; Integrity, Delivering Superior Results, Global Involvement, Corporate Responsibility, Innovation and Diversity, are recognized every year at the CMD (Chairman & Managing Director) Awards Forum.

2011 also saw us step up our efforts in institutionalizing our Hire-to-Develop philosophy. To accelerate the learning curve and build a strong leadership pipeline, we now offer programs in Management Education and MTech (Engine Technology) in partnership with IIM-Ahmedabad and ARAI-Vellore Institute of Technology respectively. These are in addition to the existing strong partnerships with SP Jain in Mumbai and the Kelley School of Business at Indiana University, USA. Furthering the philosophy, over the last couple of years we have been gradually increasing our intake of young talent from campuses. Last year we launched a new structured development module for engineering graduates recruited from campus. Your Company is committed to developing young and diverse talent, which we believe will be a significant contributor to driving our future growth.

Your Company recognizes Diversity as a core value and is committed to creating an inclusive workplace that honors people of diverse backgrounds with dignity and respect. We have been making significant progress in this area evident from the increase in female employees on the shop floor, to women being designated as leaders of businesses and functions. Working with a diverse workforce demands flexibility in mindset and attitude. Your Company has been making significant infrastructure and policy enhancements, to ensure that we provide a safe, secure and supportive environment for diverse groups to perform and prosper within the organization. Every year we take a step further in our journey of integrating Diversity into the fabric of the organization, such that it soon becomes a part of our DNA.

We believe that in order to help new recruits become productive within a brief span of joining your Company, it is important to impart an understanding of the

organization, its culture and expectations. For this, we have instituted Site On-boarding that acclimatizes new hires to the history, culture, policies and processes at work. We continue to mature our TBWS (Team Based Work System) on the shop floor. Also, our Affinity Groups for women as well as new employees are geared to facilitate hundred percent employee engagement and help those new to the organization to settle well.

Your Company views safety above all else in ensuring a Great Place to Work for the employees. Progress in this area is evident from the Awards conferred by the parent (Cummins Inc.) in the year 2011. Our generator set plants, both at Daman and Pirangut, have been recognized for their work in this area with the Director's Award and the HSE Council Award, respectively. These awards are presented for achieving pre-set targets against critical parameters like Incident Rate, Severity Case Rate, Severity - Loss Work Day Rate, etc.

With the intent to create greater synergies between your Company and the allied businesses and functions supporting its growth, we have planned to build a state-of-the-art office Campus in Pune to house the professional workforce. An understanding has been reached to acquire an Office Campus at Balewadi in Pune with easy and fast access to our facilities in the city and Phaltan. This Campus will offer up to 1.0 million sq. ft. space, accommodating the incremental numbers that are likely to be hired to support the longer term growth that has been envisaged for your Company.

I am pleased to relay that our efforts in making your Company a Great Place to Work are fructifying, evident from our most recent Employee Satisfaction Survey that showed significant improvement in all five indices of

satisfaction - namely; Communication, Performance, Vision, Diversity and Leadership.

Your Company will continue to invest in the areas of Leadership, Diversity and Hire-to Develop, which together provide employees with an environment that nurtures their potential and connection with your Company.

Communities

Your Company continues to invest in the communities in ways that extend beyond the monetary, and has been actively engaging its resources, expertise and employees in community improvement projects. Employees across the Cummins Group have collectively devoted 35,605 hours to the Every Employee Every Community (EEEEC) Program in 2011. This Program requires every employee to devote minimum four hours to community service. This is a significant increase from the 26,000 hours devoted last year. The shop floor employees at the engine plant at Kothrud set a worldwide record with 99.5 percent of the entire workforce devoting four hours to EEEEC. Yet another record was set at the Cummins Megasite at Phaltan, where, on the occasion of completing one year of successful operations, employees devoted 1,021 hours towards EEEEC in a single day.

Your Company's efforts in the three identified focus areas, namely; Higher Education, Energy & Environment and Local Community Infrastructure Development, have all brought positive changes to the communities in Pune, Phaltan and other sites where Cummins is present. Recognizing this, the Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA) presented the B.G Deshmukh Award to Cummins India Limited for



Engineered for success: In 2007, Cummins inceptioned the Mechanical Engineering branch at the Cummins College of Engineering for Women. In the very first year, the programme, which was developed exclusively for women, saw 100% admission, dismissing the long-held belief that women have no interest in mechanical engineering. This course, a first in India, furthered the efforts of Maharshi Karve Stree Shikshan Samstha (MKSSS) and Cummins towards empowering women through education. Seen in the photograph is India's first all-women batch of 65 mechanical engineers who were felicitated in 2011.

outstanding work in the field of Corporate Social Responsibility.

In 2011, your Company had initiated the Zero Garbage project in the Katraj Ward in Pune to bring about a paradigm shift in treating garbage as waste to a more sustainable renewable energy source, while addressing

the critical issue of garbage disposal currently plaguing the City of Pune. This project was pronounced as the Finalist in 'Communicating for Better World' at the 2012 Boston Center for Corporate Citizenship Film Festival.

In 2011, four projects from India were adjudged winners of the third Environmental Challenge. This Challenge is an

annual initiative wherein projects from across the world are judged by the senior-most leaders from Cummins Inc. The winning projects along with all other corporate responsibility projects undertaken during the course of the year validate your Company's commitment towards making the lives of the communities, better.

Note - Information on projects undertaken during the year to improve the environment and communities has been published in the Sustainability section of this Annual Report.

In Closing

While the past few years saw your Company transform into a performance driven organization, the present and future focus is on accelerating this growth by leveraging the six key macro trends:

- GDP growth
- Significant infrastructure development
- Power deficits
- Significant and growing middle class
- Regulations converging to international standards
- Opportunity to leverage low cost products/services globally

Your Company is strongly positioned to benefit from these macro trends based on our vision, mission, core values, time-tested strategies, investments in research, technology, people and infrastructure, experienced leadership and a team of highly passionate employees.

I would like to thank our many customers for their continued confidence in our technologies and solutions, our Board of Directors for their counseling and guidance, our suppliers for their positive contribution to the partnerships established with us, and finally our 3,700 employees for confidently shouldering the

responsibility of continuing the legacy of 'Making people's lives better by unleashing the Power of Cummins'.

Regards,



Anant J. Talaulicar

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



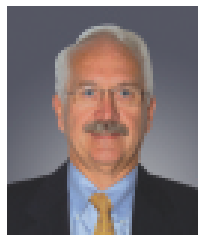
P. S. Dasgupta
Director



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
HDFC Bank Limited
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Bank of America

AUDITORS :

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Financial Summary - 5 Years

Rs. Crores

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Total income	4,240.55	4,122.90	2,966.62	3,455.03	2,473.39
Raw material	2,645.42	2,580.38	1,802.26	2,233.77	1,621.72
Employee cost	303.94	254.63	195.26	212.96	138.42
Mfg. exps. and overheads	299.98	282.23	190.37	196.16	148.69
Adm., selling and other exps.	170.63	161.90	129.69	184.16	134.92
Finance cost	5.41	4.75	2.05	2.61	0.67
Depreciation	41.98	36.64	36.08	45.56	32.96
Net profit before tax	773.19	802.37	610.91	579.82	396.00
Exceptional Item	51.44	—	0.00	19.20	—
Tax provision on income (Net of Excess / Short provision for prior years)	233.36	211.38	167.05	165.36	115.31
Net profit after tax	591.27	590.99	443.87	433.66	280.69
Dividend	304.92	297.00	237.60	178.20	91.08
Additional Income tax on dividend	49.47	48.72	39.92	31.98	15.48
Earnings in foreign exchange	1,236.16	1,089.75	507.63	1,342.49	742.05
Dividend %	550.00	750.00	600.00	450.00	230.00
Earning per share (Face value of Rs. 2)	21.33	21.32	16.01	15.64	10.13

1. Previous year's figures have been regrouped / reclassified wherever necessary.
2. Dividend percentage for FY 2011-12 is calculated on the enhanced paid-up share capital post issue of Bonus Shares in FY 2011-12.
3. Earnings Per Share (EPS) have been restated for all the corresponding periods to give effect to issue of Bonus shares, in accordance with Accounting Standard (AS) 20 "Earnings Per Share" notified under Section 211(3C) of the Companies Act, 1956.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifty First Annual Report and the Audited Accounts of the Company for the year ended March 31, 2012.

1. FINANCIAL RESULTS :

During the financial year 2011-12, net revenue from operations was Rs. 411,722 Lacs as compared to Rs. 404,253 Lacs during the previous year (2% higher). Exports and other foreign exchange earnings were at Rs. 123,616 Lacs as compared to Rs. 108,975 Lacs during the previous year (13% higher). Profit after tax marginally increased to Rs. 59,127 Lacs from Rs. 59,099 Lacs recorded for the previous year.

	2011-2012 (Rs. in Lacs)	2010-2011 (Rs. in Lacs)
APPROPRIATION OF PROFIT :		
Profit before taxation	82,463	80,237
Net Profit for the year after tax but before tax on proposed dividend	59,127	59,099
Tax on dividend	4,947	4,872
Dividend	30,492	29,700
Transferred to General Reserve	5,913	5,910
Balance carried to Balance Sheet	98,140	80,365

2. DIVIDEND :

Your Directors have recommended a final dividend of Rs. 6/- per equity share of Rs. 2/- each fully paid-up, in addition to the interim dividend of Rs. 5/- per share declared on February 9, 2012, aggregating to Rs. 11/- per share for the year ended March 31, 2012 on the enhanced paid-up share capital post issuance of Bonus shares in the ratio of 2:5.

3. INCREASE IN AUTHORISED SHARE CAPITAL AND ISSUANCE OF BONUS EQUITY SHARES :

Pursuant to the approval of the shareholders at the Extra-Ordinary General Meeting held on September 9, 2011, the Authorized Share Capital of your Company was increased from Rs. 4,000 Lacs to Rs. 8,000 Lacs which facilitated issuance of 792 Lac Bonus Shares of Rs. 2/- each in the ratio of 2:5 (two equity bonus shares for every five equity shares held) to the shareholders of the Company. Consequently, the paid-up capital of your Company stands increased from Rs. 3,960 Lacs to Rs. 5,544 Lacs.

4. JOINT VENTURES :

a) Cummins Research and Technology India Limited (CRTI) :

The net revenue from operations 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, 2012, was Rs. 6,550 Lacs as compared to Rs. 4,676 Lacs during the previous year (40% higher). CRTI has a Research and Technology Center 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.

b) 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. The net revenue from operations of VCL for the year ended March 31, 2012 was Rs. 83,900 Lacs as compared to Rs. 70,364 Lacs during the previous year (19% higher).

c) Cummins SVAM Sales & Service Limited (CSSSL) :

On January 17, 2012, a 50:50 Joint Venture company, namely Cummins SVAM Sales & Service Limited was formed with a paid-up capital of Rs. 1,200 Lacs with SVAM Power Plants Private Limited (one of the existing Dealers of your Company). The registered office of CSSSL is located at Delhi. CSSSL will concentrate its efforts on sales and service of Cummins engines and generator sets in Northern India.

5. INITIATIVES AT PHALTAN :

Your Company continues with its expansion initiatives at the Megasite in Phaltan with the following projects :

- The India Parts Distribution Center (IPDC) has been established with an aim to enhance supply chain efficiency in aftermarket parts distribution. Equipped with state-of-the-art infrastructure, this Center will serve as a logistics hub to facilitate improve inbound receiving and inventory management capabilities and enhance Cummins' ability to serve its customers significantly. The IPDC has been in operation since the third quarter of 2011-12.
- A facility for Power Generation Business Unit to manufacture generator sets and generator drive engines in the low and medium horse power range for export markets (with a matured capacity of 51,000 units by 2016) is now expected to commence operation during Q2 of 2013. This facility is being set up in the MIDC Special Economic Zone.
- The B, C and L series engine upfit facility is now expected to commence operations by end of 2012. This facility will have an annual capacity of 20,000 engines and shall cater to the requirements of construction, compressor, marine and fire pump sectors.

6. INDIA OFFICE CAMPUS (IOC) :

Your Company has entered into an Understanding for the purchase of an Office Campus at Balewadi, Pune (India Office Campus / IOC). The IOC shall house all its exempt employees located at various offices in Pune. Your Company proposes to let out surplus office space, if any, after housing all of its exempt employees to other Cummins group companies for their exempt employees. This initiative would offer the distinct advantage of co-locating all Cummins group professional employees at one location to derive synergies of co-location. The total capital expenditure for IOC shall be about Rs. 73,000 Lacs for the total space. The same is expected to be ready for occupation in phases from April 2014.

7. MANAGEMENT DISCUSSION & ANALYSIS/ CORPORATE GOVERNANCE REPORT :

As per Clause 49 of the Listing Agreement with Stock Exchanges, the Management Discussion & Analysis Report and the 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 2011-12, 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, 2012 and of the profit for the period April 1, 2011 to March 31, 2012;

- (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)

- Improved furnace load utilization through effective operation of furnaces in the heat treatment area.
- Reduction in power consumption of hot well pumps by installation of variable frequency drives.
- Energy saving by replacement of metal halide lamps by T5 light fittings in QSK60 assembly.
- Cycle modification of gear grinding machine enabling automatic switching off the spindle motor of the same machine.
- Reduction in energy consumption at NHNT Assembly & Testing Unit by switching off idle pumps, AC chillers, Lighting, etc.
- Reduction in energy consumption of Nagar Road plant by using daylight for lighting, switching off AC chillers and providing Variable Frequency Drive (VFD) for Compressors.

Power Generation Business Unit Plants (Kasar Amboli and Daman)

- Installation of energy efficient lights.
- Enhancement in power factor to unity reducing line energy losses.

Distribution Business Unit Plants (Erandwane and HHP Rebulid Center, Phaltan)

- Use of APFC (Automatic Power Factor Correction) panel for power factor correction at load side.
- Alternate switching off of the street lights after duty hours.
- Use of T5 tubes with electronic ballast for shop floor, street and office area lighting.
- Maintaining a unity power factor at the HHP Rebuild Center and improving the power factor at Erandwane, Pune plant.
- Use of sky lights on roofs to ensure minimal use of lights on the shop floor during day time.
- Installation of EM6 controller for controlling of air compressors (automatic switching off of the air compressors).
- Use of dry type transformers to minimize energy loss.
- Use of VRV air conditioners for Administrative Building at Phaltan thereby achieving energy savings.
- Load reduction in administration building at Erandwane, Pune by localized lighting at work stations and redesigning of general lighting as well as natural lighting.

India Parts Distribution Center, Phaltan

- Use of motion activated sensors in the racking aisles and the office area.
- Use of sky lights in the plant to reduce need for lighting during daytime.

IMPACT OF THE ABOVE MEASURES :

The above initiatives resulted in savings of about Rs. 57 Lacs in addition to Greenhouse Gas (GHG) emission reduction by 685 tons during the year. The energy units saved during the year were about 711,446 kWh.

11. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

With a view to satisfy customer and market needs, your Company is committed to introducing new products and improve existing products which will have better performance levels, lower life cycle costs and meet stringent emission norms.

The Technical Center of your Company, in collaboration with the parent company - Cummins Inc., U.S.A., continues in its endeavour to indigenize components and develop the next generation of components and systems to reduce costs, improve fuel efficiency, enhance performance and durability of its products. In addition, to improve technical productivity, new methodologies and technologies have been introduced and enhancements in capabilities are being continuously pursued to reduce the costs associated with new product development and customer support. Continued implementation of six sigma initiatives resulted in significant cost savings and improved operating efficiency.

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

A. New Product Development :

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

1. Emission recipe to meet BS IV emission regulations for Automotive ratings.
2. BS III products to enhance competitiveness in the Automotive segment and drive towards lower fuel consumption and higher power density product offerings for customers.
3. Multiple engine families to meet the upcoming CPCB II Power Generation regulations.
4. Key Industrial engine product families to support the increasing Industrial Business.
5. Fundamental electronics capability to help achieve upcoming OBD II (On Board Diagnostics) legislation.
6. Enhancement of non-diesel product development capability.
7. Improved capability in intake air characteristic measurements to enhance understanding and control of the combustion process.

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

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

C. Future plans include :

1. Developing local solutions to meet upcoming emission regulations and market needs.
2. Technological innovation to add value to the products in the areas of alternate fuels and hybrid engines.
3. Continued expansion of the product range to serve the local and global market needs.
4. Providing energy efficient solutions to reduce carbon foot print.
5. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives.

