



Cummins India Limited

Annual Report 2012-13



**Delivering on
our Promise of
Dependability**

Table of Content

■ Letter to the Shareholders	1
■ Board of Directors	12
■ Financial Summary - 5 years	14
■ Directors' Report and Financial Statements	15
■ Business Responsibility Report	93



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

To Our Shareholders

Guided strongly by the Company Vision, Mission, six Core Values, and five Personality Traits, your Company continued to demonstrate dependable performance in a year that was marked by economic uncertainties. The Company's Personality Traits - Decisive, Driven to Win, Agile, Passionate and Caring, play a critical role in influencing the many decisions taken to continue the legacy of positively influencing the lives of our stakeholders.

Staying true to these five traits, all the four businesses of your Company - Industrial, Automotive, Power Generation and Distribution, performed well in difficult times. I am pleased to share the performance of your Company, Cummins India Limited, for the fiscal year 2012-13.

Decisive

Managing challenges and emerging as a great institution requires strong decision making capabilities. Your Company continued to do well in this regard taking decisions focused on long-term profitable growth, while balancing short term deliverables, based on strong customer relationships, technology leadership, service support and people talent. It is with pride that I report the performance of Cummins India Limited for a year that has had opportunities and challenges.

In 2012-13, net sales for Cummins India Limited at Rs. 4,509 Crores, represented an increase of 11.3 percent over last year. Net profit before tax (excluding exceptional items) at Rs. 989.74 Crores, represented a 28 percent increase over the previous year. The Company generated significant amounts of cash, strengthened its balance sheet and financial position and most importantly continued to return value to its shareholders.

Your Company had disbursed an interim dividend of 250 percent (Rs. 5 per fully paid-up equity share of Rs. 2 each) in February 2013. The 2012-13 financial year concluded with recommending a final dividend of 400 percent (Rs. 8 per fully paid-up equity share of Rs. 2 each) aggregating to 650 percent (Rs. 13 per fully paid-up equity share of Rs. 2 each), subject to your approval at our forthcoming Annual General Meeting. Over the last five fiscal years, the total return has been 19 percent on a compounded annual growth basis.

Despite significant pressure on margins due to inflation and slower economic growth, your Company has sustained its profitable growth story.

Continuing to build capabilities despite adverse market conditions also signifies your Company's decisiveness. An example of this continues to be the Cummins Megasite at Phaltan. Subsequent to starting operations at three facilities in early 2011, the India Parts Distribution Center became fully operational in 2012 and has since been able to achieve and sustain record world-class levels of spare parts fill rates for customers.

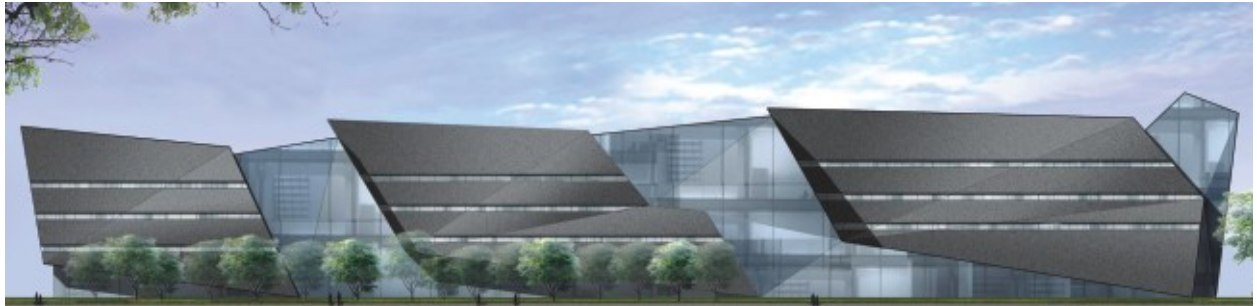
The year also saw the opening of the Phaltan Midrange Upfit Center, the fifth facility at the Megasite. The Upfit Center has been established to assemble, upfit, test and paint diesel and natural gas engines, both mechanical and electronic, ranging in size from 2.8 litres to 8.9 litres. This range will cater to various power generation, industrial and on highway

applications. Designed to manufacture 80 engines per day in two shifts, and expand production capacity when needed with minimal investment, this facility allows us to leverage operational efficiencies along with the existing facilities at the Megasite.

Another facility, also the first on the Special Economic Zone (SEZ) of the Megasite, for manufacturing generator sets and G-drives for exports in the low and medium horsepower range will commence production later this summer. The second factory on the SEZ, for manufacturing high horsepower engines in the 19 litre to 60 litre range, is in progress and is expected to be ready to commence operations later this calendar year. We also broke ground for the third plant of Tata Cummins Limited at the Megasite. This plant will manufacture B5.9 mechanical, ISB and QSB5.9, ISB and QSB6.7, ISL and QSL8.9 engines in addition to being the only plant in India to manufacture the L series engines, to be used by your Company in applications ranging from automotive, power

Engineered for success: The newly-launched Phaltan Midrange Upfit Center for the B, L and C series engines, caters to the power generation, industrial and highway applications.





Reaching the future, faster: The global Technical Center at Kothrud that will build technologies for the future is expected to be ready by 2015.

generation and industrial.

Our plans to substantially expand the laboratories and engineering facilities at our Kothrud site into a global, full-fledged Technical Center that will support all Cummins business units are progressing well. Geared towards strengthening your Company's capability to design technologies for the future, the Cummins Technical Center India will house over 2,500 engineers and is expected to become fully operational over the next two years.

Positioning itself for long-term success, your Company continued to expand its capabilities in technology, product and capacity enhancements. This was evidenced by Rs. 149 Crores in capital investments in the current fiscal as compared to Rs. 136 Crores in the previous fiscal. We believe these will better prepare the Company for decisive growth upon market recovery.

Sustaining and growing our cost efficiency, we continued to reduce the Total Cost of Ownership for direct materials through the ACE (Accelerated Cost Efficiency) program. ACE, lasted from 2005 through 2008, then got replicated with ACE II in 2008 through

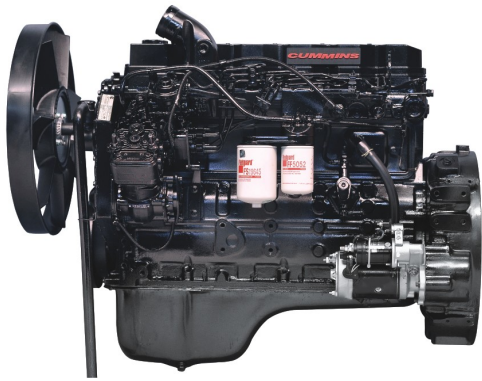
2011, and was replicated yet again with ACE III in 2011 through 2014. During the fiscal year 2012-13, a total of 250 projects helped generate annualized savings of Rs. 44 Crores for your Company as compared to 300 projects and 57 Crores in savings generated in the previous year. Upon successful completion in 2014, this program is expected to generate savings of approximately Rs. 230 Crores for your Company, depicting a 20 percent reduction over a period of three years.

Driven to win

With the Central Pollution Control Board regulating towards cleaner emission norms for engines used in generators, your Company has evaluated numerous technologies and products and developed 'Fit for Market' solutions to best meet emissions regulations cost effectively. As we prepare to take advantage of new opportunities emanating from the implementation of the new norms, we also continue to invest in next generation technologies and products that will allow us to stay ahead in the markets we serve.

In being driven to win, your Company had embarked upon the 'Fit for Market' initiative. Since then, products such as the mechanically controlled 5.9 litre

engine for automotive and construction segments, the 19 litre engine with enhanced operational efficiency and improved costs for rail power cars, and lower kilowatt generator sets have been helping your Company continue to win.