6. Alternate source development for various engine components.
7. 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., your Company is committed to develop advanced fuel efficient and emission compliant engines to comply with forthcoming domestic and global emission regulations and help reduce Greenhouse Gas emissions and also enabling the products to deliver superior performance.
- E. Expenditure on R & D :

The total expenditure on R & D was as follows :

	2011-2012 (Rs. in Lacs)	2010-2011 (Rs. in Lacs)
a) Capital	1,023	500
b) Recurring	3,834	3,269
c) Total	4,857	3,769
d) Total R&D expenditure as a percentage of total sales turnover	1.18%	0.93%

12. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported 7,327 engines and 3,880 generator sets thereby achieving export earnings of Rs. 119,076 Lacs.

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

	2011-2012 (Rs. in Lacs)	2010-2011 (Rs. in Lacs)
(a) Earnings	123,616	108,975
(b) Outgo –		
- Raw Materials/components	45,193	55,767
- Capital equipment	1,918	4,788
- Others	26,800	24,557
	73,911	85,112

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 Company Secretary at the Registered Office of the Company.

14. DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, M/s. P. S. Dasgupta, Nasser Munjee and Patrick Ward, Directors of the Company, retire by rotation and are eligible for re-appointment.

15. INDUSTRIAL RELATIONS :

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

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.

COST AUDITORS :

Your Company appointed M/s. Parkhi Limaye & Co., Pune as its Cost Auditors for the year 2011-12. The Cost Audit report for the year 2010-11 was due on September 27, 2011 and was filed with the Ministry of Corporate Affairs on September 23, 2011 for Kothrud and Daman plants and on September 27, 2011 for Kasar Amboli, Pune plant.

On behalf of the Board of Directors,



Anant J. Talaulicar
Chairman & Managing Director

Pune : May 15, 2012

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

1. Industry Structure and Developments

Economic Trends and Implications

- Over the past five years India's economy has continued to grow at a moderate pace despite slowdown in major global economies. The Indian economy grew at a rate of 8.2% in the Eleventh Five Year Plan fuelled by strong domestic demand, increased investment in infrastructure and strong capital inflows.
- However, in the past year the growth rate has tapered off. In FY 2011-12, the GDP grew at 6.9% as against 8.4% in FY 2010-11. The slowdown in GDP growth is attributed to hikes in the lending rate by the Reserve Bank of India to control high inflation (e.g. ~17% food inflation). As a result of this factor industrial investment declined, as measured by the Industrial Index of Productivity (IIP), to 2.8% as compared to 8% during the previous year. Additionally, the devaluation in the currency to the lowest levels in history has also affected the overall economic scenario in India.
- In the long term, the growth story remains intact with India entering a phase of significant demographic divide, rising urbanization, growing consumerism and increasing infrastructure investment. Under the current scenario, the Twelfth Five Year Plan (2012-17) is being developed to support a growth of 8%.
- Assuming normal monsoons, robust industrial growth and resilient performance of the service sector, GDP in FY 2012-13 is expected to grow about 7%. Focus on the infrastructure sector by the Government is likely to continue to support the overall growth.

2. Opportunities and Threats

Key Opportunities

Power Generation :

- Despite significant investment on increasing power generation potential, Indian power sector continues to witness an average energy deficit of 8% and a peak deficit of 11.4%. The key challenges for reducing the deficit include the inability to meet the power generation capacity projected by the government, lack of availability of fuel, high transmission and distribution losses and the weak health of a majority of the State Distribution Companies (DISCOMs). Overall, the demand-supply gap will continue to spur the demand for captive power options.
- Industrial growth spurred by domestic demand is expected to continue thereby increasing demand for backup power from most sectors such as manufacturing, infrastructure, commercial and residential realty, IT & ITES and services.
- The next stage of emission norms is slated to come into effect in July 2013, and will provide an opportunity to introduce new, lower emissions diesel generator sets in the market. This is likely to change the competitive dynamics in the industry significantly.

Industrial :

- The increase in budget allocated towards infrastructure and other measures announced will help in infrastructure development. This implies that the construction equipment industry will continue to grow with the market. Your Company enjoys strong business relationships with the domestic as well as global construction equipment leaders and is well positioned to serve the needs of this segment.
- The Rail Budget for FY 2012-13 proposes increased budget outlay with focus on safety, modernization and expansion. This indicates a rise in demand for engines for Diesel Electric Multiple Units (DEMU), Power Car and track maintenance machinery applications, thus creating additional opportunities for your Company.
- The prevailing demand-supply gap in the power sector and a growth in the steel and cement sectors will fuel demand for mining of coal, iron ore and lignite. This will not only increase the demand for mining equipment but also improve business prospects for shunting and freight locomotives.

- India is the fifth largest consumer of energy in the world. The population increase and GDP growth is translating into increased demand for oil and gas. In the coming years, with the Government's increased focus on oil and gas exploration and production, opportunities exist for your Company to explore demand for its engines in oil and gas exploration, production and distribution applications.
- With the International Maritime Organisation (IMO) Tier II emission norms being applicable for Marine engines, demand for emission compliant engines will increase, implying that your Company will have more opportunities to capture a larger share in the Marine engine space with its indigenized Tier II compliant engines.
- A large number of Construction and Compressor OEMs plan to establish India as their equipment manufacturing hub not only to serve the Indian market but also to serve the Middle East, South East Asian and African markets. This will provide an opportunity for your Company to leverage its global presence.
- Your Company is committed to strengthening its partnership with Industrial OEMs by working with them in introducing new applications, driving a reduction in the TCO (Total Cost of Ownership) of vehicles, enhancing our value proposition in terms of cost efficiency, faster delivery, and improving lead time through Customer Focused Six Sigma (CFSS) projects.

Automotive :

- The medium and heavy commercial vehicle market (GVW >7.5 Ton) grew by 10% in FY 2011-12 over the previous year. The market outlook for the coming year is expected to be driven principally by GDP growth resulting in freight demand.
- Additionally, with expanding roadways, the market is moving towards higher tonnage commercial vehicles, where your Company occupies a strong market share.
- Your Company's product range, including both mechanical and electronic products, is available for OEMs to meet their business and regulatory requirements. Your Company is expected to maintain its strong position in the market with its portfolio of products.

Distribution :

- Emission regulations (CPCB II norms in year 2013 for generator sets) and migration to electronic engines is likely to improve the opportunities for the Distribution Business.
- Increasing customer expectations and outsourcing trends are likely to drive demand for comprehensive maintenance contracts along with product purchases for industrial and mining sectors.
- Improved customer reach, enhanced network capabilities and continuous improvement of service delivery and quality remains the key to drive profitable growth through Customer Support Excellence.

Exports :

- The Exports business has recorded a growth of 14% over the previous year primarily driven by increased global demand for high horse power generator sets.
- Despite slow growth in global GDP, there is upside opportunity for the demand for Power Generation and Marine engines, especially with the weaker Rupee.
- New business initiatives in place, for supplying Parts to other Cummins engine manufacturing facilities and the Distribution Centers, would positively impact the Parts business.

Key Threats

- Accompanying the growth is a set of challenges. Continued risk on account of inflation and increasing interest rates (to curb inflation) could dampen industrial activity and thus counter India's growth momentum. While all segments are likely to be impacted, the demand in Construction, Commercial Marine and Auto segments are likely to be the most affected.
- Margin pressures are expected to continue with increased commodity cost and cost efficiency drives by customers.

- The cyclical downturn in the water-well market which began in first quarter of 2012 is likely to continue for the rest of the year.
- Leading international players are making their foray into India. Private players are also entering PSU dominated sectors like mining and exploration which would raise the intensity of the competitive landscape to higher levels.

3. Segment-wise and Product-wise Performance

Power Generation :

- High interest rates and low investment in India adversely affected the Power Generation business in 2011-12. Sales from domestic business in the FY 2011-12 declined by 6% as compared to 2010-11.
- Gas availability and pricing were major areas of concern, causing a slowdown in the gas based generator set business. Nonetheless, your Company is executing approximately 11 MW gas based power generation projects.
- Low Horse Power export sales declined by 16% on account of global economic woes.

Industrial :

- Revenue in the Industrial segment remained flat as compared to the previous year driven by growth in Rail and Construction sectors offset by slowdown in Compressor and Mining sectors.
- The Rail segment grew by 45% over the previous year. This growth was boosted by execution of major projects like Power Car, HHP DEMU and strong participation in 4-wheeler and 8-wheeler car projects.
- The Construction segment grew by 34% over last year, due to increased investment in the infrastructure sector and gain in market share resulting from BS-III (CEV) emission norms being mandated as well as penetration in new applications.

Automotive :

- Your Company has benefitted from increase in demand for heavy commercial vehicles and expansion plans of some of its key automotive customers. Your Company successfully contributed to 50% growth of one of its key customers in FY 2011-12 by supplying about 10,000 engines. The diesel engine volume for medium and heavy commercial vehicle segment grew by 22% in FY 2011-12 over the previous financial year, compensating the decline in demand for CNG engines.

Distribution :

- In FY 2011-12, the Distribution Business Unit remained flat as compared to the previous year.

Exports :

- Effective channelization of orders from Power Generation and Marine markets for engines and parts strengthened the sales performance for the year.

New Business Initiatives 2011-12

Power Generation :

- There was an addition of two important ranges of diesel generator sets (40-75 kVA S3.8 Series and 90-125 kVA 6BTA5.9 Series) for the global marketplace. Both new ranges represent an exciting step forward for your Company in the international market.

Industrial :

- Your Company was able to gain a prototype order for the End-On-Generation Load for Rail Power Car application. This will help the Railways improve their operational efficiency and cost substantially.
- Your Company provided cost effective indigenous mechanical engine solutions meeting BS-III (CEV) to the OEM partners to enable them to compete cost effectively in these high growth potential segments.

- Your Company developed and offered indigenized IMO Tier II emission compliant marine value propositions to the market.
- Your Company captured new business in the High Horse Power segments by positioning value packages in Rail (AC DEMU), Marine and Pump segments.
- Your Company was also able to develop value propositions for new Construction applications such as Concrete Pumps, Forklifts, Crushers and Screeners.

Automotive :

- Your Company is exploring business opportunities with new OEMs that are planning to enter the Commercial Vehicle Market in India. Your Company is also considering leveraging relationships with its existing customers for new solutions.

Distribution :

- Towards improving customer satisfaction levels, your Company's Distribution Business formed a 50:50 Joint Venture Company titled - Cummins SVAM Sales & Service Limited with one of its existing Dealers at Delhi. The formation of this JV will enhance dealership capabilities and achieve operational efficiency for driving growth.

Achievements

Power Generation :

- The prestigious inaugural Formula One (F1) Race, held in India in October 2011, was powered by generator sets from your Company. Fifty-four generator sets, providing a cumulative output of 20 MVA, supplied backup power to the F1 Grand Prix, allowing fans to have a world-class experience.
- In March 2012, two important ranges of diesel generator sets (40-75 kVA S3.8 Series and 90-125 kVA 6BTA5.9 Series) were added to the Power Generation product portfolio, focusing on the markets overseas. The Distributors from Asia, Africa, Europe and South America witnessed the offerings of the new product ranges at Pune and the positive impact they will make in the low kVA markets.

Industrial :

- Your Company launched the cost effective indigenous 6B and 4B mechanical solutions in a service friendly manner to enable the transition into BSIII (EU stage III-A) CEV emission norms which will provide a competitive edge, leading to high growth potential in the construction segment. This new platform helped your Company to gain market share by capturing new OEMs in the Construction sector.
- Your Company was also able to gain repeat order from the Indian Railways for their prestigious project, Self Propelled Accident Relief Train (SPART).
- Your Company also launched the IMO Tier II emission compliant Marine engines which will enhance its presence in the Marine segment.
- A leading OEM in the Compressor equipment sector has conferred a certificate of honor on your Company for Customer Support Excellence during the year 2011.
- New packages in the high pressure water well drilling segment were developed with your Company's 14 Ltr. and 19 Ltr. engines to provide more value to the customers.

Automotive :

- Your Company partnered with one of the largest OEMs in India to successfully develop CNG Series Hybrid engines. The said engines will also be used in Madrid, Spain.

Exports :

- **QSK50G Tier 2 engine :** To meet the Power Generation emission norms, your Company successfully developed and launched the QSK50G engine that meets advanced Emissions Tier II norms. The launch of this product

enabled your Company to optimally utilize our new KV engine plant capacity and position itself strongly in the emission compliant markets. The Product was well received in the markets, and continues to contribute significantly to export revenue.

- **Parts and Component Supplies :** With the two-fold objective of effectively utilizing capacity at your Company and maximizing benefits to the parent company, your Company identified opportunities for supplying high value parts like Cylinder Blocks, Cylinder Heads, Camshafts, etc. to the Cummins Engine Business Units (EBUs) in Mexico, Brazil, Australia, UK and the Parts Distribution Centers (PDCs) worldwide. This new business initiative helped achieve record sales from parts in FY 2011-12.
- **Awards and Recognition :** Your Company received the prestigious 'All India Export Performance Award' from the Engineering Export Promotion Council (EEPC) in the category titled 'STAR PERFORMER IN 2010-11 : Engines and Turbines and Parts : LARGE ENTERPRISE'. Your Company has received this Export award for the 23rd consecutive year.

4. Outlook and Initiatives for the Current Year and Thereafter

Industrial :

- With a growing middle class base, favorable demographics, rising disposable income and consumption levels, and growing corporate sector – including service and industry, the outlook remains positive for the Industrial Business in the medium to long term.
- The Government and private investments will continue to grow in the infrastructure sector.
- Your Company is in a position to actively support and gain from Indian Railways' focus on increasing safety, improving maintenance fleets, and modernizing and introducing high speed and high capacity equipment.
- The State of the Art facility being set up at the Megasite, Phaltan for tailoring of B, C and L series of engines will significantly enhance your Company's ability to serve the construction, compressor, marine and fire pump markets.

Distribution :

- In order to provide faster response, better services and acquire new business opportunities, your Company has initiated a project to integrate the Company and the dealer information systems on pan India basis.
- A world class Global Training Centre is planned at Noida in Association with one of your Company's Generator Original Equipment Manufacturers to impart training on the growing imported as well as domestic engine and generator population. This will help enhance your Company's aftermarket support capabilities.

Exports :

- Demand forecast from customers indicate an improvement for Power Generation and Marine engines from most of the geographies, particularly with the weakening rupee. New business initiatives for supplying Parts to EBUs and service parts to PDCs, will position Parts business favorably this year.
- The outlook for Export for FY 2012 -13 remains positive.

5. Risks and Concerns the Management Perceives

- The cash crunch caused due to inflationary concerns and high fiscal deficit is likely to continue and cause a slowdown in industrial and infrastructure growth in the first half of the year.
- The global economy seems to be slowing down which may have some impact on export volumes in the first half of the year.

Measures to mitigate risks :

- To counter the slowdown in economic growth, it is imperative to maintain focus and leadership in the domestic market. New product/market development, overall portfolio diversification and better market penetration for existing products will continue to be a focus area of your Company.

- Continued focus on your Company's efforts to reduce direct material cost, with initiatives like 'Accelerated Cost Efficiency' (ACE) and Six Sigma will help maintain cost leadership in the domestic market and enable your Company to remain 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 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 Business Control 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 (Revised Schedule VI) and Generally Accepted Accounting Principles (GAAP). There are no 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 grew 2% to Rs. 411,722 Lacs and profit before tax grew 3% to Rs. 82,463 Lacs.

Total employee cost was Rs. 30,394 Lacs as against Rs. 25,463 Lacs during the previous year. The depreciation charge increased from Rs. 3,664 Lacs during the previous year to Rs. 4,198 Lacs during the year under review. Finance Cost (including bank charges) increased to Rs. 541 Lacs as against Rs. 475 Lacs in the previous year.

Fixed Assets :

Additions to the Fixed Assets block during the year ended March 31, 2012 were Rs. 15,118 Lacs (Rs. 9,947 Lacs in the previous year). The addition of Rs. 15,118 Lacs consists mainly of plant and machinery amounting to Rs. 8,525 Lacs, buildings Rs. 4,961 Lacs and roads of Rs. 786 Lacs for augmenting various manufacturing facilities. The depreciation block as of March 31, 2012 was Rs. 50,539 Lacs as compared to Rs. 47,339 Lacs as at March 31, 2011. The deductions/disposals during the year amounted to Rs. 1,064 Lacs as compared to Rs. 811 Lacs in the previous year. Consequently, the net fixed asset block increased to Rs. 46,491 Lacs as of March 31, 2012 as compared to Rs. 35,637 Lacs as at March 31, 2011.

The estimated amount of contracts remaining to be executed on capital account and not provided for as of March 31, 2012 was Rs. 42,845 Lacs and your Company believes that it will be able to fund them internally.

Investments :

Investments decreased from Rs. 72,546 Lacs in March 31, 2011 to Rs. 59,755 Lacs as on March 31, 2012. The net decrease was due to increased dividend payout and funding of the future expansion plans of your Company.

8. Human Resources Development and Industrial Relations

- As on March 31, 2012, the total strength of employees stood at 3,677 as against 3,170 as on March 31, 2011.

Leadership Excellence :

The Global Leadership Development Program (GLDP) was launched in early 2011. The program is targeted towards senior leaders and is aimed at improving their leadership skills while also providing visibility to senior Cummins Inc.

leaders to India's talent. Your Company is happy to announce that as the participants of first GLDP cohort get ready for graduation in July, your Company is all set to launch the second batch with the same vigor and enthusiasm.

Furthering your Company's leadership development efforts, the Leadership Culture Series was launched to reinforce the key leadership skills on which your Company has decided to focus. Your Company rolled out the module on Coach and Develop covering close to 400 leaders across India. Additionally, your Company also launched the 'Building Success in Others – Leadership Essentials', a program specifically designed for first level leaders of professional individual contributors. This program helps leaders facilitate the success of their direct reports in current and future roles at Cummins.

Hire-To-Develop and Seamless Talent Deployment :

This forms a core part of the Great Place to Work Strategy and continues to be a key focus area. This strategy is important to ensure that your Company hires the right talent at the entry level and develops them into senior roles within the Organization. It is strongly believed that this would help in -

- Assimilating employees into the "Cummins Culture" in the early stage of their career.
- Providing employees ample growth opportunities across the various Cummins businesses, functions and geographic locations leading to better retention.
- Enabling Cummins to leverage talent across businesses, functions and geographic locations to drive business growth.
- Facilitating career planning and succession planning for critical positions.

Several new initiatives have been launched for integrating new hires into Cummins and accelerating their development. Your Company introduced the Site Onboarding Program to help new hires build a collection of positive experiences and acclimatize them to their work surroundings and to the culture at their site very early in their association with Cummins. Your Company believes this structured approach towards on-boarding will help new hires become productive and happy within a short period of joining your Company.

Over the last couple of years, your Company has been gradually increasing the intake of young talent from campus. Last year a new structured development module was launched for the graduate engineering campus hires. Your Company is committed to talent development and continuous engagement of this young talent as this would be a significant element towards achieving the profitable growth targets of your Company. This active engagement enabled us to reduce attrition levels of young engineers to 2% in 2011-12 from the 16% earlier.

The year 2011 also saw your Company step up the efforts in institutionalizing the hire to develop philosophy. To accelerate the learning curve and build a strong leadership pipeline, your Company partnered with IIM (Ahmedabad) for a Management Education Program and ARAI-VIT for MTech (Engine Technology) in addition to the strong existing partnerships with SP Jain and Kelley School of Business (U.S.A.).

Employee Engagement at Megasite :

At the Cummins Megasite, living up to the spirit of 'One Cummins', your Company continues to invest in team based, inclusive environment. Towards making a Great Place to Work, the Megasite had several Employee engagement initiatives. Your Company has a 29 percent female population at the Megasite. The year started with the Womens Affinity Group activity on Health Awareness session for women employees by Dr. Meeta Nakhare and an Inter-Entity debate competition where Associates exhibited their recently acquired English communication skills. An Anemia prevention Program was launched for Women Employees to ensure a healthy workforce. The Megasite created a Global record in Cummins for number of hours dedicated to Corporate Responsibility (CR) in a single day by contributing 1,021 Every Employee Every Community (EEEC) hours towards CR initiative on the First Foundation day of Megasite. The Womens Affinity Group (WAG) at the Megasite also organized an Inter-business Team competition of creative art presentations on the occasion of the International Women's Day. This further strengthened the team spirit at Megasite. A speech by Dr. Sanjeevani Gogawale on 'How to deal with challenges in the Manufacturing Industry successfully' inspired women employees to perform better and be good team players. The launch of 'LinC' (Launched in Cummins) Affinity Group for New Hires created lots of enthusiasm. Team games, cultural activities, and awareness sessions organised as the first event of LinC helped new employees on board well and get to know 'Cummins' better. Along with these initiatives, enthusiastically organized picnics, get-togethers, sports events etc. strengthened the bonding and the spirit of 'One Cummins'.

Diversity :

At Cummins, Diversity is a core value and your Company is committed to creating an inclusive workplace that honors people with diverse backgrounds with both dignity and respect. From hiring female employees on the shopfloor to having women leaders leading business units, your Company is proud of the progress it is making in the Diversity arena. Working with a diverse workforce calls for flexibility in organization policies, processes and most importantly, mindsets. During the year, your Company has rolled out work life balance policies that are focused to drive this change through the Organization. It is the prime focus of your Company to ensure that the environment in which this diverse workforce performs its functions is safe, secure and supportive. The journey which was started with 5% women professionals in 2005 has reached 24% in FY 2011-12. On regional Diversity, in FY 2011-12, the professional workforce in your Company showed a representation of 15%, 11%, 9% and 4% from South, North, East and Central India respectively.

Campus Hiring :

Your Company hired around 500 college hires in 2011. Over 100 engineers went through the Young Managers Development Program (YMDP). A sizeable percentage of the new recruits are women, aligned with your Company's efforts to increase gender representation in the organization. Around 220 number of women were hired in 2011 (which is 44% of total hires in 2011), thus showcasing your Company's commitment towards diversity. Your Company also hired 55% diverse workforce from other regions of India (East, South and North) thus endorsing your Company's inclusive environment culture.

Your Company also strengthened partnerships with distinguished MBA and Engineering colleges such as IIM-Ahmedabad, SP JAIN, Narsee Monjee Institute of Management Studies, IIT Bombay, COEP Pune, SIBM Pune, XLRI Jamshedpur, NITIE Mumbai, by appointing senior leaders as "Sponsors" who take responsibility to engage with these colleges at various levels by participating in guest lectures, symposiums, college events, event-sponsorships, tech shows, case studies etc.

Right Environment :

Your Company continues to reinforce the Right Environment through various forums :

- Conducting online and face-to-face mandatory ethics sessions including refresher sessions.
- The Ethics Infrastructure which includes the Ethics Point website, Ethics Toll free helpline number, Ethics Committee (chaired by the Chairman and Managing Director, comprising Heads of HR, Legal and Internal Audit) and external forensic agencies on an as need basis.
- Annually conducting on-line Ethics certification for selected employees from critical and relevant functions.
- Leadership interactions and regular, quarterly communications.

Industrial Relations (IR) and other initiatives : 2011-12 :

The organizational leadership and the associates have significantly invested time and effort to enhance communications and create a collaborative environment. Your Company's leadership has driven interventions to engage associates in developmental activities apart from strengthening various employee engagement activities, such as :

- Regular communication with employees and union members on a predetermined frequency.
- Celebration of National days and major festivals.
- Associate involvement in "Corporate Responsibility" initiatives.
- Active participation by associates in safety initiatives.

A right environment training program has been designed specifically for associates and is being conducted with a view to collate the views of associates on making Cummins a "Great Place to Work".

The employee relations continued to remain peaceful and cordial.

9. Responsible Citizenship – on a sustained basis

In achieving its business objectives, your Company has never lost sight of its commitment to act as a responsible citizen of India. This commitment is reflected in every aspect of your Company's operations, and noticeably visible in decisions taken towards serving customers, returning value to shareholders, creating winning partnerships with suppliers, generating opportunities for employees and strengthening the communities. The next few pages will highlight the various initiatives undertaken by your Company towards building a sustainable future for all stakeholders.

As with every year, Cummins received commendations and was applauded for its efforts in the areas of corporate governance and ethics, corporate responsibility, environmental protection, workplace, diversity and people.

Governance, ethics and corporate responsibility :

In 2012, Cummins Inc. was again named one of the World's Most Ethical Companies by the Ethisphere Institute. The Institute evaluates companies' commitment to ethical leadership, compliance practices and corporate responsibility. This was the fifth straight year that Ethisphere selected Cummins Inc. for this honor.

Corporate Responsibility magazine again named Cummins Inc. to its 2012 list of the world's 100 Best Corporate Citizens. It was the 12th time in the last 13 years that Cummins has been named to the list. Overall, Cummins was number 81.

Environmental :

In 2012, Cummins Inc. was named a winner in the Greenhouse Gas (GHG) Goal achievement category of the inaugural Climate Leadership Awards for excellence in industrial energy efficiency. The U.S. Environmental Protection Agency (EPA) and three other groups sponsored the awards to recognize corporate, organizational and individual leadership in addressing climate change and reducing carbon emissions.

Cummins Inc. was named in the Dow Jones Sustainability Index for the seventh consecutive year in 2011. The index represents the top 10 percent of the world's largest companies rated by Dow Jones across a range of economic, environmental and social responsibility measures.

Cummins Inc. finished in the top third of the companies reviewed as part of Newsweek's environmental rankings of the 500 largest U.S. companies in the fall of 2011. The magazine partnered with three environmental research organizations to review the environmental footprints of companies along with their policies and reputations.

Workplace, Diversity, People :

Cummins Inc. has been named one of the Top 50 companies for fostering Diversity by DiversityInc magazine for the sixth consecutive year in 2012. Cummins ranked 18th on the list, the same position it held in 2011.

In 2012, Cummins Inc. received a perfect rating for a seventh consecutive year from the Human Rights Campaign, the largest advocacy group for lesbian, gay, bisexual and transgender (LGBT) employees. The group rated more than 800 employers as part of its 2012 Corporate Equality Index. The index reviews companies on their LGBT policies, practices and more.

Cummins was recognized for its efforts in creating a global driver risk assessment, as well as for the monitoring and improvement program developed through the Virtual Risk Manager application.

Cummins Inc. received an IHS SPECTRUM Excellence Award in 2011 in recognition of its superior use of advanced information technology to achieve environmental, health and safety compliance and sustainability (EHS&S) business goals.

Cummins Inc. received an Honorable Mention C. Everett Koop National Health Award in 2011, presented by The Health Project, a non-profit, private-public consortium chaired by the former U.S. Surgeon General to pay tribute to organizations that have met rigorous results criteria and documented improved health and decreased medical costs.

These recognitions come to Cummins Inc. for its work in the areas of social responsibility and governance. A truly global business encourages practicing the ideology and executing the initiatives with equal belief and passion across all regions, worldwide. In India too, significant work has been done in the same areas as illustrated below.

Working for the environment :

Your Company continued its efforts to create a cleaner, healthier and safer environment.

The three operational facilities at the Cummins Megasite at Phaltan which include the High Horsepower Rebuild Center, Recon India and Tata Cummins Limited, have received EMS 14000 and OHSAS 18000 certification by Bureau Veritas for their environmentally-sustainable initiatives.

Besides the Megasite, several innovative resource conservation initiatives were observed at the Engine Business Plant at Kothrud as well. These included circulating e-copies of engine manuals, reducing diesel consumption of gensets installed on the Campus through the effective utilization of energy-efficient bulbs and natural light as well as reducing diesel consumption at the KV engine testing area by reducing engine testing time, and optimizing the usage of Proportional Integral Derivative (PID) control valve.

The Cummins Generator Technologies (CGT) plant at Ranjangaon, which supplies alternators to your Company and holds the distinction of being Cummins in India's first green rated factory building, has now received the Gold Rating from the IGBC (Indian Green Building Council). The IGBC certification of the Ranjangaon plant not only serves as significant recognition for Cummins' green practices but also demonstrates Cummins' dedication towards environment sustainability.

The CGT alternator plant at Ahmednagar too added significantly to environment preservation by replacing the use of wooden skids for transporting materials with returnable metallic skids. This has brought down wood consumption and wastage by 114 tonnes, and generated savings of about Rs. 30 Lacs in four months.

Environment Performance Indicators (EPI) :

EPIs demonstrate how an organisation is performing, and provide a firm basis for future targets and improvements. The main criteria used in selecting the appropriate indicators are environmental relevance, international comparability and applicability of the information provided by the indicator.

At Cummins, this criteria is being used to set GHG emission, water consumption and waste generation as the Company's leading environment indicators which would go on to offer a representative picture of environmental conditions and pressures on the environment.

EPIs are adequately reported and updated on a quarterly basis. The environmental data of all facilities is collated and used to track performance against target.

At Cummins in India, GHG emissions have been reduced from 58.3 T Co2/\$Mn in 2010 to 53.1 T Co2/\$Mn in 2011, an approximate 9% reduction from the previous year. Also, as a result of its continual efforts, a reduction of about 24% of total water consumption per net sales was achieved in 2011 from 2010.

Energy and Water Conservation Programs :

Your Company continued its energy conservation programmes during the year through energy audits at the Engine Business Unit (Kothrud), Distribution Business Unit (Erandwane), Power Generation Business Unit (Pirangut) and at the other group companies including Cummins Generator Technologies at Ranjangaon and Ahmednagar and Cummins Turbo Technologies at Pithampur. The result of the improvement initiatives that have been initiated by the energy audit findings would be reflected in next year's GHG emission performance.

For water conservation, Cummins has initiated several programmes in the last year. The Cummins Megasite at Phaltan inaugurated its rainwater harvesting pits to replenish groundwater. Tata Cummins Limited (TCL) at Jamshedpur installed a new sewage treatment plant that has the latest Moving Bed Bioreactor (MBBR) technology. The domestic waste water treated from this plant is used in the cooling tower, and has subsequently reduced fresh water consumption at the plant from 150 KLPD to 40 KLPD.

Cummins Turbo Technologies at Pithampur reduced its consumption of process water in the impeller system by reusing the water utilised for washing components.

In celebration of World Environment Day, the Cummins Group in India launched a series of initiatives across its entities in June 2011. This week-long celebration themed 'Forests: nature at your service' saw enthusiastic participation from

employees across Business Units. The Distribution Business Unit and the Power Generation Business Unit facilities in Pune celebrated the day by organising a week-long cleanliness drive. The campuses of various entities including the Industrial Engine Business, the Distribution Business and the Power Generation Business in Pune, Cummins Generator Technologies in Ranjangaon and Ahmednagar, Cummins Turbo Technologies in Dewas and Pithampur, Tata Cummins Limited in Jamshedpur and the New and ReCon Parts Business in Pithampur were 'transformed into green' with tree plantations in and outside the campuses. Employees were also gifted saplings. Taking the celebration a step further, the alternator facilities at Ranjangaon and Ahmednagar distributed cloth bags to all the employees and also installed water and energy meters across the facilities.

Corporate Responsibility :

Your Company's participation in improving lives of the communities goes beyond mere philanthropy. Utilizing its expertise and knowledge and engaging its people, your Company continues to work on various projects undertaken in the three focus areas as identified by the Cummins India Foundation (CIF) – Higher Education, Energy and Environment, and Infrastructure Development.

Higher education :

Your Company channelizes a lot of its energy and efforts in making higher education accessible to students from economically weaker sections of the society. Some of your Company's sustainable projects include :

■ **Cummins Scholarship Programme**

Every year Cummins awards scholarships to meritorious students from economically weaker sections of the society for college level education (both Bachelors as well as Masters level programmes). In 2011, a total of 70 students were selected for scholarship.

■ **Cummins College of Engineering for Women in Pune**

In 2007, supported by the Cummins India Foundation (CIF), in ways monetary and beyond, the Cummins College of Engineering for Women had opened admissions to a four-year BE Degree program in Mechanical Engineering. In 2011, the first all-women batch of 65 mechanical engineers in India, graduated with flying colours.

■ **Signature Project**

The Cummins College of Engineering for Women (CCEW), conceptualised and launched in 1991 in Pune, was established last year by Cummins Inc. as a signature project. Under this initiative, your Company aims to enhance the quality of education so as to rank CCEW amongst the top 5% privately-managed engineering institutes in India. Your Company has developed a road map for accomplishing this objective. In the first phase (2011-2017) the focus will be on the undergraduate programmes and in the second phase (2018-2025) the emphasis will be on graduate programmes.

Your Company's senior executives are deeply involved in the Signature Project, frequently interacting with the staff and students. The students get a chance to interact with the industry through internships and exchange programmes. Regular PhDs and paper presentations keep the staff updated on industry realities. Continuous development of the College is being ensured through new infrastructure and upgradation of lab equipment.

■ **Upgradation of the ITI Phaltan**

Approximately 10 kilometers from the Cummins Megasite is Phaltan's only Industrial Training Institute (ITI). About 210 students study in this government-run Institute. Your Company noticed that the Institute was facing challenges such as poor infrastructure, low gender diversity, and lack of motivation amongst students and staff, and decided to adopt and upgrade the Institute.