Fit for market, fit for future growth: Cummins' 'Fit for Market' solutions enable the Company to foray into markets which it hasn't served in the past.

In early 2012, furthering our dealership operational excellence, your Company had successfully launched a joint venture with one of its existing dealers, SVAM Power Plants Private Limited, to form 'Cummins SVAM Sales and Service Limited'. As this association takes our customer experience and loyalty to the next level of performance, this new venture, spanning areas of NCR and parts of Western Uttar Pradesh, will also provide a greater understanding of market dynamics and help drive improvement in the dealership network to better serve our customers.

Agile

The agility demonstrated by your Company in adapting to changing market conditions has helped it sustain its profitable growth story, even in difficult times. The Company has demonstrated agility to counter economic uncertainties and instituted

measures across all aspects of our business, which included, driving cost control programs more aggressively than ever, plant block closures, and working capital reductions in line with reduced growth rates. One such program instituted thirteen years ago, Six Sigma, has generated savings of Rs. 48 Crores for your Company. This year, of the 399 projects completed, collectively by the 1,180 belts, 78 projects focused on customers and 43 on suppliers, engaging and deepening our relationships with them. Additionally, Six Sigma has also proven to be an effective tool in building and enhancing leadership skills and driving zero-defect results across the organization. Continuing to leverage the multi-fold benefits of Six Sigma, we have now made it mandatory for our employees to complete at least one project successfully within the performance year in order to get categorized as high performers.

Another cost reduction program, TRIMS, launched in 2010, to reduce the Total Cost of Ownership in indirect materials and services by 10 percent every year over a period of three years generated combined bottom line savings (along with purchasing projects in the indirect spend space) of Rs. 7.52 Crores with an avoidance savings of Rs. 22.9 Crores for your Company. Additionally, the program has also helped consolidate the indirect materials and services supply base while better leveraging our expenditure.

All these actions continue to contribute significantly to the bottom line.

Passionate

Your Company's passion is most visible in its endeavour to serve the customer and help them succeed. Helping us realize this is the philosophy outlined for Customer Support Excellence (CSE).

As part of our CSE efforts, significant investments have been made towards continuously enhancing the end-user experience. As a result, the year saw the opening of three new training facilities - the Global Training Center at Greater Noida, the Cummins Comprehensive Technical Training facility in Pune and the Chhindwara Center of Excellence in Madhya Pradesh. Improved service capability owing to these new facilities will further the dependability quotient of your Company.

The Global Training Center, in partnership with our OEM, Jakson Power Solutions, has been set up to bridge the technology divide by providing comprehensive training to technicians working in our distributor network. This Center will provide training to approximately 1,000 engineers and technicians annually, on a broad range of Cummins manufactured products. The new state-of-the-art Cummins Comprehensive Technical Training facility in Pune encompasses the entire range of products, manufactured and supported by the Cummins Group in India. Built with the objective of providing both theoretical training, as well as practical experience, this facility encompasses an exclusive station for filters and a lube station from Valvoline Cummins Limited, a joint venture between Ashland Inc. and your Company. The Chhindwara Center of Excellence in Madhya Pradesh, built in collaboration with the Confederation of Indian Industry (CII), has been designed to impart in-depth knowledge and understanding of latest technologies and products to people from rural areas, so as to subsequently absorb them in our dealerships across the country.

Our progress in CSE is best measured via the Net Promoter Score (NPS) that gives a definitive indication of where our customer loyalty levels stand. Owing to

numerous initiatives and improved processes, your Company's NPS has increased from 53 percent in 2011-12 to 63.17 percent in 2012-13. Another significant initiative has been the Common Dealer Operating System (CDOS), a Customer Relationship Management (CRM) platform which will integrate all aspects of dealer operations and information systems with those within your Company, thereby improving the way your Company interacts with the customer. This platform is designed to deliver a paradigm shift in the overall customer service experience.

Your Company's passion for bringing best-in-class products, translated into many awards and recognition for Cummins:

- For its outstanding contributions towards developing the CNG series hybrid system, Cummins was awarded the Tata Motors Technology and Innovation Award 2012.
- Cummins received the Engineering Export Promotion Council's National Award in the category of Engines, Turbines and Parts: Large Enterprise, for the 24th successive year.
- The Power Generation Business was presented the Silver Award in the 27th Annual Chapter Convention on Quality Concept.
- The Automotive Business received the 'Long Association Award' for its continued support and association since 2005, by one of India's established On Highway Commercial Vehicle OEMs - Asia Motor Works.

Your Company continues to be as passionate about its people as it is about its products and services. Understanding the significance of Diversity at workplace, the Company has been focusing on improving in particular, gender representation, for many years now. Receiving the Best Employer for

Women in Corporate India Award by the WILL Forum India (Forum for Women in Leadership) is the finest endorsement of the efforts that your Company has been making in this significant area. The WILL Forum benchmarks and evaluates companies for their practices and policies around building a positive ecosystem for women, advancement in career, work-life balance, diversity initiatives, gender leadership assessment, leadership commitment to gender mainstreaming and safety. Cummins is the only Company from the manufacturing sector amongst the five winners in 2012.

Caring

Your Company continues to believe that its purpose includes caring for its employees, the communities in which it operates and the environment.

In ensuring a cleaner, healthier and safer environment

for employees, significant initiatives towards enhancing industrial hygiene were implemented during the year. Continuing with its commitment to the communities and environment, your Company has established various systems and procedures to track the impact of the business on both these important aspects. As a result, your Company has achieved approximately 4 percent reduction in greenhouse gases, 2.5 percent reduction in water consumption and 30 percent reduction in total waste disposal since last year.

The success of our initiatives can be gauged by the awards received in the Health, Safety and Environment category from Cummins Inc. These include the Sustainable Construction Award for the recently inaugurated Power Generation facility at the SEZ at the Megasite in Phaltan and an award for Best Practices in Energy Management to your Company's

Award-winning practices: Energy-saving practices such as utilizing abundant natural light on the shop floor and many more, reiterate our commitment to health, safety and the environment. The Sustainable Award for the Power Generation facility at Phaltan and the award for Best Practices in Energy Management conferred by Cummins Inc. recognize these efforts.



engine manufacturing facility in Pune owing to significant savings in energy and reduction of greenhouse gases.

Demonstrating care for its employees, your Company continued to deploy various initiatives to allow employees to develop, grow, and pursue long-term relationships with Cummins. We have a clear Hire-to-Develop philosophy, with multiple initiatives that develop people from entry to senior levels.

One such initiative, called the Global Leadership Development Program (GLDP), designed specifically for senior leaders, focuses on improving leadership skills in addition to providing Cummins Inc. senior leaders with an insight into India's talent. Now in its second year, this program had 13 employees graduating in 2012, geared to take on broader senior leadership roles and develop and execute strategies that drive your Company's profitable growth in a highly competitive global environment.

A second initiative entails sponsoring higher education in management and technical streams. This year, 106 employees have been sponsored for higher education, at our partner institutions such as The Kelley School of Business at the Indiana University in the US, the "Cumminized" IIM-Ahmedabad as well as S.P. Jain post graduate management programs and the Masters level program in Engineering at the ARAI-Vellore Institute of Technology. These employees will soon be ready to move into larger leadership roles within the Company.

The third initiative entails employing the right talent at the entry level and developing them for future roles within the organization. As a result, over the last couple of years, we have been gradually increasing

our direct recruitment from campuses. This year, your Company hired 182 graduates. In order to enhance their experience and engagement with the organization, a structured year long module called the Young Managers Development Program (YMDP) has been instituted. This has helped us arrest attrition in these ranks to below 5 percent this year. Our plan is to introduce similar modules for MBA and M.Tech hires. We are committed to continuous engagement and development of young talent, as we view this to be critical to your Company's long-term success.