Your Company has devised a three-pronged approach for upgrading the Institute – 1) Enhancing the infrastructure and landscape. The façade of the building was given a facelift. 200 Cummins employees spent over 800 hours creating this landscape; 2) Improving workshop equipment and layout. Our engineers from Cummins redesigned the workshops at the ITI as well as the Centre of Excellence and transformed them into state-of-the-art workshops with CNC machining cells and other industry-relevant equipment; and 3) Introducing skills training and additional courses. Cummins created additional classrooms and supplied training aids. In less than six months, two new

courses were introduced – diesel mechanic and machinist. It is heartening to note that 45 women joined the ITI this year as compared to 19 last year. Your Company will soon implement a 4-year development plan for further upgradation of the ITI.

Energy and Environment :

Your Company worked in the area of energy and environment, offering solutions towards making living easier for the underprivileged. On some of these projects, your Company worked in close partnership with select NGOs and the government.

■ **Designing bamboo sheds for infrastructure development in rural areas**

Steel is the most commonly-used material for construction in rural areas, with nearly 400 kg being used in the construction of one structure alone. Bamboo is a reliable and cost-effective alternative to steel. It is easily available, has better tensile strength-to-weight ratio, is naturally resistant to moisture and rot and most importantly is environment friendly. Your Company, in partnership with Dr. Reddy's Foundation, has designed bamboo structures that are an apt solution for building sheds to support infrastructure development in rural areas. Our engineers have used the latest analysis led design computer modeling to design these structures. These robust structures are now replacing materials such as steel in rural applications such as cowsheds, poultry sheds, small-scale industries, homes, schools, community halls, toilet sheds, grain storage, fencing, bus stands, etc.

■ **Reduce water body pollution during festivals**

During festivals, 60 kilo tons of Plaster-of-Paris (POP) and 400,000 plastic bags are thrown into the river in Pune in just two days, causing severe water pollution. Your Company took up the cause of sensitizing Pune's community about the hazards of water pollution, and alongside also identified an eco-friendly alternative. The challenge was to change conventional habits and mindsets towards rituals associated with religious festivals. Cummins tied-up with SWaCH (Solid Waste Collecting and Handling), an NGO - eCoexist, an eco-friendly idol manufacturer and law enforcing authorities to implement this project.

The scope of the project entailed adoption of 11 ghats within a 10 km radius of Cummins' campus in Kothrud, construction of immersion tanks, collection of Nirmalya, making available eco-friendly idols and spreading awareness through street rallies and sessions at schools. The team collected 26 tons of biodegradable waste and 3.2 tons of dry waste, prevented over 18,000 idols from being immersed in the river water, and all without any untoward incident, considering the complexity of the project.

■ **Zero Garbage initiative generates electricity for Katraj Ward**

In early 2011, your Company in partnership with Janwani, an NGO, the Pune Municipal Corporation and SWaCH Cooperative had collaborated to establish Katraj, Pune, as a Zero Garbage ward. This initiative represents a paradigm shift in treating garbage as waste to a more sustainable renewable energy source.

Besides contributing Rs. 30 Lacs and providing expert project management, Cummins had close to a 1,000 of its employees participate as volunteers spending countless hours in educating and bringing about the necessary behaviour change not only amongst residents, but also amongst rag-pickers. This has resulted in a noticeable positive change among the rag-pickers who treat their task with more discipline and dignity. That project has even opened up avenues for the rag-pickers' children giving them an opportunity to go to school and pursue education. Moreover, there hasn't been a single medical ailment in the ward in the last three months related to garbage related pollution.

Your Company has now installed a 45kVA genset at Katraj, which runs on biogas obtained from converting the wet waste collected at the ward. Electricity produced from this genset is electrifying the streets in Katraj. The two-fold advantage of this initiative is that it has resulted in not just cleaner streets in Katraj ward but has also made good use of the wet waste by utilising it to generate renewable energy.

The project has been awarded ISO (International Organisation for Standardisation) 9001 certification for Decentralised Municipal Solid Waste Collection, Transportation and Processing as per the Municipal Solid Waste (M&H) Rules, 2000.

- **Towards no plastic bags**

Plastic bags create close to 4,030 tons of non-biodegradable waste every year. In partnership with an NGO, your Company launched a project 'Towards No Plastic Bags'. Through this initiative Cummins endeavoured to replace plastic bags with bags made of newspaper. Before launching the project externally, a pilot was undertaken at the Cummins' campus in Kothrud, and soon after replicated at all other Cummins sites across India. This exercise identified the various areas where your Company could replace plastic with paper, for instance in the packaging of engines and kits. The project has so far helped replace 100,000 plastic bags within and outside of Cummins. Moreover, the NGO that is manufacturing these bags has engaged differently-abled groups in the manufacturing process, thereby helping them to find a source of livelihood.

Local Community Infrastructure Development :

In the area of local community infrastructure development, your Company made sustained efforts, a few of which are outlined below :

- **Developing Nandal into a Model village**

After considerable study and need analysis, your Company selected Nandal, a village near Phaltan, Maharashtra, for developing it into a model village. The village faces severe water scarcity in summer which leads to low agricultural productivity and low income. Illiteracy among the village dwellers compounds the problem. There is also an immediate need to educate the villagers on sanitation and hygiene.

Your Company has devised a three-pronged developmental approach encompassing infrastructural upgradation, improved health, sanitation, education and entrepreneurial opportunities for livelihood and improved lifestyle. The program is being implemented in two-phases with support from the Yashwantrao Chavan Center and the Krishi Vigyan Kendra. In the first phase, bunds have been constructed to provide farmers with the resultant water recharge for irrigation. Locations have been identified for building a rain water harvesting system. Villagers have been educated in animal husbandry. Through artificial insemination of the cattle, milk production is being augmented, thereby increasing income generation. Your Company regularly organises agriculture training camps where experts educate the villagers on practices that would help maximize their yield. In the second phase, villagers have been educated on soil and water conservation, and also been given improved seeds. Improved lifestyle and entrepreneurship development is being tackled now, alongside a committed focus on health and sanitation, which includes health check-up camps, and construction of toilets and dustbins for the use of the villagers.

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 vary 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 and 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 :

There has been no change in the composition of Directors during the financial year.

Board Meetings :

During the financial year, the Board of Directors met four times on May 30, 2011, August 4, 2011, November 10, 2011 and February 9, 2012.

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	2	4	—	3
Mr. M. A. Levett	Promoter Non-executive	—	—	—	—
Dr. John Wall	Promoter Non-executive	1	—	—	—
Mr. Patrick Ward	Promoter Non-executive	—	—	—	—
Mr. James Kelly	Promoter Non-executive	—	—	—	—
Mr. Rajeev Bakshi	Independent Non-executive	—	2	—	1
Mr. P. S. Dasgupta	Independent Non-executive	—	8	2	4
Mr. Nasser Munjee	Independent Non-executive	3	11	3	5
Mr. B. H. Reporter	Independent Non-executive	1	—	—	—
Mr. Venu Srinivasan	Independent Non-executive	4	9	1	3

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	Member	Chairman	Member
Mr. J.M.Barrowman	Alternate Director to Mr. M. A. Levett	—	—	—	—
Mr. Sean Milloy	Alternate Director to Dr. John Wall	—	—	—	—
Mr. Pradeep Bhargava	Alternate Director to Mr. Patrick Ward	—	4	1	—

- Notes :
- As on March 31, 2012, Mr. B. H. Reporter jointly with Mrs. A. B. Reporter held 1,05,000 fully paid shares of Rs. 2/- each in the equity share capital of the Company.
 - Directorships in Foreign Companies, Private Limited Companies and companies under Section 25 of the Companies Act, 1956 are excluded in the above table.

Attendance at the Board Meetings and AGM :

During the year, (i) M/s. Anant J. Talaulicar and Nasser Munjee attended all 4 meetings, (ii) Mr. B. H. Reporter attended 3 meetings, (iii) M/s. Rajeev Bakshi and James Kelly attended 2 meetings, and (iv) M/s. Mark A. Levett, John Wall, P. S. Dasgupta, Venu Srinivasan and Patrick Ward attended 1 meeting.

Mr. J. M. Barrowman (Alternate Director to Mark A. Levett) attended 2 meetings and Mr. Pradeep Bhargava (Alternate Director to Patrick Ward) attended 3 meetings.

M/s. Anant J. Talaulicar, Mark A. Levett, John Wall, Nasser Munjee, Venu Srinivasan, P. S. Dasgupta, Rajeev Bakshi, J. M. Barrowman (Alternate Director) and Pradeep Bhargava (Alternate Director) attended the Annual General Meeting (AGM) held on August 4, 2011, while M/s. B. H. Reporter, James Kelly, Patrick Ward and Sean Milloy (Alternate Director) could not make it due to other commitments.

3. COMMITTEES OF THE BOARD :

(A) FINANCE AND AUDIT COMMITTEE :

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

The Finance and Audit Committee had 4 meetings during the year on May 30, 2011, August 4, 2011, November 10, 2011 and February 9, 2012. M/s. Nasser Munjee and Anant J. Talaulicar attended all 4 meetings; Mr. B. H. Reporter attended 3 meetings; Mr. Rajeev Bakshi attended 2 meetings; and M/s. P. S. Dasgupta and Patrick Ward attended 1 meeting, during the year.

The Committee reviewed the balance sheet and profit & loss account, audited financial results for the year ended March 31, 2011 and un-audited financial results for the quarters ended June 30, 2011, September 30, 2011 and December 31, 2011. The Committee also reviewed (i) appointment of Statutory, Cost and VAT Auditors of the Company (ii) performance of Joint Ventures & Associates (iii) reports of the Internal Auditor (iv) Cost Audit Report for the year 2010-11 (v) acquisition / sale of assets (vi) Directors' Responsibility Statement (vii) Related Party transactions (viii) performance of Statutory Auditors (ix) Legal Compliance Reports (x) major litigations and (xi) Code of Conduct monitoring.

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.

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, the Chief Financial Officer and the Business Unit Heads of the Company are 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, 4 meetings of the Shareholders / Investors Grievance Committee were held on May 30, 2011, August 4, 2011, November 10, 2011 and February 9, 2012. Mr. Anant J. Talaulicar attended 4 meetings, Mr. B. H. Reporter attended 3 meetings and Mr. P. S. Dasgupta attended 1 meeting.

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

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

Compliance Officer :

Mr. Amit Atre
General Manager - Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 1, 2011 to March 31, 2012 :

Sr. No.	Nature of complaint	No. of complaints
1.	Non-receipt of Annual Reports	5
2.	Non-receipt of Dividend Warrants	7
3.	Non-receipt of Share Certificate	1
	Total	13

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 Non-Executive Independent Directors are paid sitting fees and commission. Commission is paid on equal basis to all Non-Executive Independent 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, 2011 to March 31, 2012:**Rs. in Lacs**

Name of the Director	Sitting fees	Commission*	Total
Mr. Rajeev Bakshi	0.80	5.00	5.80
Mr. P. S. Dasgupta	0.50	5.00	5.50
Mr. Nasser Munjee	1.60	5.00	6.60
Mr. B. H. Reporter	1.50	5.00	6.50
Mr. Venu Srinivasan	0.20	5.00	5.20

* Subject to approval of Shareholders at the ensuing Annual General Meeting.

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2011 to March 31, 2012 :**Rs. in Lacs**

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	0.12	—	7.46	0.12	—	7.65	15.35

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.

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 2, 2012 at 12.00 noon Venue : Hotel Le Meridien Majestic Hall, 1 st Floor, Raja Bahadur Mill Road, Pune 411 001	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2012 – By first week of August, 2012. ■ Results for quarter and half year ending September 30, 2012 – By second week of November, 2012. ■ Results for quarter and nine months ending December 31, 2012 – By first week of February, 2013. ■ Results for the year ending March 31, 2013 – By second week of May, 2013. 	
Dates of Book Closure	July 28, 2012 to August 2, 2012 (both days inclusive).	
Interim dividend payment date	March 7, 2012.	
Final Dividend payment date	August 30, 2012.	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. Bombay Stock Exchange Limited (BSE) P. J. Towers, Dalal Street, Mumbai 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2012-13.	

Market price data: High, Low during each month in the financial year 2011-12.

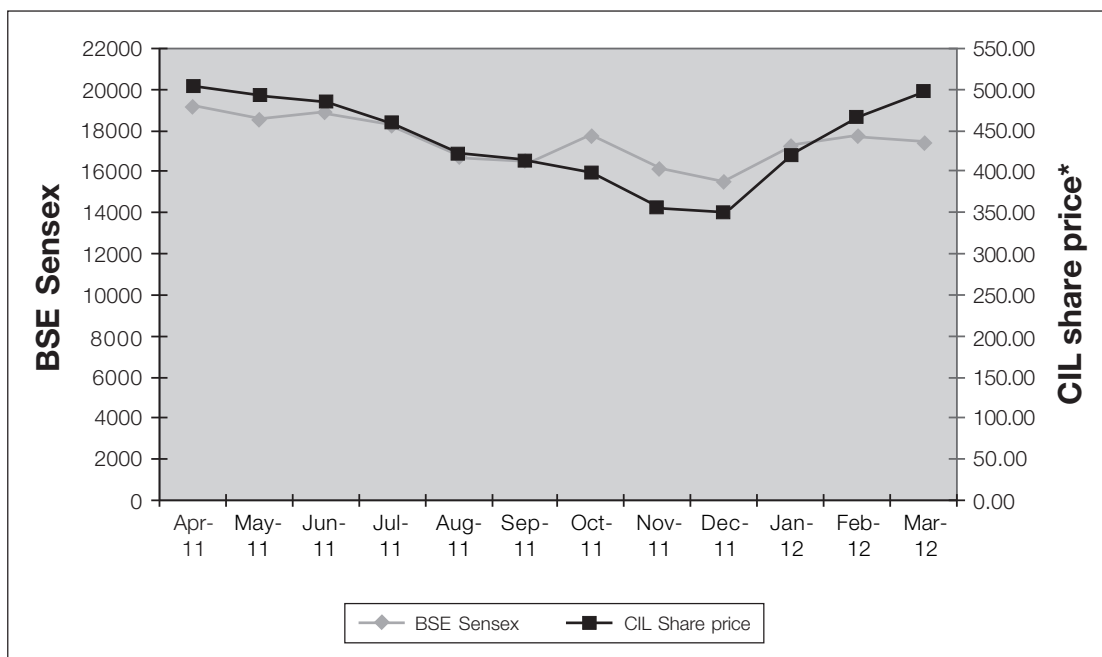
BSE			NSE		
Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2011	780.00	660.70	April 2011	728.50	658.20
May 2011	721.25	676.15	May 2011	722.45	677.90
June 2011	699.50	641.00	June 2011	697.90	643.05
July 2011	709.00	627.20	July 2011	708.80	625.20
August 2011	650.90	580.40	August 2011	651.00	580.00
September 2011	625.00	403.00	September 2011	624.75	403.25
October 2011	419.00	375.10	October 2011	418.00	374.10
November 2011	400.70	323.00	November 2011	401.20	323.00
December 2011	367.00	322.00	December 2011	366.95	322.00
January 2012	430.80	336.05	January 2012	431.40	336.00
February 2012	490.00	412.75	February 2012	490.00	408.30
March 2012	498.80	440.00	March 2012	499.90	421.80

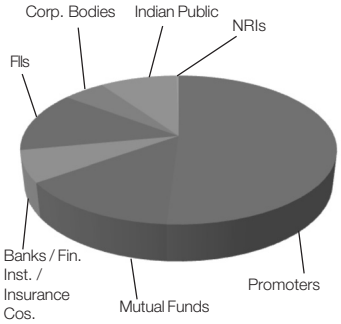
Note : The Company issued Bonus shares in the ratio of 2:5 on September 26, 2011, Record Date being September 21, 2011. The shares were listed on Bombay Stock Exchange and National Stock Exchange on September 29, 2011.

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, 2012.
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Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2011-12

* Share Price for the period April 2011 to August 2011 adjusted to reflect Bonus shares issued during the year 2011-12.



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 Contact Person : Mr. N. Mahadevan Iyer E-mail : mahadevan.iyer@linkintime.co.in / 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, 2012	Category	No. of shares of Rs. 2/- each	% of shareholding
	Promoters	141,372,683	51.00
	Mutual Funds	39,246,671	14.16
	Banks / Financial Institutions / Insurance Companies	18,874,801	6.81
	Foreign Institutional Investors (FIIs)	36,846,134	13.29
	Corporate Bodies	14,101,973	5.09
	Indian Public	26,039,750	9.39
	NRIs	717,988	0.26
	TOTAL	277,200,000	100.00
Distribution of shareholding within various categories (as on March 31, 2012)			
Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1-500	27,727	2,650,227	0.96
501-1,000	2,575	1,771,183	0.64
1,001-5,000	3,458	7,634,451	2.75
5,001-10,000	922	6,954,829	2.51
10,001-50,000	466	9,569,941	3.45
50,001-100,000	66	4,527,567	1.63
100,001 and above	150	244,091,802	88.06
Total	35,364	277,200,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2012)	98.48% shares are in demat form.
Sub-divided share certificate in lieu of old certificates	The Company had on February 10, 1987, sub-divided each Equity Share of the face value of Rs. 100/- each into ten Equity Shares of the face value of Rs. 10/- each. Subsequently, on December 4, 2000, the Company sub-divided each Equity Share of the face value of Rs. 10/- each into five Equity Shares of the face value of Rs. 2/- each. The Company has sent a reminder to those Shareholders who have not yet claimed new certificates for sub-divided Shares of the face value of Rs. 2/- each.
Issue of Bonus Shares	Post approval by the Shareholders at the Extra-ordinary General Meeting held on September 9, 2011, the Company issued 79,200,000 bonus equity shares of Rs. 2/- each to the eligible shareholders on September 26, 2011, in the ratio of 2:5 i.e. two bonus equity shares of Rs. 2/- each for every five equity shares of Rs. 2/- each held. Consequently, the Paid-up Share Capital of the Company has increased from Rs. 396 Million to Rs. 554.4 Million. The Bonus shares were listed on Bombay Stock Exchange and National Stock Exchange on September 29, 2011.
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.
Plant locations	<ol style="list-style-type: none"> 1. Kothrud, Pune 411 038. 2. Plot No. 206/2, Off. Nagar Road, Haveli, Pune-411 014. 3. Plot No. 19/25A, Silver Industrial Estate, Bhimpore, Daman 396 210. 4. Gat No. 311/B&1B, Kasar Amboli 412 111, Dist. Pune, Maharashtra. 5. 35A/1/2 Erandwane, Pune 411 038. 6. MIDC Phaltan, Village Survadi, Dist. Satara, Maharashtra.
Address for correspondence	Registered Office : Kothrud, Pune 411 038 Tel : 020 2538 5435 Fax : 020 2538 0125 1) Mr. Pradip Phansalkar, Sr. Manager, Secretarial E-mail - pradip.s.phansalkar@cummins.com 2) Mr. Amit Atre, General Manager - Legal & Company Secretary E-mail - 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 2008-2009	FY 2009-2010	FY 2010-2011
Date and Time	29.07.2009 at 12 noon	12.08.2010 at 12 noon	04.08.2011 at 12 noon
Venue	Yashada, MDC Auditorium, Baner Road, Pune 411 007	Yashada, MDC Auditorium, Baner Road, Pune 411 007	Yashada, MDC Auditorium, Baner Road, Pune 411 007

■ **Special resolutions passed at the last 3 General Body Meetings :**

At its Extra-ordinary General Meeting held on September 9, 2011, the members of the Company passed a Special Resolution for Alteration of the Articles of Association of the Company to give effect to increase in the Authorised Share Capital of the Company to facilitate issuance of Bonus shares in the ratio of 2:5.

- **Postal Ballot :** No resolution was passed through Postal Ballot during the financial year 2011-12 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 Corporate Governance requirements of Clause 49 of the Listing Agreement.
- 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 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 annual audited and quarterly / half-yearly unaudited financial results for the year ended March 2011 and quarters ended June, September and December 2011, were published in Business Standard and Maharashtra Times.
- Transcript of Conference calls with the Analysts held on May 31, 2011, August 5, 2011, November 11, 2011, February 10, 2012, the Chairman's Presentation to the Shareholders made at the AGM held on August 4, 2011 and Presentation made to Analysts on February 22, 2012 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 2011-12.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 15, 2012

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, 2012, 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: 301112E
Chartered Accountants

Jeetendra Mirchandani

Partner

Membership Number: 48125

Place : Pune

Date : May 15, 2012

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, 2012, and the related Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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: 301112E
Chartered Accountants

sd/-

Jeetendra Mirchandani
Partner

Membership Number: 48125

Pune
May 15, 2012

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 as of and for the year ended March 31, 2012

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 two 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 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 off 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. 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, no major weaknesses have been noticed or reported.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
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 the 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 regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (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, customs duty and excise duty as at March 31, 2012 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. in Lacs)	Financial Year to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Demand on account of transfer pricing adjustments, other disallowances and interest thereon	2,895	2006-2007	Income-tax Appellate Tribunal, Pune
The Maharashtra Sales Tax on Transfer of Property in goods involved in the Execution of Works Contract (Re-enacted) Act, 1989	Demand on account of Purchase tax/ Works contract tax and surcharge thereon	155	1999-2000	High Court, Mumbai
The Central Sales Tax Act, 1956/ Bombay Sales Tax Act, 1959 (B.S.T.)/ Maharashtra Value Added Tax Act, 2002	Taxation of sales turnover under B.S.T. Act and disallowance of claim of VAT set-off, and inter-state sale u/s 3(a) of C.S.T. Act, 1956	5,203	2002-2003 to 2006-2007	Joint Commissioner of Sales Tax (Appeal) / Sr Deputy Commissioner of Sales Tax (Appeals) – Pune
VAT Act, 2002	Additional Demand on account of non-receipt of 'C' forms	30	2005-2006	Deputy Commissioner of Sales Tax (Appeals)
The Central Sales Tax Act, 1956 (C.S.T.)/Bombay Sales Tax Act, 1959 (B.S.T.)	Disallowances of Sales Tax Declaration forms, disallowances of set off claimed under rule 41D and 42H and interest thereon	323	1999-2000 to 2001-2002	Maharashtra Sales Tax Tribunal, Mumbai
The Customs Act, 1962	Demand due to erroneous claim of duty drawback (excluding interest, as applicable)	2,213	2005-2006 to 2008-2009	The Commissioner of Customs (Appeals), Panaji, Goa
The Central Excise Act, 1944	Disallowance of credit taken on inputs	14	2004-2005	Central Excise and Service Tax Appellate Tribunal (Mumbai/ Ahmedabad)

10. The Company has no accumulated losses.

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 during the year; and does not have any debentures outstanding as at the year end.
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 fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse

Firm Registration Number: 301112E
Chartered Accountants

Jeetendra Mirchandani

Partner

Membership Number: 48125

Pune
May 15, 2012

Balance Sheet as at March 31, 2012

		(Rupees in Lacs)	
Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	5,544	3,960
Reserves and Surplus	3	198,771	176,667
		<u>204,315</u>	<u>180,627</u>
Non-current Liabilities			
Long-term Liabilities	4	1,470	1,979
Long-term Provisions	5	9,870	10,048
		<u>11,340</u>	<u>12,027</u>
Current Liabilities			
Short-term Borrowings	6	—	—
Trade Payables (refer note no.28)		51,856	56,943
Other Current Liabilities	7	15,165	11,084
Short-term Provisions	8	27,492	25,885
		<u>94,513</u>	<u>93,912</u>
	TOTAL	<u>310,169</u>	<u>286,566</u>
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	9	45,895	34,825
Intangible Assets	9	596	812
Capital Work-in-progress		4,967	6,467
Non-current Investments	10	7,551	5,865
Deferred Tax Assets (net)	11	695	1,873
Long-term Loans and Advances	12	34,294	18,988
		<u>93,998</u>	<u>68,830</u>
Current Assets			
Current Investments	13	52,204	66,681
Inventories	14	56,761	51,896
Trade Receivables	15	67,834	71,816
Cash and Bank Balances	16	22,350	10,373
Short-term Loans and Advances	17	16,525	16,772
Other Current Assets	18	497	198
		<u>216,171</u>	<u>217,736</u>
	TOTAL	<u>310,169</u>	<u>286,566</u>

Summary of significant accounting policies
The notes are an integral part of these financial statements
In terms of our report of even date

1

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

For and on behalf of the Board

Jeetendra Mirchandani
Partner
Membership Number 48125

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Amit Atre
General Manager Legal & Company Secretary

Pune
Date: May 15, 2012

Pune
Date: May 15, 2012

Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No.	(Rupees in Lacs)	
		Year Ended March 31, 2012	Year Ended March 31, 2011
Revenue from operations (gross)	19	441,053	428,785
Less : Excise duty		29,331	24,532
Revenue from operations (net)		411,722	404,253
Other income	20	12,333	8,037
Total Revenue		424,055	412,290
Expenses:			
Cost of materials consumed (refer note no. 37)		244,664	240,206
Purchases of traded goods (refer note no. 38)		25,768	22,459
Change in inventories of finished goods, work-in-progress and traded goods	21	(5,890)	(4,628)
Employee benefits expense	22	30,394	25,463
Finance costs	23	541	475
Depreciation and amortization expense		4,198	3,664
Other expenses	24	47,061	44,414
Total expenses		346,736	332,053
Profit before exceptional items and tax		77,319	80,237
Exceptional items	25	5,144	—
Profit before tax		82,463	80,237
Tax expense			
Current tax [including (excess)/short provision of tax relating to earlier years Rs. 32 lacs (previous year Rs. 1,212 lacs)]		22,158	21,313
Deferred tax		1,178	(175)
Total Tax Expense		23,336	21,138
Profit after Tax		59,127	59,099
Basic and diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)	26	21.33	21.32

Summary of significant accounting policies 1
The notes are an integral part of these financial statements
In terms of our report of even date

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership Number 48125

For and on behalf of the Board

Anant J. Talaulicar Nasser Munjee
Chairman & Director
Managing Director

Amit Atre
General Manager Legal & Company Secretary

Pune
Date: May 15, 2012

Pune
Date: May 15, 2012

Cash Flow Statement for the year ended March 31, 2012

	Rupees in Lacs	Rupees in Lacs	Previous Year Rupees in Lacs
I. Cash flows from operating activities :			
Cash generated from operations	65,797		64,734
Tax paid (net of refunds)	(21,548)		(21,809)
Net cash provided by operating activities		44,249	42,925
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(22,882)		(14,859)
Sale	70		66
Interest received	1,503		1,235
Dividend received	4,287		5,047
Investments			
Purchase	(217,299)		(234,665)
Sale/redemption	232,766		235,415
Investment in Joint Venture	(600)		—
Divestment in Joint Venture	5,344		—
Tax on divestment of Joint Venture	(417)		—
Investment in bank deposits (having original maturity of more than three months)	(15,502)		(16,008)
Redemption / Maturity of bank deposits (having original maturity of more than three months)	13,504		10,504
Net cash used for investing activities		774	(13,265)
III. Cash flows from financing activities :			
Loans repaid *	—		(1)
Finance cost	(541)		(475)
Dividend paid (including tax on dividend)	(34,518)		(30,015)
Net cash used for financing activities		(35,059)	(30,491)
IV. Net change in cash and cash equivalents (I+II+III)		9,964	(831)
V. Cash and cash equivalents at the beginning of the year		1,558	2,389
Cash and cash equivalents at the end of the year (IV+V)		11,522	1,558

* Amount for the current year is below the rounding off norm adopted by the Company

Cash Flow Statement for the year ended March 31, 2012 (Contd.)

	Rupees in Lacs	Rupees in Lacs	Previous Year Rupees in Lacs
1) Cash generated from operations has been arrived at as follows :			
Profit before exceptional items and tax		77,319	80,237
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	4,198		3,664
Finance Costs	541		475
Interest income (gross)	(1,802)		(1,236)
Dividend earned (gross)	(4,287)		(5,047)
(Gain)/Loss on assets sold, discarded etc.	(5)		23
Gain on redemption /sale of investments (net)	(2,276)		(3)
Provision for doubtful debts	354		178
		(3,277)	(1,946)
b) Changes in working capital and other provisions :-			
Trade Receivable	3,628		(19,704)
Inventories	(4,865)		(10,929)
Loans and Advances	(5,988)		(5,581)
Trade Payable	(5,088)		18,683
Long term liabilities	(509)		96
Other current liabilities	4,066		(38)
Provisions	510		3,916
		(8,245)	(13,557)
Total adjustments (a+b)		(11,522)	(15,503)
Cash generated from operations		65,797	64,734

- 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 liabilities related to acquisition of fixed assets have been made to the extent identified.

Cash Flow Statement for the year ended March 31, 2012 (Contd.)

3) Cash and cash equivalents comprise :	Rs. in Lacs 2011-12	Rs. in Lacs 2010-11	Rs. in Lacs 2009-10
Cash in hand	4	5	4
Balances with bank on current account	7,518	1,553	2,385
Balances with bank on deposit account (less than 3 months maturity)	4,000	—	—
Total	<u>11,522</u>	<u>1,558</u>	<u>2,389</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. 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership Number 48125

Pune
Date: May 15, 2012

For and on behalf of the Board

Anant J. Talaulicar Nasser Munjee
Chairman & Director
Managing Director

Amit Atre
General Manager Legal & Company Secretary

Pune
Date: May 15, 2012

Notes to Financial Statements for the year ended March 31, 2012

1. Summary of Significant accounting policies

a) Basis of preparation of financial statements

- (i) The financial statements are prepared under historical cost convention as a going concern on accrual basis and 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) All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.
- (iii) 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) Tangible assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of Tangible 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.

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 and related assets are depreciated over a period of four years.

- (ii) Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortized over a period of their respective useful lives ranging between three years to seven years.

c) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments (excluding current portion of long-term investments) are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of investments.

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 liabilities are translated at the year-end exchange rates. The resulting profits and losses are appropriately recognised in the Statement of Profit and Loss.

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

Notes to Financial Statements for the year ended March 31, 2012

contracts. Exchange differences at the end of each accounting period are recognized in the Statement of Profit and Loss and correspondingly in the Balance sheet against the respective line items covered.

f) Revenue recognition

- (i) Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of sales tax/value added tax and excise duty.
- (ii) Revenue from Long Term Service Contracts is recognized using the proportionate completion method. 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 'Unearned Revenue' under '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.
- (iv) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

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 (NEPI) 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 accrued warranty provision, for actual experience.

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 / 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 Company managed Trust / Life Insurance Corporation (LIC).

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 Statement of Profit and Loss as and when incurred.

(ii) Other Long-term Employee Benefits :

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the

Notes to Financial Statements for the year ended March 31, 2012

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 in the Statement of Profit and Loss as an expense as and when incurred.
- (iv) The Actuarial gains and losses arising during the year are recognized in the Statement of Profit and Loss 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 and Contingent Liabilities

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. A disclosure for a contingent liability is made where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

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.