Last, but an equally important initiative under Hire-to-Develop philosophy involves presenting growth opportunities to employees to develop themselves by taking on responsibilities across functions and businesses. Approximately 312 professional employees of your Company moved into different roles or functions. Collectively, within the five fully managed Companies of the Cummins Group, close to 400 employees transitioned to new opportunities.

The above mentioned philosophy rests heavily on effective and seamless movement of talent across geographies and businesses. To facilitate this, we also introduced Global Position Profiles this year. These are standardized job profiles for all roles across functions and businesses globally. Besides enhancing our processes for recruitment, employee development and compensation benchmarking, we expect this program to provide greater visibility to our employees on the vast variety of opportunities that are present within the entire Cummins Inc. system.

Last year I spoke to you about two leadership development initiatives: the Leadership Culture Series and Building Success in Others. Both these programs provide an understanding of good leadership skills

needed to facilitate career development of immediate reportees and others in the organization. We have continued to cascade both these programs at an excellent pace and momentum. The former reinforces the five leadership skills identified by the organization as being most critical: Coaching & Developing, Fostering Open Communications, Talent Management, Managing Diversity and Thinking Strategically. We began cascading 'Coaching & Developing' two years ago. With 250 leaders having undergone this session in 2012-13, we now have a total of 800 leaders having participated in this program across all the Group Companies in India, till date. We started cascading 'Fostering Open Communication' last year and have covered close to 650 managers across locations in India. The 'Building Success in Others – Leadership Essentials' has been specifically designed for first level leaders. Under this program, we launched a module titled 'Leadership Conversations'. This workshop has so far witnessed participation of 225 leaders, teaching tools and techniques that help them understand leadership behaviours and their impact on achieving business results.

On Diversity in the workplace, better gender and regional representation continue to be the ones which we have been focussing on strongly for many years now. I am proud to say that our commitment to see women comprise a large part of our workforce is visible in all areas of the organization today. With a 27.5 percent record representation amongst professional employees across Cummins' Group Companies in India, I am delighted to say that women are now playing a crucial role in contributing to your Company's success.

Taking this journey forward, we are now progressing

to the next level, that of much higher inclusion and engagement. While in the past we have made changes in physical infrastructure and policies that are essential for attraction and retention of women in the organization, having adopted a more holistic approach to gender diversity, we have now started to conduct Gender Sensitization Workshops to enable our employees collaborate better with a gender diverse workforce, encourage our women employees to contribute and succeed in the organization to a greater extent and allow the organization to leverage gender diversity to the maximum. Additionally, your Company worked closely with the Government and sought permission to allow women to work in the second shift on the shop floor. Consequently, at the Megasite in Phaltan, there is close to 30 percent women representation today. Endorsing regional diversity, your Company continues to hire professional workforce from other regions (East, South and North) of India.

Continuing to strengthen our relations with the Associate Union, we integrated a monthly incentive scheme in the recently concluded wage agreement that rewards various metrics of quality, delivery and output. This will positively impact the lives of over 700 production associates at your Company's largest manufacturing plant. The Team Based Work System instituted on the shop floor at the Megasite in Phaltan further enhances the environment that we are committed to providing to our associates.

Our efforts to have all employees understand and commit to the 'Cummins Code of Business Conduct' and 'Treatment of Others' policies continue. This remains the core to providing the right environment to all our stakeholders, both inside and outside the organization.



A fresh approach to work: The new Office Campus in Pune, designed to house up to 6,000 employees, integrates collaborative workspaces that meet various working styles and preferences.

During the course of the year, we took some time aside to honour instances of exemplary allegiance to the six Core Values of your Company, namely, Integrity, Delivering Superior Results, Global Involvement, Corporate Responsibility, Innovation and Diversity, along with Six Sigma, Customer Support Excellence and Health, Safety & Environment. The winners were recognized at the CMD (Chairman and Managing Director) Awards Function, an annual event which is now in its seventh year. During this year, our global Chairman and CEO, Tom Linebarger, and I hosted the second Management Conference and held a dedicated communication session for more than 300 senior leaders across the Cummins Group in India. This session facilitated greater understanding and alignment to our global strategies and how they apply to India. This has enabled us to continue to achieve great results for your Company.

In last year's annual report, I had mentioned about the Office Campus in Balewadi, Pune where all our professional employees with the exception of engineers would co-locate. This will create greater synergies between your Company and all other Cummins managed companies in India. Designed to house up to 6,000 employees, the new Campus integrates collaborative workspaces, which is a significant shift from traditionally isolated work spaces, with multiple options to suit ones working style and preference. We view such a work place critical for our Core Values of Innovation and Diversity to flourish. We propose to start moving to the new Campus in early 2014.

Your Company continued to channelize its efforts towards Corporate Responsibility with meaningful, sustainable projects under the focus areas of Higher

Education, Energy & Environment, and Local Community Infrastructure Development. Subsequently, employees across the Cummins Group collectively devoted 40,032 hours to the Every Employee Every Community (EEEC) Program in 2012. This program requires every employee to devote up to four hours of Company paid time to community service annually. It is heartening to see our employees scale up the hours dedicated to improving the communities, year after year. The number of hours dedicated in 2012 is a significant increase over the 35,605 hours devoted in the previous year. Additionally, 99 percent of the employees at your Company contributed fully and more to the EEEEC program.

Under Higher Education, the Cummins Scholarship Program, which has now become a tool to enable students from economically weak backgrounds to pursue higher education, expanded its reach. The

A winning attitude: Cummins' continued engagement with Cummins College of Engineering for Women is reflected in the all-girls team from the college winning the second prize in the Society of Automobile Engineers (SAE) Baja 2013 - the flagship automotive event for mechanical engineers in India. Seen here is Tom Linebarger, Chairman and CEO, Cummins Inc., congratulating the girls.



Cummins India Foundation for the first time awarded a record 100 scholarships, up from 70 last year. Of the 100 scholars, 59 are women. Our engagement with the Cummins College of Engineering for Women (CCEW) in Pune, to establish it amongst the top 5 percent of the privately managed engineering institutes in India, has also been scaled up.

Under Energy and Environment, subsequent to implementing the 'Zero Garbage' project in the Katraj ward in Pune, work has begun to replicate the project at the second ward adopted by your Company in Balewadi, where the upcoming Office Campus is located. We are excited about making a difference to the communities even as we prepare to relocate into their neighbourhood. And finally, as part of Local Infrastructure Development, your Company has made significant in-roads in bringing holistic development to the residents of Nandal, a village in close proximity to Phaltan.

Commemorating Cummins' 50 years of operations in India, for the first time ever, all our five fully managed Companies in India collectively executed a common, nation-wide campaign for sensitizing school students about the environment. With active participation from 380 employees, we succeeded in engaging with 75,000 students, from 200 schools across 50 cities in India. Titled as 'Catch them Young', this project with its expanse and scale had in every sense of the word unleashed the power of Cummins for making people's lives better.

The impact many of our projects have had on improving the communities is evident from the recognition that has come our way:

- Cummins received recognition from the Maharashtra State for our contribution to the Zero



Young minds, big changes: On the occasion of Cummins' 50 years of operations in India, 380 employees spoke to over 75,000 students from 200 schools across 50 cities, sensitizing them about the environment. Titled 'Catch them Young', this project, with its expanse and scale, unleashed in true sense the power of Cummins for making people's lives better.