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
2. Share Capital		
Authorised :		
400,000,000 (previous year 200,000,000) equity shares of Rs. 2 each	<u>8,000</u>	<u>4,000</u>
Issued, Subscribed and Fully paid-up shares :		
277,200,000 (previous year 198,000,000) equity shares of Rs. 2 each	<u>5,544</u>	<u>3,960</u>
Total	<u>5,544</u>	<u>3,960</u>

a. Reconciliation of number of shares

Equity shares :	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	Rs. in Lacs	No. of Shares	Rs. in Lacs
Balance as at the beginning of the year	198,000,000	3,960	198,000,000	3,960
Add : Bonus shares Issued during the year *	79,200,000	1,584	—	—
Balance as at the end of the year	<u>277,200,000</u>	<u>5,544</u>	<u>198,000,000</u>	<u>3,960</u>

* Equity shares allotted as fully paid bonus shares by capitalization of General Reserves.

b. Rights, preferences and restrictions attached to shares

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

c. Of the above equity shares, 141,372,000 (previous year 100,980,000) shares of Rs. 2 each are held by the Holding Company, Cummins Inc. USA

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

	As at March 31, 2012		As at March 31, 2011	
	Nos.	%	Nos.	%
Equity shares of Rs.2 each fully paid				
Cummins Inc., the holding company	141,372,000	51.00%	100,980,000	51.00%
Life Insurance Corporation of India (Through various schemes)	23,619,461	8.52%	16,380,086	8.27%

e. Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2012) :

Equity shares allotted as fully paid up bonus shares by capitalization of Free Reserves	Year	No. of Shares
	31 March 2012	79,200,000
	31 March 2011	—
	31 March 2010	—
	31 March 2009	—
	31 March 2008	—

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
3. Reserves and surplus		
Capital Redemption Reserve Account	70	70
General Reserve		
Balance as at the beginning of the year	96,232	90,322
Less: Amounts utilised for issue of fully paid bonus shares	1,584	—
Add: Transferred from surplus in Statement of Profit and Loss during the year	5,913	5,910
Balance as at the end of the year	100,561	96,232
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	80,365	61,748
Profit for the Year	59,127	59,099
Less: Appropriations		
Proposed Dividend (Rs. 6 per share (previous year Rs. 8 per share))	16,632	15,840
Interim Dividend (Rs. 5 per share (previous year Rs. 7 per share))	13,860	13,860
Dividend Distribution Tax	4,947	4,872
Transfer to General Reserve	5,913	5,910
Total appropriations	41,352	40,482
Balance as at the end of the Year	98,140	80,365
Total Reserves and Surplus	198,771	176,667
4. Long-term Liabilities		
Dealer Deposit	1,226	1,182
Unearned revenue	49	443
Others	195	354
Total	1,470	1,979
5. Long-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Refer Note no. 44)	3,574	4,243
	3,574	4,243
Other provisions (Refer Note no. 34)		
Provision for warranties	4,246	3,832
Provision for statutory matters	1,454	1,422
Provision for New Engine Performance Inspection (NEPI)	596	551
	6,296	5,805
Total	9,870	10,048

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
6. Short-term Borrowings		
Unsecured		
Fixed Deposits (matured)*	—	—
Total	<u>—</u>	<u>—</u>
* Amount for the previous year is below the rounding off norm adopted by the Company		
7. Other Current Liabilities		
Unearned revenue	777	502
Unpaid Dividend	326	311
Statutory Dues	1,508	944
Advances from Customers	768	555
Dealer Deposits	22	330
Royalty	5,289	5,310
Others	6,475	3,132
Total	<u>15,165</u>	<u>11,084</u>
8. Short-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Refer Note no. 44)	574	581
	<u>574</u>	<u>581</u>
Other provisions		
Provision for warranties (Refer Note no. 34)	6,108	5,558
Provision for NEPI (Refer Note no. 34)	1,480	1,336
Proposed dividend	16,632	15,840
Tax on proposed dividend	2,698	2,570
	<u>26,918</u>	<u>25,304</u>
Total	<u>27,492</u>	<u>25,885</u>

Notes to Financial Statements for the year ended March 31, 2012

9. Fixed Assets

Particulars	(Rupees in Lacs)					
	Gross block		Depreciation and Amortisation		Net block	
	As at April 1, 2011	Additions	Deductions	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible Assets:						
Land						
-Freehold @	396	—	—	—	396	396
-Leasehold **	245	—	—	4	241	244
Leasehold Improvements	150	365	—	3	512	150
Roads	944	786	—	22	1,640	876
Buildings	10,131	4,961	—	393	12,770	8,202
Plant and machinery	64,255	8,525	961	3,392	42,904	23,835
Furniture and fittings	1,200	432	68	125	1,210	908
Vehicles	510	49	35	44	211	214
	<u>77,831</u>	<u>15,118</u>	<u>1,064</u>	<u>3,982</u>	<u>45,895</u>	<u>34,825</u>
	(68,695)	(9,947)	(811)	(3,182)	(34,825)	(—)
Intangible Assets:						
Software	942	—	—	5	11	16
Technical Knowhow	2,060	—	—	211	585	796
Global Sourcing Consideration	2,143	—	—	—	—	—
	<u>5,145</u>	<u>(—)</u>	<u>(—)</u>	<u>216</u>	<u>596</u>	<u>812</u>
	(5,145)	(—)	(—)	(482)	(812)	(—)

NOTES:

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

** Pending finalisation of formal leasehold agreement with MIDC

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

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2012

10. Non Current Investments :			As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Number	Face value per unit Rupees			
		Long-term Investments		
		Trade Investments (valued at cost)		
		a) Quoted equity instruments		
10,182,660	2	KPIT Cummins Infosystems Limited	397	397
		b) Unquoted equity instruments		
		Investments in Joint Ventures : (refer note no. 35)		
9,500,000	10	Valvoline Cummins Limited	804	804
114,600	10	Cummins Research and Technology India Limited	11	11
60,000	10	Cummins Svam Sales & Service Limited	600	—
		Investment in Associates :		
779,997	10	Cummins Generator Technologies India Limited (% Holding : 48.54%)	1,720	1,720
			3,532	2,932
		Other Investments (valued at cost unless stated otherwise)		
		a) Quoted equity instruments		
600,000	2	Housing Development Finance Corporation Limited	16	16
2,500	10	HDFC Bank Limited *	0	0
15,000	2	Kirloskar Oil Engines Limited *	0	0
1,000	10	Kirloskar Industries Limited *	0	0
			16	16
		b) Unquoted equity instruments		
1,000	25	The Shamrao Vithal Co-operative Bank Limited *	0	0
1,000	10	The Saraswat Co-operative Bank Limited *	0	0
			0	0
		c) Quoted Tax Free Redeemable / Non Cumulative Bonds		
400	100,000	5.75% National Housing Bank (also refer note no. 13)	—	414
500	100,000	5.50% Nuclear Power Corporation Limited	500	500
			500	914
		Carried forward	4,048	3,862

Notes to Financial Statements for the year ended March 31, 2012

10. Non Current Investments : (Contd.)			As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Number	Face value per unit Rupees			
		Brought forward	4,048	3,862
d) Quoted Government of India Bonds				
1	50,000,000	8.35% Government of India 2022	631	631
1	55,000,000	7.49% Government of India 2017	654	654
1	50,000,000	7.38% Government of India 2015	566	566
			1,851	1,851
e) Quoted Corporate Bonds				
12	1,250,000	6.68% Power Grid Corporation of India 2019	152	152
			152	152
f) Unquoted Mutual Funds				
Debt Fund (Growth Option)				
5,000,000	10	DWS Fixed Maturity Plan - Series 10 (DFMP - 10) - Growth	500	—
5,000,000	10	DWS Fixed Maturity Plan - Series 6 (DFMP - 6) - Growth	500	—
5,000,000	10	IDFC FMP 13 MS 8 -Growth	500	—
			1,500	—
Total			7,551	5,865
Aggregate cost of quoted investments			2,916	3,330
Aggregate cost of unquoted investments			4,635	2,535
			7,551	5,865
Aggregate market value of quoted investments			14,333	15,311

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

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
11. Deferred Tax Assets (net)		
Deferred Tax Asset		
Provision for doubtful debts	110	164
Provision for employee benefits	1,202	1,483
Disallowances under Income Tax Act, 1961	601	584
Other timing differences	3,172	3,277
Total Deferred Tax Asset	5,085	5,508
Deferred Tax Liability		
Depreciation	4,390	3,635
Total Deferred Tax Liability	4,390	3,635
Net Deferred Tax Asset	695	1,873
12. Long-term Loans and Advances		
Unsecured, Considered good;		
Capital advances	11,268	2,004
Security deposits	1,236	813
Other Loans and Advances :		
Balances with statutory/government authorities	19,962	14,193
Advance income-tax (net of provision for taxation)	1,542	1,735
Others	286	243
Total	34,294	18,988

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments :			As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Number	Face value per unit Rupees			
		At Cost :		
		Current portion of Long term investments		
		a) Unquoted equity instruments		
2,000,000	10	Cummins Exhaust India Limited (Refer Note no. 25)	—	200
			—	200
		b) Quoted Tax Free Redeemable / Non Cumulative Bonds		
400	100,000	5.75% National Housing Bank	414	—
			414	—
		c) Unquoted Mutual Funds		
		Debt Fund (Growth Option)		
		HDFC FMP 18M October 2009 - Growth	—	500
		Birla Sunlife Fixed Term Plan Series CC	—	1,000
		Kotak FMP 370 days series- 2	—	1,000
		Kotak FMP 370 days series- 3	—	500
		SBI SDFS 370 Days - 3 Growth	—	500
		IDFC FMP TMS Series -5	—	500
		Tata Fixed Horizon Fund Series 25 Scheme A- Super High Investment Plan	—	500
		Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth	—	500
		Birla Sun Life Fixed Term Plan - Series CF - Growth	—	1,500
		Birla Sun Life Fixed Term Plan - Series CG/Growth	—	500
		Birla Sun Life Fixed Term Plan - Series CI-Growth	—	500
		Birla Sun Life Fixed Term Plan - Series CJ-Growth	—	1,000
		Birla Sun Life Fixed Term Plan - Series CT - Growth	—	500
		Birla Sun Life Fixed Term Plan-Series CK-Growth	—	500
		DWS Fixed Term Fund - Series 77 - Growth	—	500
		Fidelity Fixed Maturity Plan Series IV - Plan E- Growth Option	—	500
		Fidelity Fixed Maturity Plan Series IV - Plan F - Growth Option	—	500
		Fidelity Fixed Maturity Plan Series V-Plan E- Growth Option	—	500
		HDFC FMP 370D September 2010 (1) - Growth Option	—	500
5,000,000	10	ICICI Prudential Fixed Maturity Plan – Series 54 - 1 Year Plan A - Growth	500	500
		ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan C Cumulative	—	1,000
		Carried forward	414	200

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments : (Contd.)

Number	Face value per unit Rupees		As at	As at
			March 31, 2012 Rs. in Lacs	March 31, 2011 Rs. in Lacs
		Brought forward	414	200
		ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan F Cumulative	—	503
		ICICI Prudential Interval Fund - Annual Interval Plan IV - Institutional Growth Option	—	500
		IDFC FMP – YS – 40 - Growth	—	500
		IDFC FMP – YS – 42 - Growth	—	500
		IDFC FMP YS 33 Growth	—	500
		IDFC FMP YS 34 Growth	—	1,500
		IDFC FMP – YS – 35 - Growth	—	1,000
		Kotak FMP 370 Days Series 10 Growth	—	1,000
		Kotak FMP Series 28 (370 Days) - Growth	—	1,000
		Kotak FMP Series 29 (370 Days) Growth	—	500
		Kotak FMP Series 30 (370 Days) - Growth	—	500
		Kotak FMP Series 42 (368 Days) - Growth	—	500
		Kotak FMP Series 43 (367 Days) - Growth	—	500
		SBI Debt Fund Series - 370 Days - 8 - Growth	—	1,000
		Tata Fixed Maturity Plan Series 29 Scheme C Growth	—	500
		Tata Fixed Maturity Plan Series 29 Scheme B Growth	—	1,000
		TFMP 31 Scheme B -Growth Option	—	500
5,000,000	10	Birla Sun Life Fixed Term Plan - Series CY - Growth	500	—
5,000,000	10	HDFC FMP 370D June 2011 (2) - Growth Option	500	—
5,000,000	10	IDFC FMP YS 65 -Growth	500	—
5,000,000	10	Kotak FMP Series 45 (370 Days) - Growth	500	—
5,308,623	10	SBI Debt Fund Series - 370 Days 13 - Growth	531	—
10,000,000	10	UTI-FTIF Series-XI Plan III (368 Days) Growth Option	1,000	—
			4,031	25,503
		Debt Fund (Dividend Option)		
		HDFC MF Monthly Income Plan-Long Term Plan- Monthly Dividend Option	—	500
		HDFC Short Term Plan-Dividend	—	541
		HDFC High Interest Fund - Short Term Plan- Dividend Option	—	512
		UTI Fixed Interval Income Fund (Annual Interval Plan) Series IV – Instn Dividend Option	—	500
		HDFC FMP 370D September 2010 (2) Dividend Option	—	500
			—	2,553
		Total Current portion of Long Term Investments	4,445	28,256

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments : (Contd.)		As at	As at
Number	Face value per unit Rupees	March 31, 2012 Rs. in Lacs	March 31, 2011 Rs. in Lacs
At Cost or market value whichever is lower			
Unquoted Mutual Funds			
Fixed Maturity Plan			
	Birla sunlife Interval Income Fund-Qrty Plan- Series -1	—	1,000
	UTI Fixed Income Interval Fund- Qrty Interval Plan -III	—	500
	Birla Sun Life Quarterly Interval Fund – Series 4 DIVIDEND	—	1,000
	Birla Sun Life Short Term FMP - Series 11 - Dividend	—	1,000
	DSP BlackRock FMP – 3M – Series 27 - Dividend Payout	—	500
	ICICI Prudential Fixed Maturity Plan-Series 53-6 Months Plan A Dividend	—	500
	ICICI Prudential Interval Fund - Quarterly Interval Plan II - Institutional Dividend	—	1,000
	ICICI Prudential Interval Fund - Quarterly Interval Plan III - Institutional Dividend	—	1,500
	ICICI Prudential Interval Fund IV - Quarterly Interval Plan B - Institutional Dividend	—	1,000
	IDFC FMP – 100 days – S3 - Dividend	—	500
	IDFC FMP – QS - 62 -Dividend	—	1,000
	Kotak FMP 6M Series 10 - Dividend	—	500
	Kotak FMP 6M Series 11 - Dividend	—	500
	Kotak Quarterly Interval Plan Series 10 - Dividend	—	1,500
	Kotak Quarterly Interval Plan Series 4 - Dividend	—	1,000
	Kotak Quarterly Interval Plan Series 5 - Dividend	—	500
	Kotak Quarterly Interval Plan Series 6 - Dividend	—	1,000
	Kotak Quarterly Interval Plan Series 7 - Dividend	—	1,000
	Kotak Quarterly Interval Plan Series 8 - Dividend	—	500
	SBI Debt Fund Series - 180 Days - 14 Dividend	—	2,000
	SBI Debt Fund Series - 90 Days - 38 Dividend	—	1,000
	SBI Debt Fund Series 90 Days 41 - Dividend Payout	—	500
	Tata Fixed Income Portfolio Fund - Scheme A2 - Institutional Plan - Monthly Dividend	—	1,038
	Tata Fixed Income Portfolio Fund - Scheme A3 - Institutional Plan - Monthly Dividend	—	1,531
	Tata Fixed Income Portfolio Fund - Scheme B2 - Institutional Plan - Quarterly Dividend	—	1,033
	UTI F I I F Series II -Quarterly Interval Plan – IV –Instn. Dividend Option	—	1,030
	UTI F I I F Series II -Quarterly Interval Plan – VII – Instn Dividend Option	—	500
	Carried forward	—	—

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments : (Contd.)

Number	Face value per unit Rupees		As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
		Brought forward	—	—
		UTI F I I F Series II -Quarterly Interval Plan – VI- Institutional Dividend Option	—	500
10,098,180	10	Birla Sun Life Fixed Term Plan-Series DH-Dividend	1,010	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series DQ-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series DS-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series DT-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series EA-Dividend	500	—
5,464,150	10	Birla Sun Life Fixed Term Plan-Series EB-Dividend	546	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series EF-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series EK-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series EM-Dividend	500	—
5,000,000	10	Birla Sun Life Fixed Term Plan-Series EQ-Dividend	500	—
5,000,000	10	Birla Sun Life Short Term FMP- Series 29-Dividend	500	—
5,000,000	10	DSP BlackRock FMP - Series 23 - 12M - Dividend Option	500	—
5,000,000	10	DWS Fixed Maturity Plan - Series 1 (DFMP - 1) - Dividend (Payout Option)	500	—
5,000,000	10	DWS Fixed Term Fund - Series 88- Dividend (Payout and Sweep)	500	—
5,464,050	10	Fidelity Fixed Maturity Plan Series VI- Plan C - Dividend Option	546	—
5,000,000	10	HDFC FMP 370D February 2012 (3) - Dividend Option	500	—
5,000,000	10	HDFC FMP 370D January 2012 (1) - Dividend Option	500	—
5,000,000	10	HDFC FMP 370D JULY 2011 (1) - Normal Dividend Option	500	—
10,000,000	10	HDFC FMP 370D November 2011 (2) - Dividend Option	1,000	—
5,000,000	10	HDFC FMP 370D November 2011 (3) Dividend Option	500	—
5,000,000	10	ICICI Prudential Fixed Maturity Plan - Series 56 - 1 Year Plan E Cumulative	500	—
4,998,401	10	ICICI Prudential Fixed Maturity Plan - Series 59 - 1 Year Plan B Dividend	500	—
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 62- 1 Year Plan C Dividend	500	—
5,046,412	10	IDFC FMP - YS 46 -Dividend	505	—
5,000,000	10	IDFC FMP YS - 45 -Dividend	500	—
5,000,000	10	IDFC FMP -QS-69 - Dividend	500	—
5,000,000	10	IDFC FMP YS 49 - Dividend	500	—
10,000,000	10	IDFC FMP YS 52 - Dividend	1,000	—
6,248,786	10	IDFC FMP YS 53 - Dividend	625	—
		Carried forward	—	—

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments : (Contd.)		As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Number	Face value per unit Rupees		
	Brought forward	—	—
10,000,000	10 IDFC FMP YS 54 - Dividend	1,000	—
5,000,000	10 IDFC FMP YS 59 - Dividend	500	—
10,000,000	10 IDFC FMP YS-62 - Dividend	1,000	—
5,000,000	10 Kotak FMP Series 56 (370 Days) - Dividend	500	—
5,000,000	10 Kotak FMP Series 69 (370 Days) - Dividend	500	—
5,481,634	10 Kotak FMP Series 70 (370 Days) - Dividend	548	—
5,000,000	10 Kotak FMP Series 72 (370 Days) - Dividend	500	—
5,000,000	10 Kotak FMP Series 79 (370 Days) - Dividend	500	—
5,000,000	10 SBI DEBT FUND SERIES - 180 DAYS - 23 - DIVIDEND	500	—
5,056,876	10 SBI DEBT FUND SERIES - 367 DAYS - 13 - DIVIDEND	506	—
5,000,000	10 SBI DEBT FUND SERIES - 367 DAYS - 16 - DIVIDEND	500	—
5,000,000	10 SBI DEBT FUND SERIES - 367 DAYS - 4 - DIVIDEND	500	—
5,000,000	10 SBI DEBT FUND SERIES 367 DAYS - 5 - DIVIDEND	500	—
5,000,000	10 SBI DEBT FUND SERIES 367 DAYS - 7 - DIVIDEND	500	—
5,046,728	10 SBI DEBT FUND SERIES 367 DAYS - 9 - DIVIDEND	505	—
5,000,000	10 SBI SDFS 367 DAYS - 3 - DIVIDEND PAYOUT	500	—
10,000,000	10 TFMP 37 Scheme C- Periodic Dividend Option	1,000	—
5,000,000	10 TFMP 39 Scheme A- Periodic Dividend	500	—
5,000,000	10 TFMP Series 36 B Periodic Dividend Payout Option	500	—
4,997,152	10 UTI F I I F Series II -Quarterly Interval Plan VI- Dividend Option	500	—
4,997,601	10 UTI F I I F Annual Interval Plan Series II Institutional Dividend Option	500	—
5,000,000	10 UTI Fixed Income Interval Fund Annual Interval Plan Series I (Instn Dividend Option)	500	—
4,993,558	10 UTI Fixed Interval Income Fund (Annual Interval Fund) Series III Instn Dividend Option	500	—
5,000,000	10 UTI-FTIF Series-XI Plan IV (367 Days)- Dividend Option	500	—
5,491,686	10 UTI-FTIF Sr. X Plan VI (368 Days) Dividend Option	549	—
5,000,000	10 UTI-FTIF Sr. X Plan VIII (368 Days) Dividend Option	500	—
5,000,000	10 UTI-FTIF Sr. X Plan X (367 Days) Dividend Option	500	—
		31,340	25,132
	Liquid Fund (Dividend)		
	Birla Sun Life Short Term Oppportunities Fund- Institutional Weekly Dividend Plan	—	501
12,742	10 DWS Ultra Short Term Fund- Inst Plan - Daily Dividend	1	179
	Carried forward	31,340	25,132

Notes to Financial Statements for the year ended March 31, 2012

13. Current Investments : (Contd.)

Number	Face value per unit Rupees		As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
		Brought forward	31,340	25,132
		DWS Treasury Fund Cash Plan Institutional Dividend option	—	603
		DWS MONEY PLUS FUND - INST DAILY DIVIDEND	—	3,002
		IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily Div.	—	1,000
		IDFC-Money Manager Fund-Treasury PlanPlan C-Daily Dividend	—	462
		HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Daily Dividend Option	—	58
		ICICI Prudential Flexible Income Plan-Daily Dividend Plan	—	266
21,125,762	10	SBI Magnum Income Fund - F R P - Short Term - Daily (D)	2,126	2,501
139,894	1,003	SBI Premier Liquid Fund - Institutional - Daily Dividend	1,403	700
		SBI Short Horizon Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend	—	471
—	—	Tata Floater Fund Daily Dividend	—	1,297
109,804	1,115	Tata Liquid Super High Investment Plan - Daily	1,224	—
—	—	Templeton India Ultra-short Bond Fund - Super Institutional - Dividend	—	2,253
4,166,223	100	Birla Sun Life Floating Rate Fund-Short Term Plan-Institutional Dividend	4,167	—
499,856	100	DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend	501	—
3,235,996	12	HDFC Liquid Fund-Premium Plan - Dividend-Daily	397	—
155,979	100	ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	156	—
122,549	1,000	IDFC CF-Plan C-Daily Dividend	1,226	—
15,793,727	10	IDFC Ultra Short Term Fund - Daily Dividend	1,581	—
9,013,708	12	Kotak Liquid-Institutional Premium Plan - (Daily Dividend)	1,102	—
248,643	1,019	UTI- Liquid Fund-Cash Plan-INST - Income	2,535	—
			16,419	13,293
		Total Current Investments	47,759	38,425
		Total	52,204	66,681
		Aggregate cost of quoted investments	414	—
		Aggregate cost of unquoted investments	51,790	66,681
			52,204	66,681
		Aggregate market value of quoted investments	396	—

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
14. Inventories		
Raw materials and components (includes in transit Rs. 7,549 lacs (previous year Rs. 7,038 Lacs))	29,988	30,848
Work-in-progress	8,227	9,025
Finished goods	16,583	9,554
Traded goods (including stock-in-transit Rs. 275 lacs (previous year Rs. 421 lacs))	590	931
Stores and spares	592	1,082
Loose tools	781	456
	56,761	51,896
15. Trade Receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	51	110
Others	2,692	2,811
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	1,150	1,380
Others	63,941	67,515
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	420	485
Others	20	22
Less: Provision for doubtful debts	(440)	(507)
Total	67,834	71,816

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
16. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	4	5
Bank Balances		
In current accounts	7,518	1,553
Demand Deposits (less than 3 months maturity)	4,000	—
Sub-Total	11,522	1,558
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	10,502	8,504
Unpaid dividend account (restricted)	326	311
Sub-Total	10,828	8,815
Total	22,350	10,373
17. Short-term Loans and Advances		
Unsecured, Considered good		
Security deposits	344	324
Loan and advances to related parties:		
Inter-corporate deposits (refer note no. 30)	—	2,750
Others	1,571	1,695
Other Loans and Advances		
Balances with statutory/government authorities	9,158	6,542
Others	5,452	5,461
Total	16,525	16,772
18. Other Current Assets		
Unsecured, Considered good		
Interest accrued on investments	497	198
Total	497	198

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
19. Revenue from operations		
Sale of products (Refer note no. 36)	420,096	407,384
Sale of services (Refer note no. 36)	14,452	12,265
Other operating revenue		
Scrap sales	1,078	824
Export Incentives	1,916	829
Commission	1,112	5,419
Other	2,399	2,064
Revenue from operations (gross)	441,053	428,785
Less: Excise duty	29,331	24,532
Revenue from operations (net)	411,722	404,253
20. Other income		
Income from investments:		
Interest Income		
- On Bonds (Long Term Investments)	181	180
- On Fixed Deposits with Banks	1,085	552
	1,266	732
Dividend Income		
Other than trade		
- On Current Investments	2,883	2,988
- On Long Term investments	—	172
- On Long Term Investments in Associates and Joint Ventures	1,404	1,887
	4,287	5,047
Gain on sale/redemption of investments		
- On Current Investments	—	10
- On Long Term investments	2,276	—
	2,276	10
Interest on income tax refunds, from customers and on deposits, etc.	536	504
Provision for earlier years written back	452	321
Exchange differences (net)	1,396	128
Net gain on fixed assets sold or discarded	5	—
Miscellaneous income	2,115	1,295
Total	12,333	8,037

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
21. Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year		
Work-in-progress	8,227	9,025
Finished goods	16,583	9,554
Traded goods	590	931
	<u>25,400</u>	<u>19,510</u>
Inventories at the beginning of the year		
Work-in-progress	9,025	7,375
Finished goods	9,554	7,002
Traded goods	931	505
	<u>19,510</u>	<u>14,882</u>
Total	<u>(5,890)</u>	<u>(4,628)</u>
22. Employee benefit expense		
Salaries, wages and bonus	25,490	20,884
Contribution to provident and other funds	2,457	2,858
Staff welfare expenses	2,447	1,721
Total	<u>30,394</u>	<u>25,463</u>
23. Finance costs		
Interest	242	190
Bank charges	299	285
Total	<u>541</u>	<u>475</u>

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
24. Other expenses		
Commission on sales	2,894	3,498
Consumption of stores and spare parts	4,341	5,000
Warranty Expenses (refer note no. 34)	7,943	6,637
Tools and gauges	909	1,036
Repairs to buildings	811	919
Repairs to machinery	762	573
Other repairs	284	233
Power and fuel consumed	3,175	3,106
Rent (refer note no. 32)	1,156	753
Rates and Taxes	806	801
Insurance	455	243
Outside Processing charges	2,867	2,716
Donations and contributions	436	201
Technical fees and royalties	6,488	6,208
Payment to Auditors (Refer details below)	123	109
Net loss on fixed assets sold / discarded	—	23
Net loss on sale / redemption of long term investment	—	7
Other expenses (refer note no. 31)	13,611	12,351
Total	47,061	44,414
Payment to Auditors :		
Statutory Audit (including Limited Reviews)	79	77
Other services	41	30
Reimbursement of expenses	3	2
Total	123	109

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
25. Exceptional items		
Profit on Sale of shares of Cummins Exhaust India Limited *	5,144	—
Total	5,144	—

* Exceptional item of Rs. 5,144 Lacs represents profit realised on divestment of the Company's entire shareholding in Cummins Exhaust India Limited (CEIL).

26. Earning per share (EPS)

Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :

	31 March 2012	31 March 2011
(a) Profit for the year after taxation (Rs. in Lacs)	59,127	59,099
(b) Weighted average number of shares outstanding during the year *	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) Rs.	21.33	21.32
Face value per share Rs.	2	2

* The Company has issued Bonus shares in the ratio of 2:5 pursuant to approval by the members at the Extra Ordinary General Meeting held on September 9, 2011. Accordingly, Basic and Diluted Earnings Per Share (EPS) have been restated for the corresponding period to give effect to the said issue of Bonus shares, in accordance with Accounting Standard (AS) 20 "Earnings Per Share" notified under Section 211(3C) of the Companies Act, 1956.

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
27. Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances)	42,845	5,550

Notes to Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
28. Trade payables include :		
Total outstanding dues of micro and small enterprises	4,184	2,236
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under :		
1 The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of year.		
a. Principal	4,184	2,143
b. Interest	—	93
Total	4,184	2,236
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 amounts of the payment made to the supplier beyond the appointed day during the year.		
a. Principal	9,958	19,773
b. Interest	140	41
Total	10,098	19,814
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 year.		
a. Total Interest accrued	47	87
b. Total Interest unpaid	—	87
5 The amount of further interest 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 MSMED Act, 2006.		

Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting 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 Financial Statements for the year ended March 31, 2012

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
29. Contingent liabilities		
a. Bills discounted not matured	265	326
b. Income tax matters	8,735	5,658
c. Central excise duty/service tax matters	456	286
d. Duty drawback demand pending in appeal (excludes interests, if any)	4,816	2,604
e. Sales Tax Matters pending in appeal	6,872	2,403
f. Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	9	7
g. Civil liability / secondary civil liability in respect of suits filed against the Company	19	19

30. Inter corporate deposit includes an amount of **Rs. NIL** (previous year Rs. 2,750 lacs) placed with Cummins Technologies India Limited, a fellow subsidiary. Maximum amount due during the year **Rs. 3,950 lacs** (previous year Rs. 2,908 lacs).

31. Other expenses include provision for doubtful debts **Rs. 354 lacs** (previous year Rs. 178 lacs).

32. Operating Leases

The company has entered into non-cancellable operating leases for warehouse and office premises. These lease arrangements range for a period between 12 months and 60 months with lock in periods between 11 months and 24 months, which include both renewal and non-renewal leases. These leases also include escalation clauses.

The minimum lease payments recognised in the statement of Profit and Loss (included under 'Rent' in note no. 24) for the year amount to **Rs. 1,156 lacs** (previous year Rs. 753 lacs).

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

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Within one year	610	—
After one year but not more than five years	187	—
Total	797	—

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

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
a. On capital a/c	1,023	500
b. On revenue a/c	3,834	3,269
Total	4,857	3,769

Notes to Financial Statements for the year ended March 31, 2012

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

(i) Provision for Warranty

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 based on the receipt of claims from customers. Amount expected to be paid in 1 year is classified as Current.

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Balance as at the beginning of the year	9,390	8,543
Additions	7,943	6,637
Utilisation	6,979	5,790
Reversal	—	—
Balance as at the end of the year	10,354	9,390
Classified as Non-current:	4,246	3,832
Classified as Current:	6,108	5,558

(ii) Provision for Statutory Matters

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 on settlement of these cases.

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Balance as at the beginning of the year	1,422	1,808
Additions	32	—
Utilisation	—	386
Reversal	—	—
Balance as at the end of the year	1,454	1,422
Classified as Non-current :	1,454	1,422
Classified as Current :	—	—

Notes to Financial Statements for the year ended March 31, 2012

(iii) Provision for New Engine Performance Inspection (NEPI)

The provision for New Engine Performance Inspection (NEPI) is on account of installation checks to be carried out by the Company at specified intervals after the equipment is commissioned. 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 based on the receipt of claims from dealers. Amount expected to be paid in 1 year is classified as Current.

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Balance as at the beginning of the year	1,887	1,442
Additions	921	1,114
Utilisation	567	547
Reversal	165	122
Balance as at the end of the year	2,076	1,887
Classified as Non-current :	596	551
Classified as Current :	1,480	1,336

35. The Company has 50% interest in Joint Ventures namely Cummins Research and Technology India Limited, Cummins Svam Sales & Service Limited (w.e.f. January 17, 2012), Valvoline Cummins Limited and Cummins Exhaust India Limited (upto April 29, 2011), incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2012 and Income and Expenses for the year ended on that date.

Interests in Joint Ventures :

	As at March 31, 2012 Rs. in Lacs	As at March 31, 2011 Rs. in Lacs
Assets	21,072	18,786
Liabilities	6,256	6,741
Income	45,803	43,024
Expenses (including provision for tax)	42,176	38,260
Contingent Liabilities	554	222
Capital and other commitments	1,419	165

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
36. Details of Sales		
Finished goods :		
Internal Combustion Engines	274,373	271,582
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	20,696	22,580
Traded goods :		
Engines	23,834	17,426
Spare parts, accessories and components *	71,862	71,264
Sale of Services:		
Revenue from Service Contract	14,452	12,265
Total	405,217	395,117
* includes sale of traded spare parts		

37. Details of materials consumed

i) Castings - various	3,519	2,467
ii) Forgings - various	2,924	3,640
iii) Components	168,019	168,597
iv) Engines	24,153	22,152
v) Long Blocks	315	1,302
vi) Others including semi-finished components	45,734	42,048
Total	244,664	240,206

Item (iii) includes 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.