Garbage Project piloted at the Katraj Ward in Pune. This project is now ISO certified.

- Six projects submitted from India won the 2012 Environmental Challenge from a total of 15 awards given worldwide by Cummins Inc. 109 projects participated worldwide in this annual event.

Note - Information on the many other projects undertaken during the year to improve the environment and communities has been published in the Business Responsibility Report of this Annual Report.

In Closing

The year 2012-13 has demonstrated that the collective Personality of being Decisive, Driven to Win, Agile, Passionate and Caring of the 3,590 employees of your Company, even in times when business conditions were not as favourable, has resulted in delivering superior results in a holistic manner. It is indeed my privilege to lead and serve a team that is so committed. I remain thankful to our Board of Directors, whose support, experience and foresight is helping us manage the short-term challenges, while

ensuring we never lose sight of our bright future. Above all else, I remain grateful to you for your unstinted confidence in our capabilities.

Staying true to the Vision, Mission, Core Values, and Personality of your Company, I recommit and rededicate myself and my entire team at Cummins India Limited to continue unleashing the power of Cummins to improve the vast number of lives associated with it.

Sincerely,
Anant J. Talaulicar

BOARD OF DIRECTORS



Anant J. Talaulicar
Chairman and
Managing Director



Antonio Leitao
Director



Edward Pence
Director



James Kelly
Director



Nasser Munjee
Director



Patrick Ward
Director



P. M. Telang
Director



P. S. Dasgupta
Director



Rajeev Bakshi
Director



Venu Srinivasan
Director



J. M. Barrowman
Alternate Director
to Edward Pence



Pradeep Bhargava
Alternate Director
to Patrick Ward

BANKERS :

State Bank of India
HDFC Bank Limited
Citibank, N.A.
Bank of America

AUDITORS:

PRICE WATERHOUSE
Chartered Accountants
Mutha Towers, 5th Floor,
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Yerwada, Pune 411 006

REGISTRAR & TRANSFER AGENT :

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Financial Summary - 5 Years

₹ Crores

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Total income	4,796.10	4,240.55	4,122.90	2,966.62	3,455.03
Raw material	2,887.43	2,645.42	2,580.38	1,802.26	2,233.77
Employee cost	338.62	303.94	254.63	195.26	212.96
Mfg. exps. and overheads	342.12	299.98	282.23	190.37	196.16
Adm.,selling and other exps.	186.33	170.63	161.90	129.69	184.16
Finance Cost	4.61	5.41	4.75	2.05	2.61
Depreciation	47.25	41.98	36.64	36.08	45.56
Net profit before tax	989.74	773.19	802.37	610.91	579.82
Exceptional Item	61.59	51.44	0.00	–	19.20
Tax provision on income (Net of Excess/Short provision for prior years)	287.22	233.36	211.38	167.05	165.36
Net profit after tax	764.11	591.27	590.99	443.87	433.66
Dividend	360.36	304.92	297.00	237.60	178.20
Additional Income tax on dividend	60.17	49.47	48.72	39.92	31.98
Earnings in foreign exchange	1,315.97	1,236.16	1,089.75	507.63	1,342.49
Dividend % *	650.00	550.00	750.00	600.00	450.00
Earning per share (Face value of ₹ 2) #	27.57	21.33	21.32	16.01	15.64

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

* Dividend percentage for FY 2011-12 is calculated based on the enhanced share capital.

Earnings Per Share (EPS) have been restated for the previous year's, 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 Second Annual Report and the Audited Accounts of the Company for the year ended March 31, 2013.

1. FINANCIAL RESULTS :

During the financial year 2012-13, net revenue from operations was ₹ 458,938 Lacs as compared to ₹ 411,722 Lacs during the previous year (11% higher). Exports and other foreign exchange earnings were at ₹ 131,597 Lacs as compared to ₹ 123,616 Lacs during the previous year (6% higher). Profit after tax increased to ₹ 76,411 Lacs from ₹ 59,127 Lacs recorded for the previous year (29% higher).

	2012 - 2013 (₹ in Lacs)	2011 - 2012 (₹ in Lacs)
APPROPRIATION OF PROFIT :		
Profit before taxation	105,133	82,463
Net Profit for the year after tax but before tax on proposed dividend	76,411	59,127
Tax on dividend	6,017	4,947
Dividend	36,036	30,492
Transferred to General Reserve	7,641	5,913
Balance carried to Balance Sheet	124,857	98,140

2. DIVIDEND :

Your Directors have recommended a final dividend of ₹ 8/- per equity share of ₹ 2/- each fully paid-up, in addition to the interim dividend of ₹ 5/- per equity share of ₹ 2/- each fully paid declared on January 31, 2013, aggregating to ₹ 13/- per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2013.

3. JOINT VENTURES :

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

The net revenue from the 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, 2013 was ₹ 8,512 Lacs as compared to ₹ 6,550 Lacs during the previous year (30% higher). CRTI has a Research and Technology Centre at Pune and is engaged in providing Information Technology enabled Mechanical Engineering development services primarily to Cummins Inc., its subsidiaries and joint ventures in all parts of the world.

b) Valvoline Cummins Limited (VCL) :

VCL, a 50:50 joint venture with Valvoline International Inc., U.S.A., a global leader in lubricants and engine oils generated net revenue of ₹ 96,897 Lacs from its operations for the year ended March 31, 2013 as compared to ₹ 83,900 Lacs during the previous year (15% higher).

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

CSSSL is a 50:50 joint venture incorporated on January 17, 2012 with SVAM Power Plants Private Limited, a Dealer of your Company. CSSSL focuses on sales and service of Cummins engines and generator sets in parts of Northern India. The net revenue for the year ended March 31, 2013 (being the first year of operations of CSSSL) was ₹ 6,209 Lacs and was profitable.

4. INITIATIVES AT PHALTAN :

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

- The Phaltan Midrange Engine Upfit Center (PMUC) was inaugurated at the Megasite, Phaltan in March, 2013. This is the fifth facility of the Cummins Group of Companies in Phaltan. The Upfit Center has been established to assemble, upfit, test and paint diesel and natural gas engines, both mechanical and electronic, of B and L series. In addition, the facility will also manufacture C series engines. This entire range will serve the power generation, industrial and on-highway applications. This facility will have an annual capacity of 24,000 engines and shall cater to the requirements of Construction, Marine, Compressor and Fire Pump sectors, as well on highway natural gas engines.
- A facility for Power Generation Business Unit to manufacture generator sets and generator drive engines in the low and medium kilowatt range for export markets (with a matured capacity of 51,000 units by 2016) is expected to commence operation during the second quarter of 2013 in the MIDC Special Economic Zone.
- The India Parts Distribution Center (IPDC) facility, which became operational in the third quarter of 2011-12, completed its ramp up in the year 2012-13 enabling Cummins to better fulfill the demand for aftermarket Parts in the domestic market. The first year of operations was marked by several achievements including becoming best-in-class for shipment quality across all Cummins PDCs, improvement in delivery, reduction in backorders and improved fulfillment for Engine Down Orders.

Your Company's facility at Daman which catered to B series engine based generators, closed down its operations w.e.f. August 3, 2012, due to the lowering demand in market and reduction in the subsidies to be availed of, at the facility. The closure of the said facility did not have any material impact on the business of your Company as the demand for this product is being catered effectively from the facility located at Pirangut, Pune.

5. INDIA OFFICE CAMPUS (IOC) :

Your Company had entered into an Understanding for the purchase of a ten acre Office Campus at Balewadi, Pune (India Office Campus/IOC). The IOC shall house all professional employees located at various offices in Pune with the exception of design/development engineers who will be based at the Kothrud campus technical center, and manufacturing support employees who will be located in the plants. Your Company proposes to let out surplus office space, if any, after housing all of its exempt employees to other Cummins Group companies. This initiative would offer the distinct advantage of co-locating most of the Cummins Group professional employees at one location and derive synergies of co-location. The total capital expenditure for IOC is about ₹ 73,000 Lacs. The same is expected to be ready for occupation in phases commencing early 2014.

6. 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.

7. CODE OF CONDUCT COMPLIANCE :

A declaration signed by the Chairman and Managing Director affirming compliance for the Financial Year 2012-13 with the Company's Code of Conduct by the Directors and Senior Management as required under Clause 49 of the Listing Agreement with Stock Exchanges, is annexed and forms part of the Directors' Report.

8. 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, 2013 and of the profit for the period April 1, 2012 to March 31, 2013;
- (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.

9. CONSERVATION OF ENERGY :

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

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

- Reduction in compressor energy consumption by efficient operation, leakage elimination, use of air guns, demand based pressure control, etc. by 33%;
- 34% reduction in power consumption of pump houses by demand based pump rpm control automation using PLC & automation;
- NH/NT engine assembly energy consumption was reduced by 22% by automation of ventilation blowers, lighting, syncool pump and AC plant;
- Efficient load sharing between the distribution transformers leading to energy savings;
- Six sigma project completed successfully for energy saving in the Cylinder Head machining section;
- Maintaining unity power factor by reducing line energy losses;
- Use of natural sky lights on roofs to ensure minimal use of lights on the shop floor during day time; and
- Use of VRV air conditioners for the administrative building.

Power Generation Business Unit Plants, Pirangut

- Use of LED light fittings in office wash rooms;
- Use of motion sensors in rest rooms to reduce electricity consumption;
- Pull cords installation at offices to reduce the lighting load consumption;
- Use of 5 star rated air conditioners for ground floor & first floor at office area;
- Use of energy efficient T-5 tubes in the shop floor to achieve energy savings; and
- Use energy efficient HVLS fan for shop floor ventilation.

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

- Use of APFC (Automatic Power Factor Correction) panel for power factor correction at the load end;
- Alternate switching off, of the street lights after duty hours;
- Use of T5 tubes with electronic ballast for the shop floor, street and office area lighting;
- Maintaining a unity power factor at the HHP Rebuild Center and improving the power factor at the 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 (auto switching off 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;
- Pull cord switches for administration block lighting;
- Reduction of AHU water pump – Water supply to AHU given from the test cell pumps;
- Discontinued use of 30 HP Air compressor & instead use of portable air compressor of 5HP at Erandwane site; and
- Increased AHU preventative maintenance frequency resulted in to better efficient with power saving.

Parts Distribution Center, Phaltan, Maharashtra

- 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;
- Use of motion sensors in rest rooms to reduce electricity consumption;
- Power off schedule & surprise audit through security team & safety point leaders has ensured optimum usage of available electrical equipment;
- Pull cords installation at offices to reduce the lighting load consumption;
- Use of VRV air conditioners for the administrative block;
- Use of energy efficient T-5 tubes at ware house to achieve energy savings.

IMPACT OF THE ABOVE MEASURES :

The above initiatives resulted in savings of about ₹ 237 Lacs in addition to Greenhouse Gas (GHG) emission reduction by 2,552 tons during the year. The energy units saved during the year were about 2,721,251 kWh.

10. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

With a view to satisfy legislative, customer and market needs, your Company is committed to introducing new products and improving existing products to have better performance levels, lower life cycle costs, excellent safety and recyclability characteristics and meet stringent emission norms.

The Technical Center of your Company continues in its endeavour to indigenize components and develop the next generation of components and systems in collaboration with the parent company - Cummins Inc., to reduce costs, improve fuel efficiency, improve safety, enhance recyclability, enhance performance and durability of its products. In order to improve technical productivity, new methodologies and technologies have been introduced and enhancements in capabilities are being continuously pursued to reduce the costs associated with new product development and customer support. 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. Emissions recipe to meet BSIII, BSIV and OBDII emission regulations for Automotive ratings.
2. Advanced BSIII electronic products to enhance competitiveness in the Automotive segment and drive towards lower fuel consumption and higher power density product offerings for customers.
3. Multiple stationary engine families to meet the upcoming CPCB II Power Generation regulations up to 800 kW.
4. Key Industrial engine product families to support the increasing Industrial Business.
5. Key Marine engine product families to support the increasing Commercial Marine Business.

6. Fundamental electronics capability to help develop products that comply with OBD II (On Board Diagnostics) legislation.
7. Further enhancement of non-diesel product development capability.
8. 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 simulation software to control the engine performance and combustion process.
2. Enhanced capability to tailor engine designs to improve the value proposition for customers through delivering superior power output, fuel economy, transient response and reduced emission.
3. Product and component availability to meet the new emission norms ahead of implementation.
4. More safe, recyclable, reliable, durable and performance efficient products and critical components were made available for the customers.
5. Component indigenisation capability was improved through enhanced test capability, rig test and flow bench development and availability.
6. Significant enhancements in measurement capability were made to pursue business opportunities in non-diesel markets to serve both the rural and international communities.

C. Future plans include:

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

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

E. Expenditure on R & D:

The total expenditure on R & D was as follows:

	2012-2013 (₹ in Lacs)	2011-2012 (₹ in Lacs)
Capital	812	1,023
Recurring	3,959	3,834
Total	4,771	4,857
Total R&D expenditure as a percentage of total sales turnover	1.04%	1.18%

11. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported 5,581 engines and 6,715 generator sets thereby achieving total export earnings of ₹ 127,035 Lacs.

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

	2012-2013 (₹ in Lacs)	2011-2012 (₹ in Lacs)
(a) Earnings	131,597	123,616
(b) Outgo –		
- Raw Materials/components	51,308	45,193
- Capital Equipment	623	1,918
- Others	26,554	26,800
	78,485	73,911

12. 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.

13. DIRECTORS :

Mr. Anant J. Talaulicar was initially appointed as the Managing Director of the Company for a period of 5 years from July 29, 2003 to April 24, 2008 and then subsequently re-appointed for a further period of 5 years from April 25, 2008 to April 24, 2013. At the Board Meeting held on January 31, 2013, Mr. Anant J. Talaulicar was re-appointed as Managing Director of the Company for a further period of five years effective April 25, 2013, subject to approval of the Central Government and the Shareholders.

During the year, Mr. Sean Milloy, Alternate Director to Mr. John Wall, ceased to be a Director of the Company effective July 28, 2012 upon arrival of Mr. John Wall, Original Director, to the State of Maharashtra. Mr. John Wall, Mr. B. H. Reporter and Mr. Mark A. Levett stepped down as Directors of the Company w.e.f. August 2, 2012, February 1, 2013 and May 9, 2013 respectively. On account of cessation of Mr. Mark A. Levett as Director of the Company, Mr. J.M. Barrowman, Alternate Director to Mr. Mark Levett also ceased to be a Director. Mr. Antonio Leitao, Mr. Prakash M. Telang and Mr. Edward Phillip Pence were appointed as Additional Directors of the Company w.e.f. August 3, 2012, January 31, 2013 and May 10, 2013, respectively. Mr. J. M. Barrowman has been appointed as Alternate Director to Mr. Edward Phillip Pence w.e.f. May 10, 2013.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, M/s. James Kelly, Venu Srinivasan and Rajeev Bakshi, Directors of the Company, retire by rotation and are eligible for re-appointment.