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
38. Details of purchase of Traded goods		
Engines	19,813	18,083
Others	5,955	4,376
Total	25,768	22,459

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
39. Value of imported and indigenous raw materials and components consumed		
Imported	48,268	54,149
%	20%	23%
Indigeneously procured	196,396	186,057
%	80%	77%
Total	<u>244,664</u>	<u>240,206</u>
40. Value of imports calculated on CIF basis		
a) Raw materials	5,765	12,084
b) Components	39,428	43,683
c) Machinery spares	112	100
d) Capital goods	1,918	4,788
e) Tools, stores, etc.	1,334	1,912
Total	<u>48,557</u>	<u>62,567</u>
41. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis		
a) Royalty	6,488	6,208
b) Others (including IT Service charges, Customer Support Charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	3,719	3,209
Total	<u>10,207</u>	<u>9,417</u>
42. Remittances during the year in foreign currency on account of dividend to non-resident Shareholders were as follows :		
Number of shareholders	1	1
Number of equity shares (shares of Rs. 2 each)	141,372,000	100,980,000
Amount remitted:		
For the year ended 31st March, 2011 (Final)	8,078	
For the year ended 31st March, 2012 (Interim)	7,069	
For the year ended 31st March, 2011 (Interim)		7,069
For the year ended 31st March, 2010 (Final)		6,059

Notes to Financial Statements for the year ended March 31, 2012

	Year ended March 31, 2012 Rs. in Lacs	Year ended March 31, 2011 Rs. in Lacs
43. Earnings in foreign exchange		
Export on FOB basis	119,076	106,043
Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	4,540	2,932
Total	123,616	108,975

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

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

<u>Particulars</u>	(Rs. in Lacs)
	Total
Contribution to Employees Provident Fund	447 (439)
	Total
Contribution to Management Superannuation Fund	873 (635)

2. Defined Benefits 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. in Lacs)					
<u>Sr. No.</u>	<u>Particulars</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Ex-Gratia</u>	<u>PRMB</u>	<u>PF</u>	<u>Total</u>
	Opening DBO as on 01 st April 2011	5,658 (4,442)	1,831 (2,145)	73 (84)	55 (58)	7,771 (6,759)	15,388 (13,488)
i)	Current Service Cost	456 (323)	65 (74)	3 (3)	2 (2)	1,289 (933)	1,815 (1,335)
ii)	Interest Cost	429 (328)	134 (146)	5 (6)	4 (4)	560 (660)	1,132 (1,144)
iii)	Actuarial -Gains / Losses	49 (1,045)	(201) (6)	(6) (1)	17 (-4)	264 (-3)	123 (1,045)
iv)	Benefits Paid	(582) (-480)	(319) (-548)	(16) (-21)	(8) (-5)	(1,261) (-579)	(2,186) (-1,633)
v)	Past Service Cost	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
vi)	Acquisitions/ Transfer out	— (—)	— (—)	— (—)	— (—)	288 (—)	288 (—)
vii)	Plan Amendments	— (—)	— (8)	— (—)	— (—)	— (—)	— (8)
	Closing DBO as on 31 st March 2012	6,010 (5,658)	1,510 (1,831)	59 (73)	70 (55)	8,911 (7,770)	16,560 (15,387)

Notes to Financial Statements for the year ended March 31, 2012

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

(Rs. in Lacs)

Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
	Opening Fair Value of Plan Assets	3,973 (3,986)	2,212 (2,501)	— (—)	— (—)	7,764 (6,757)	13,949 (13,244)
i)	Expected Return on Plan Assets	363 (304)	164 (180)	— (—)	— (—)	641 (653)	1,168 (1,137)
ii)	Actuarial Gains / -Losses	(80) (94)	— (35)	— (—)	— (—)	— (0)	(80) (129)
iii)	Contribution by the Employer	1,718 (94)	— (44)	— (—)	— (—)	1,575 (933)	3,293 (1,070)
iv)	Benefits Paid	(582) (-480)	(319) (-548)	— (—)	— (—)	(1,261) (-579)	(2,162) (-1,606)
v)	Acquisition/Transfer out	— (-25)	— (—)	— (—)	— (—)	— (—)	— (-25)
	Closing Fair Value of Plan Assets	5,392 (3,973)	2,057 (2,212)	— (—)	— (—)	8,719 (7,764)	16,168 (13,949)

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 3 years :

(Rs. in Lacs)

Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
i)	Present value of Funded Obligations	6,010 (5,658) (4,442) (4,400)	1,510 (1,831) (2,145) (2,371)	— (—) (—) (—)	— (—) (—) (—)	8,720 (7,764) (6,757) (5,786)	16,240 (15,254) (13,345) (12,558)
ii)	Fair value of Plan Assets	(5,392) (-3,973) (-3,986) (-4,079)	(2,057) (-2,212) (-2,501) (-2,540)	— (—) (—) (—)	— (—) (—) (—)	(8,719) (-7,764) (-6,757) (-5,786)	(16,168) (-13,949) (-13,244) (-12,405)
iii)	Amount not recognized As an asset, because of the limit in para 59(b)	— (—) (—) (—)	— (130) (116) (103)	— (—) (—) (—)	— (—) (—) (—)	— (—) (—) (—)	— (130) (116) (103)
iv)	Present Value of Unfunded Obligations	— (—) (—) (—)	— (—) (—) (—)	60 (73) (84) (83)	70 (55) (58) (37)	191 (7) (2) (1)	321 (136) (144) (121)
v)	Net Liability/ -Asset recognized in Balance Sheet	618 (1,686) (456) (322)	(547) (-251) (-239) (-66)	60 (73) (84) (83)	70 (55) (58) (37)	192 (7) (2) (1)	393 (1,570) (361) (377)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	(341) (-516) (94) (-47)	160 (-24) (221) (213)	4 (-2) (-4) (-2)	(19) (7) (-5) (2)	— (—) (—) (—)	(196) (-535) (307) (166)
vii)	Experience Gain/ -Loss adjustments on plan Assets	(80) (94) (-118) (152)	— (35) (33) (36)	— (—) (—) (—)	— (—) (—) (—)	— (—) (—) (—)	(80) (129) (-85) (188)
viii)	Actuarial Gain/ -Loss due to Change on assumptions	292 (-529) (-83) (-104)	41 (18) (-6) (-20)	2 (1) (-6) (-3)	3 (-3) (-18) (-10)	— (—) (—) (—)	337 (-513) (-113) (-137)

Notes to Financial Statements for the year ended March 31, 2012

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

(Rs. in Lacs)

Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
i)	Current Service Cost	456 (323)	65 (74)	3 (3)	2 (2)	529 (375)	1,055 (777)
ii)	Interest Cost	429 (328)	134 (146)	5 (6)	4 (4)	560 (660)	1,132 (1,144)
iii)	Expected Return on Plan Assets	(363) (-304)	(164) (-180)	— (—)	— (—)	(560) (-660)	(1,087) (-1,144)
iv)	Actuarial (Gains) / Losses	129 (952)	(201) (-29)	(5) (1)	17 (-4)	183 (4)	122 (923)
v)	Past Service Cost	— (—)	— (8)	— (—)	— (—)	— (—)	— (8)
	Total	651 (1,299)	(166) (19)	3 (10)	23 (2)	712 (379)	1,222 (1,708)

All of the above have been included in the line 'Contribution to provident and other funds', in Note 22 of the Statement of Profit and Loss.

- 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	0.0%	8.6%	0.0%	0.0%	35.0%	35.9%
ii)	Corporate Bonds	0.0%	11.6%	0.0%	0.0%	42.8%	38.0%
iii)	Special Deposit Scheme	0.0%	17.7%	0.0%	0.0%	18.5%	20.8%
iv)	Equity Shares of Listed Companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
v)	Property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
vi)	Insurer Managed Funds	100.0%	59.0%	100.0%	100.0%	0.0%	0.0%
vii)	Others	0.0%	3.1%	0.0%	0.0%	3.6%	5.3%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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.

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

(Rs. in Lacs)

Sr. No.	Particulars	Gratuity	Pension	PF	Total
i)	Actual return on plan assets	283 (423)	164 (215)	641 (653)	1,088 (1,291)

Notes to Financial Statements for the year ended March 31, 2012

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

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount Rate	8.60% 8%	8.60% 8%	8.60% 8%	8.60% 8%	8.60% 8%
Expected Rate of Return on Plan Assets	8.50% 8%	8.50% 8%	NA NA	NA NA	NA NA
Expected return on assets for exempt PF fund					
2012-13	NA NA	NA NA	NA NA	NA NA	8.10% 8.00%
2013-14	NA NA	NA NA	NA NA	NA NA	8.25% 8.20%
2014 and thereafter	NA NA	NA NA	NA NA	NA NA	8.50% 8.50%
Salary Escalation Rate - Management Staff	9% 9%	NA NA	NA NA	NA NA	NA NA
Salary Escalation Rate - Non-Management Staff	7% 7%	NA NA	NA NA	NA NA	NA NA
Annual Increase in Healthcare Costs - First 10 years	NA NA	NA NA	NA NA	10% 10%	NA NA
Annual Increase in Healthcare Costs - Next 5 years	NA NA	NA NA	NA NA	8% 8%	NA NA
Annual Increase in Healthcare Costs - Thereafter	NA NA	NA NA	NA NA	6% 6%	NA NA
Long term EPFO rate					
2011-12	NA NA	NA NA	NA NA	NA NA	8.60% 9.50%
2012 and thereafter	NA NA	NA NA	NA NA	NA NA	8.60% 8.50%

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

- h. 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	(Rs. in Lacs)	
	One percentage point increase	One percentage point decrease
The aggregate of the current service cost and interest cost		
Components of net periodic post - employment medical costs; and	0.18 (0.23)	-0.22 (-0.20)
The accumulated post-employment benefit obligation for medical costs	4.19 (2.80)	-4.30 (-3.97)

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2012

45. Related Party Disclosures

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

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

b) Transactions with related parties as per the books of account during the year ended March 31, 2012.

		Rs. in Lacs
Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	16,045 (22,749)
	Tata Cummins Limited	46,847 (33,382)
	Cummins Limited, UK	16,000 (9,801)
	Cummins Diesel Sales Corporation, Singapore	11,322 (6,117)
	Others	13,998 (22,635)
Sale of goods	Cummins Limited, UK	82,062 (66,402)
	Others	22,051 (22,890)
Purchase of fixed assets	Cummins Inc.	34 (44)
Sale of fixed assets	Tata Cummins Limited	8 (—)
Services Rendered	Cummins Inc.	1,905 (1,139)
	Cummins Power Generation Limited, Kent, UK	969 (683)
	Tata Cummins Limited	803 (4,711)
	Valvoline Cummins Limited	764 (745)
	Others	529 (623)
Remuneration Paid (Refer note (iii) below)	Anant Talaulicar	15 (20)
	Raj Menon	261 (244)

Notes to Financial Statements for the year ended March 31, 2012

		Rs. in Lacs
Transaction	Name of the Party	Total
Services Received	Cummins Power Generation Limited	1,551 (1,296)
	Cummins Technologies India Limited	5,556 (4,141)
	Cummins Inc.	920 (645)
	Others	288 (490)
Transfer of Technology including royalty	Cummins Inc.	6,488 (6,208)
	Others	— (86)
Inter Corporate Deposits Given	Cummins Technologies India Limited	1,200 (100)
Inter Corporate Deposits Recovered	Cummins Technologies India Limited	3,950 (—)
Interest Received On inter corporate deposits	Cummins Technologies India Limited	301 (283)
Investment in Joint Venture	Cummins SVAM Sales and Service Limited	600 (—)
Issue of Bonus Shares	Cummins Inc.	808 (—)
Dividend Received	Cummins Generator Technologies India Limited.	1,404 (936)
	Valvoline Cummins Limited	— (950)
Dividend paid	Cummins Inc.	15,147 (13,128)

Notes to Financial Statements for the year ended March 31, 2012

c) Amounts outstanding as at March 31, 2012.

		Rs. in Lacs
Particulars	Name of the Party	Total
Trade Payables	Cummins Inc.	4,382 (5,793)
	Cummins Limited, UK	3,176 (3,194)
	Cummins Technologies India Limited	2,347 (1,681)
	Cummins Asia Pacific Pte. Ltd.	1,544 (—)
	Others	1,153 (5,735)
Other Current Liabilities	Cummins Inc.	5,096 (5,015)
	Others	— (28)
Trade Receivables	Cummins Limited, UK	8,571 (11,111)
	Cummins Inc.	1,758 (295)
	Others	6,630 (8,623)
Advances recoverable	Cummins Inc.	482 (645)
	Tata Cummins Limited	859 (781)
	Valvoline Cummins Limited	202 (—)
	Others	28 (269)
Inter Corporate Deposit Receivable	Cummins Technologies India Limited	— (2,750)

Notes to Financial Statements for the year ended March 31, 2012

Notes:

- i) The names of the related parties under the appropriate relationship included in notes 45(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Holding Company	Cummins Inc.
Fellow subsidiaries (with which there are transactions during the year)	Cummins Engine (China) Investment Co. Ltd. Cummins Adriatic Cummins Asia Pacific Pte. Ltd. Cummins, Belgium Cummins Brazil Limited Cummins Comercializadora S. de R.L. de C.V. Cummins De Los Andes S.A. Cummins Deutschland GmbH Cummins Diesel Italia Spa Cummins Diesel N. V. Cummins Diesel Recon Cummins Diesel Sales Corporation, Singapore Cummins DKSH (Singapore) Pte. Ltd. Cummins DKSH (Thailand) Limited Cummins DKSH (Vietnam) LLC Cummins East Asia Research & Development Co. Limited Cummins Emission Solutions Cummins Engine (Shanghai) Trading And Service Co. Cummins Firepower Cummins France, S.A. Cummins Fuel Systems (Wuhan) Co., Ltd. Cummins Filtration, Inc. Cummins Generator Technologies GmbH Cummins Ghana Limited Cummins Japan Limited Cummins Limited, UK Cummins Middle East Fze Cummins Natural Gas Engines, Inc. Cummins Power Generation (China) Co., Ltd. Cummins Power Generation (S) Pte. Ltd. Cummins Power Generation Limited, Kent, UK Cummins Power Generation Inc. Cummins Rocky Mountain LLC Cummins S De R L De C V Cummins Sales & Service Philippines, Inc. Cummins Sales and Service Korea Co., Ltd. Cummins Sales and Service Singapore Pte. Ltd. Cummins Serbomonte Cummins South Africa (Pty.) Ltd. Cummins South Pacific Pty. Limited Cummins Spain S.L. Cummins Technologies India Limited Cummins Westport Inc. Distribuidora Cummins S.A. Distribuidora Cummins Peru Distribuidora Cummins Chile S.A.

Notes to Financial Statements for the year ended March 31, 2012

Nature of Relationship	Name of the Party
	Distribuidora Cummins Centroamerica Honduras S De Dongfeng Cummins Engine Company Komatsu Cummins Chile, Limited OOO Cummins Shanghai Cummins Trade Co. Ltd. Wuxi Newage Alternators Zao Cummins Kama
Key Management Personnel	Anant Talaulicar (Chairman and Managing Director) Raj Menon (Chief Operating Officer)
Associate	Cummins Generator Technologies India Limited
Joint Venture	Valvoline Cummins Limited Cummins SVAM Sales & Service Limited Cummins Reseach and Technology India Limited Cummins Exhaust India Limited (upto April 29, 2011)
Enterprise with common Key Management Personnel (Anant Talaulicar)	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 Chairman and Managing Director and some senior employees are also entitled to participate in the Employees Stock Option plan of Cummins Inc. (the holding company), the cost of which is borne by Cummins Inc.
- iv) The information given above, has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- v) Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2012

46. Segment Information

a. Primary Segment

The Company's operations predominantly relate to manufacture of Internal combustion engines, gensets and parts thereof (Engine 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. in Lacs
Information about business segments (Primary Segments)	Engine Business	Others	Total
i) Segment Revenue	374,451 (364,188)	30,766 (30,929)	405,217 (395,117)
ii) Segment result	61,255 (67,387)	4,272 (5,288)	65,527 (72,675)
Unallocated -Other Income			12,333 (8,037)
Exceptional items			5,144 (—)
Finance Cost			-541 (-475)
Profit before tax			82,463 (80,237)
Provision for tax			
Current tax			22,158 (21,313)
Deferred tax			1,178 (-175)
Net Profit for the year			59,127 (59,099)
iii) Segment assets	230,154 (199,308)	17,525 (10,905)	247,679 (210,213)
Common assets			62,489 (76,353)
Enterprise assets			310,169 (286,566)

Notes to Financial Statements for the year ended March 31, 2012

	Rs. in Lacs		
Information about business segments (Primary Segments)	Engine Business	Others	Total
iv) Segment liabilities	78,362 (81,714)	7,835 (5,504)	86,197 (87,218)
Common liabilities			326 (18,721)
Enterprise liabilities			86,523 (105,939)
v) Capital Expenditure	13,544 (14,281)	72 (213)	13,616 (14,494)
Depreciation	4,123 (3,607)	75 (57)	4,198 (3,664)
Information about geographical segments (Secondary Segments)	Domestic	Export	Total
vi) Segment revenue	286,141 (288,502)	119,076 (106,043)	405,217 (394,544)

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 Financial Statements for the year ended March 31, 2012

47. Derivatives - Forward Contracts

a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency

(Amount in Lacs)							
March 31, 2012				March 31, 2011			
Currency	Amount	Sell/Buy	Cross Currency	Currency	Amount	Sell/Buy	Cross Currency
USD	211	Sell	Rupees	USD	248	Sell	Rupees
EURO	—			EURO	9	Sell	Rupees

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

(Amount in Lacs)				
As at March 31, 2012			As at March 31, 2011	
	Foreign Currency	Rupees	Foreign Currency	Rupees
Receivables				
USD	136	6,918	188	8,397
Euro	13	861	16	1,032
GBP *	—	—	—	—
Payables				
USD	201	10,247	245	10,914
Euro	1	38	4	221
GBP	3	279	7	482
JPY	—	—	462	247
LKR	—	—	46	19
CHF *	—	—	—	—

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

Notes to Financial Statements for the year ended March 31, 2012

48. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signatures to the notes 1 to 48

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership Number 48125

Pune
Date: May 15, 2012

For and on behalf of the Board

Anant J. Talaulicar Nasser Munjee
Chairman & Director
Managing Director

Amit Atre
General Manager Legal & Company Secretary

Pune
Date: May 15, 2012

NOTES





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