14. INDUSTRIAL RELATIONS :

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

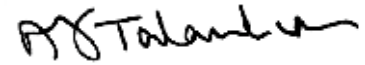
15. AUDITORS :

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., Cost Auditors, Pune as its Cost Auditors for the year 2012-13. The Cost Audit report and the Compliance Report for the year 2011-12 in the revised format, which was due on January 31, 2013, was filed with the Ministry of Corporate Affairs on December 25, 2012 for the Company.

On behalf of the Board of Directors,



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 10, 2013

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

1. Industry Structure and Developments

Economic Trends and Implications

- After strong growth in the past few years FY 2012 and 2013 showed moderate GDP growth of 6.2% and 5.0%, respectively.
- The slowdown in growth was largely driven by a lack of supportive policy measures by the Government. While investor unfriendly actions such as likely introduction of GAAR and transfer pricing resulted in reduction of FDI and FII, government inaction and restrictive monetary policies slowed down local investments.
- The depreciation of the rupee, the decline of the European and US markets and delayed / uneven monsoon further exasperated the situation.
- In the midst of a slowdown, India also saw its fiscal deficit rising to 5.3% for FY 2013 and current account deficit rising to the 5.3-5.5% range.
- However, in the second half of FY 2012-13, the government took some measures such as introduction of FDI in retail and aviation, postponement of GAAR, fuel subsidy reduction, etc. to support growth.
- With improvements in FII & FDI flows, investor confidence and investment climate appears to be set to perhaps improve.
- Additionally, measures taken by the government to improve flow of agri-credit are expected to drive proactive sowing that could boost growth in agriculture sector to 3.0% in FY 2013-14. Improvement in the industrial sector could be aided by an increase in government approvals for project investments that are currently in the pipeline and recovery in exports is also expected as the global markets recover gradually.
- Inflation too has started to moderate and is expected to be in the range of 6-6.5% thus allowing RBI to cut interest rates to boost industrial production.
- Given all of these factors most analysts predict that the economy has bottomed out and most sources predict that the GDP for FY 2013-14 is likely to be around 6%.
- In the long term, India's growth story remains intact, supported by a positive demographic dividend, rapid urbanization and increasing growing domestic consumption.
- Post the elections in 2014, it is likely that the new government will take actions to revive growth.

2. Opportunities and Threats

Key Opportunities

Power Generation :

- The average energy deficit in India has been 9.1% with peak power deficit of 9.5% despite a record power capacity addition of around 12 GW in the last year. However, utilization of power capacity has been coming down significantly because of factors like de-allocation of coal blocks leading to coal shortages, delayed gas outputs from KG D6 basin and water shortages in Central and South India.

Additionally, the continued losses of the State Distribution Companies (DISCOMs) and high distribution losses driven are likely to continue unless significant measures are taken aggressively to privatize distribution, rationalize

power tariffs, reduce free power and invest in infrastructure. However, most of the actions seem unlikely in the short term given the impact of state level politics on major power distribution issues.

- With the GDP recovering in FY 2013-14 and more proactive measures to support growth, private consumption is expected to improve resulting in continued power deficit which would drive the growth of the genset market. Sectors such as Manufacturing, Commercial and Residential realty, IT & ITES and Services are expected to drive the growth of genset demand.
- The next stage of emission norms are most likely to come into effect in FY 2013-14, and will provide an opportunity to introduce new, lower emissions diesel generator sets in the market. This is expected to significantly change the competitive landscape.

Industrial :

- The increase in budget allocation towards infrastructure (road networks, building of new ports, industrial corridors) and other measures announced in the recent budget will help in the overall infrastructure development in the medium term (15 to 18 months timeframe). This implies that the construction equipment industry will grow at a 7 to 8 % since the effect is likely to be felt with a lag due to the current high levels of idle inventory in the market. Your Company enjoys strong business relationships with the domestic as well as global construction equipment manufacturers and is well positioned to serve the needs of this sector.
- With the focus on infrastructure, the cement sector is expected to boost the demand for mining of limestone which will increase the demand for mining equipment.
- To address the prevailing demand-supply gap in the power sector, the government plans to encourage public private partnership projects. The acute fuel scarcity facing power projects, may not only result in higher demand for mining equipment, but is also likely to improve business prospects for shunting and freight locomotives.
- The Rail budget for FY 2013-14 proposes increased outlay with focus on safety, modernization and fuel efficiency. 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.
- With the increasing population and GDP growth, India's energy needs are on the rise. As a part of the Government initiative to boost India's energy security, there is a focus on oil and gas exploration and production and this creates opportunities for your Company to explore demand for its engines used in oil and gas exploration, production and distribution applications.
- 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 M&HCV market (Medium and Heavy Commercial Vehicles - GVW >7.5 Ton) shrank by 26% in FY12-13 over the previous year. This was mainly driven by lower GDP growth and further impact of fuel subsidy reduction on diesel and a poor monsoon. The market scenario continues to be uncertain. However, the market is expected to have seen the worst and the scenario is expected to improve slightly based on the economic revival backed with the infrastructure development and economy improving owing to budget initiatives along with a positive outlook of a good monsoon.

- The M&HCV space has seen the entry of new players thereby increasing competition. In the current situation of a shrinking market, this has led to the phenomenon of discounting in the market which is causing some market share changes.
- During the year we have seen some new product launches which might change the dynamics within the M&HCV space. The share of 4 cylinder engines in the M&HCV space is expected to increase.
- 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. Your Company continues to invest in the future on products that would improve the market share in the longer term.
- With the promised new industrial corridors, smart cities, bigger role of private firms in coal, a regulator for dispute-ridden highway sector and investment in construction and infrastructure sector in this year's budget, it is expected that the automotive market sector would revive in the medium term.
- A 14% hike in allocation to the defense sector is also expected to help increase demand for your Company.

Distribution :

- Emission regulations (CPCB II norms) and migration to electronic engines is likely to improve the opportunities for the Distribution Business through increased sales for rebuilt engines and electronic parts.
- 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.
- Cummins is continuing to invest heavily in infrastructure to support long term growth. One major initiative is introduction of a Common Dealer Operating System (CDOS) which will enable better data and information visibility across the dealer network and centrally by Cummins. Cummins is also continuing to invest in developing training centers across the nation to ensure well trained technicians who will provide state of the art support to Cummins products.
- The Distribution Business has also grown new lines of business in its Consumer Business sector by offering automotive, industrial and power generation batteries.

Exports :

- With last years' initiative to improve upon On-time Delivery and offer reduced leadtimes for our global customers, your Company was able to improve the confidence, which will enable the Company to garner goodwill in terms of new business opportunities in the future as well.
- In the long run, the demand for export of the Company's product portfolio is expected to remain strong. The Company has identified significant new business opportunities for Heavy Duty and High Horsepower Engines and Parts exports. Seed units in new geographies have been supplied; supplies to these new territories will increase over the coming years.

Key Threats

- Accompanying the growth is a set of challenges. The revival of the economy is largely dependent on the government's push for economic reforms which have been slow to come. There is continued risk of inflation and therefore high interest rates (to curb inflation) dampening industrial activity and thus India's growth momentum. While all sectors are likely to be impacted, the demand in Construction and Commercial Marine sectors are likely to be most affected.
- Margin pressures are expected to continue with increased commodity cost and also cost efficiency drives being undertaken by customers.

- Low liquidity in the market is causing some delay in projects, thereby impacting the growth momentum.
- Leading international players are making their foray into India. Private players are also entering PSU dominated sectors like mining and exploration which is likely to raise competitive intensity.
- Slow global economic conditions have impacted the demand for engines across all engine families and while we are trying to explore new sales avenues through new business initiatives, the uncertainty over the prolonged slowdown is expected to continue to impact export revenues.

3. Product-wise Performance

Power Generation :

- Higher power deficits, especially in South India, propelled power generation business in FY 2012-13 and domestic sales in FY 2012-13 increased 26% over FY 2011-12.
- Despite a slowdown across developed economies and intensifying Euro Zone crisis, low kilowatt generator exports increased 88% due to new product introductions such as (40-75kVA) S3.8 series and (80-125kVA) 6BTA5.9 series.

Industrial :

- Revenue in the Industrial business dropped 9% as compared to the previous year mainly due to the drop in sales in the Marine and Mining segments.
- Sales of engines into the Compressor segment grew 16% due to the sustained demand in the water well rigs due to deficient monsoon coupled with a dip in the water table and a shift towards higher capacity node compressors.
- Marine engine sales dropped 49% on account of postponement / deferment of projects due to a financial crunch at shipyards resulting from higher interest rates, currency devaluation and ban in mining activities in Karnataka & Goa.
- Sales to the mining sector declined 44% propelled by the drop in demand for the dump truck market.
- Sales to the construction sector remained flat as compared to previous year, owing to a sharp decline in demand for construction equipment on account of high interest rates and liquidity crunch. However, your Company was able to reduce the impact on sales by increasing market share and developing new applications / business relationships.

Automotive :

- Your Company followed the declining market trend in FY 2012-13 with volume declining 36%. Its market share shrunk 7%, partially because of the market mix change in the segment in which your Company holds the leadership position. However, your Company continued to successfully serve its major customers. Your Company is expected to perform better by acquiring new customers and contributing to the growth of the existing ones.

Distribution :

- Distribution Business witnessed a growth of 18.4% in FY 2012-13, with major growth coming from new engines and reconditioned parts and engine offerings.

Exports :

- Sales witnessed growth in the first quarter; however in subsequent quarters, the demand for export products declined due to global economic slowdown.
- Your Company supplied a record value of engines for Marine applications in global markets during the year.

- Your Company expanded the parts portfolio for exports, providing an opportunity for the Company to increase the contribution in this sector in the coming years.

New Business Initiatives 2012-13

Power Generation :

- With inauguration of a dedicated Export facility at the Megacity SEZ in the current financial year, your Company is well on its way to fulfill its potential as a dominant global hub for low horsepower generators.

Industrial :

- Your Company executed and shipped out a prototype engine for the End-On-Generation Load for Rail Power Car application. This will help the Railways substantially improve their operational efficiency and cost.
- Your Company was also able to develop value propositions for new Construction applications such as Fork Lifts, Skid Steer Loaders and Backhoe Loaders and also developed new relationships with various Construction OEMs.
- In line with the shift towards higher capacity Compressors, your Company was able to seed the 19 liter engine in the Water Well Compressor sector with all major OEMs both for domestic and export market needs.
- Your Company supported its OEM partners by developing various equipments powered with Cummins engines in Compressor and Construction sector for exporting to various countries in Africa, Middle East and Korea.
- Your Company captured new business in the High Horse Power sector by positioning value packages in Rail (AC DEMU), Marine & Pump sector.
- Your Company has connected with one of our major Mining OEM to develop the indigenous higher tonnage dump trucks with our 50 & 60 liter engines.
- Your Company bagged breakthrough orders for Offshore Cranes & Offshore Emergency Gensets. This marks an entry into an untapped market in Oil & Gas sector for your Company.
- Your Company was able to develop several new applications for the Defense sector like Counter Mine Flail and Field Artillery truck applications with the 15 liter engines.
- Your Company was able to ship the first 60 liter engine in the Indian Main Propulsion marine engine market (Tug Application). This will open up new market opportunities for your Company in this sector.

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 :

- To enhance the customer service capability and capacity, Distribution Business Unit launched three new training facilities during FY 2012-13 for our Service Engineers and customers. These are Global Training Center in Noida, Cummins Comprehensive Technical Training facility in Pune and the Chhindwara Centre of Excellence in Madhya Pradesh. The three facilities are enhancing the technical capability of the Company and are expected to pave the way for additional revenue and profitability through improved customer support.

Exports :

- As part of the initiative to add new geographies, your Company supplied its first engines to Latin America which will help consolidate and diversify regional business risk.

- In an initiative to leverage the available capacities, your Company started export of components to various Cummins engine manufacturing facilities and after-markets across regions. This helped compensate part of the loss in revenue due to the decline in volumes in global engine demand.

Achievements

Power Generation :

- Your Company received the first CPCB-II orders of gensets (125-900 kVA) from DMRC and continues getting such major orders.
- Ground work on producer gas genset done in FY 2011-12 seems to be yielding results with major orders from gasifier manufacturers.
- Bulk orders were received from key distributors in Africa & LAO Regions.

Industrial :

- As part of the initiative of 'building capacity ahead of demand', the state of the art facility - Phaltan Megasite Upfit Center was set up and inaugurated at Phaltan for the tailoring of our Midrange engines to meet the customer needs for our industrial and automotive gas engines and cater to construction, compressor, marine and fire pump markets.
- A leading OEM in the Construction equipment sector has conferred a Certificate of Honor on your Company for Corporate Responsibility during the year 2012.
- Your Company was able to develop and certify the 28 liter engine with respect to IMO Tier II emission norms. This local value proposition will be used to serve both our domestic and global needs in the marine segment.
- Your Company was able to ship the first 60 liter engine in the Indian Main Propulsion marine engine market (Tug Application). This will open up new market opportunities for your Company in this segment.
- Your Company was able to successfully repower the armored reconnaissance wheeled vehicle - BRDM in association with the Ministry of Defense.
- Your Company was able to successfully seed the 4 liter engine in the BMP Dozer for powering the dozing application of the infantry combat vehicle. This vehicle was included in this year's Republic Day Display Parade at New Delhi.

Automotive :

- **CNG Series Hybrid Engines :** Your Company was awarded with the "Technology and Innovation" Award by Tata Motors for its support in the CNG Series Hybrid Project.
- **Product Excellence :** Your Company set a milestone by demonstrating 60k kilometer oil drain interval with a mechanical engine and launch of new spark plug with 3.5 times the life span than the original one.
- **Customer Support Excellence :** Your Company introduced the concept of Net Promoter Score for one of its key customers for the first time and would continue this approach of quantifying customer loyalty to serve its customers better.
- Your Company was awarded with "Long Association Award" for its contribution to growth of one of its OEM customers.

Distribution :

- Distribution Business Unit launched a new retail channel for sales and service of low kVA gensets. The new channel is being developed with an intent of providing a one stop shop for all customers needs, thereby, enhancing the total customer experience.
- With a concerted effort to drive Customer Service Excellence, Distribution Unit was able to achieve significant improvement in the customer satisfaction levels - the Net Promoter Score grew from 61.1% to 68.6%.

Exports :

- Your Company received the Engineering Export Promotion Council's National Award For Excellence in Exports for the year 2011-12. The Award was received in the category of Engines, Turbines and Parts: Large Enterprise.

4. Outlook and Initiatives for the Current Year and Thereafter**Power Generation :**

- With the revival of demand in key sectors like Industrial and Infrastructure, the long term demand outlook for diesel generators is expected to remain high.
- With the Government announcing a phased increase in diesel prices to eliminate the diesel subsidy and with CPCB implementing more stringent environmental norms in the current financial year, your Company is positioned favorably as pioneers in producing engines with higher fuel efficiency and cleaner technology.

Industrial :

- With the 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, more specifically the Construction segment in the medium to long term. The planned investments and focus on infrastructure will certainly help revive the economy; however the uncertainties associated with the economy continue to threaten our growth targets in the short term.
- Your Company is well engaged with the global and domestic OEMs to capture new business opportunities in Construction and Compressor for both domestic & export market needs.
- Your Company is in a good position to actively support and gain from Indian Railways' focus on increasing safety, improving maintenance fleets, and modernizing & introducing high speed and high capacity equipment.
- Your Company plans to explore untapped opportunities in both Onshore & Offshore Oil & Gas sectors as well as make inroads into the Defense engines market by capturing both new and repower opportunities.

Automotive :

- With investments in infrastructure development and the economy, the commercial vehicle sector is expected to revive particularly if aided with a good agricultural produce.
- Your Company continued to support its key customers through an emissionized and competitive product portfolio.
- The Bus segment is expected to show some growth owing to government schemes like JNNURM II, Janmarg and the growing IT Sector.

Distribution :

- During FY 2012-13, the Distribution Business Unit has developed a CRM platform named the Cummins Dealer Operating System (CDOS), designed to integrate all the dealer information systems on pan India basis. This IT platform is to be launched in FY 2013-14 and is expected to be a paradigm shift in the overall customer service experience.

Exports :

- Your Company is focused on increasing the export sales of its products. The short term outlook is uncertain under the impact of global economic slowdown; however your Company is positioned strongly in all its markets. There have been substantial business development initiatives to diversify into new territories with new and existing products; thus the impact of slowdown in existing markets will only be moderate.

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 continues to be soft 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 focus areas for your Company.
- Continued focus on our 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 its operations.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, Management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by the Internal Audit department and supported by Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Audit and 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 material departures in adoption of the prescribed accounting standards.

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

Income :

Your Company's revenue grew 11% to ₹ 458,938 Lacs and profit before tax grew 27% to ₹ 105,133 Lacs.

Total employee cost was ₹ 33,862 Lacs as compared to ₹ 30,394 Lacs during the previous year. The depreciation charge increased from ₹ 4,198 Lacs during the previous year to ₹ 4,725 Lacs during the year under review. Finance Cost (including bank charges) decreased to ₹ 461 Lacs as compared to ₹ 541 Lacs in the previous year.

Fixed Assets :

Additions to the Fixed Assets block during the year ended March 31, 2013 were ₹ 7,796 Lacs (₹ 15,118 Lacs in the previous year). The addition of ₹ 7,796 Lacs consists mainly of plant and machinery amounting to ₹ 5,266 Lacs, leasehold land ₹ 1,319 Lacs and buildings of ₹ 502 Lacs for augmenting various manufacturing facilities. The depreciation block as of March 31, 2013 was ₹ 54,804 Lacs as compared to ₹ 50,539 Lacs as at March 31, 2012. The deductions / disposals during the year amounted to ₹ 679 Lacs as compared to ₹ 1,064 Lacs in the previous year. Consequently, the net fixed asset block increased to ₹ 49,343 Lacs as of March 31, 2013 as compared to ₹ 46,491 Lacs as at March 31, 2012.

The estimated amount of contracts remaining to be executed on capital account and not provided for as of March 31, 2013 was ₹ 33,555 Lacs and your Company believes that it will be able to fund them internally.

Investments :

Investments increased from ₹ 59,755 Lacs in March 31, 2012 to ₹ 62,757 Lacs as on March 31, 2013. The net increase was due to increased dividend payout and funding of the future expansion plans of your Company.

8. Human Resources Development and Industrial Relations

The total employee strength of your Company stood at 3,590 as on March 31, 2013.

Leadership Excellence :

The Global Leadership Development Program (GLDP), launched in early 2011, had its first batch graduate in July 2012. This program, targeted towards senior leaders, focuses on improving leadership skills while providing senior global leaders an insight into India's talent.

Furthering your Company's leadership development efforts, the Leadership Culture Series was launched to reinforce key leadership skills, a key focus area for your Company. The 'Coach and Develop' module rolled out in 2011, encompasses a total of 800 leaders across the various Cummins Companies in India till date, including 250 leaders in 2012-13. Your Company also launched the second skill under the Leadership Culture Series - Foster Open Communication, last year covering close to 650 managers across locations. Additionally, 'Building Success in Others - Leadership Essentials', a program specifically designed for first level leaders of professional individual contributors, launched a module on 'Leadership Conversations' last year. The pilot conducted in June, was followed by 10 sessions which covered 225 young leaders. This workshop provided the tools and techniques to understand good leadership behaviors while recognizing their impact on others as well as on business results achieved. This program also 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 an essential 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 within the 'Cummins Culture' in the early stage of their career;
- Providing employees ample growth opportunities across various Cummins businesses, functions and geographic locations, thus leading to better retention;
- Enabling Cummins to leverage talent across businesses, functions and geographic locations to drive business growth; and
- 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. The Site Onboarding program, launched in 2011, to help new hires acclimatize to work surroundings and work culture at the site, was further strengthened. This structured approach towards on-boarding, launched in the initial stages of their

association with Cummins, will help new hires become productive and integrate within a short period of joining the Company.

Over the last couple of years, we have been gradually increasing recruitment of young talent from colleges. In order to engage our young workforce better, we have a structured year long engagement program called Young Managers Development Program (YMDP) for graduate engineering campus hires across entities. In 2012, we believe this program helped us arrest attrition below 5%. Based on the response from the YMDP engagement, we will be introducing similar programs for MBA and M.Tech hires. We are committed to talent development and continuous engagement of young talent, as we know this would be a significant element towards achieving profitable growth targets.

In line with Cummins' 'Hire-to-Develop' philosophy, we consciously look for opportunities to grow talent within the organization. Reiterating our commitment towards the same, we are pleased to share that collectively within the five fully managed companies of the Cummins group in India, nearly 400 such moves happened in the year 2012-13.

Our attempts to develop technical and managerial talent saw 106 employees being sponsored for higher education, at our partner institutes in the year 2012. The programs include general management modules in partnership with Kelley School of Business, IIM Ahmedabad and S. P. Jain and an M. Tech program in partnership with Automotive Research Association of India- Vellore Institute of Technology (ARAI-VIT). These employees are now ready to move into leadership roles.

Employee Engagement :

Various employee engagement initiatives were planned and executed consistently across entities. A Cummins Karaoke competition was arranged which was instrumental in bringing out the hidden talent amongst the employees. The beginning of 2013 witnessed the Cummins Premier League, an inter-entity cricket tournament, which saw excellent participation from across entities. The Times of India Quiz contest was held at Cummins campus where Cummins bagged the first and second positions, competing against ten giant multinational corporations.

The New Hire Affinity Group 'LinC - Launch in Cummins' that completed its first anniversary in November 2012, is an initiative that drives engagement for all our new hires. This has been very well received by the new hires as they get an opportunity to interact with the senior leadership.

Diversity :

At Cummins, Diversity is one of the core values and your Company continues to be committed to creating an inclusive workplace that honors people from diverse backgrounds with both dignity and respect. From hiring female employees on the shop-floor to having women leading business units, your Company is proud of the progress it is making in this arena. Working with a diverse workforce calls for flexibility in organization policies, processes and most importantly, mind-sets. During the year, your Company rolled out work-life balance policies that are focused to drive this change through the organization. It remains the prime focus of your Company to ensure that the environment in which this diverse workforce performs is safe, secure and supportive. The journey which was started with 5% women professionals in 2004-05 has reached 27.5% in 2012-13 across the Cummins group entities in India.

This year your Company invested in series of interventions at our largest site to create a sense of inclusion which helped to leverage the gender diversity to the fullest at the workplace. These sessions will now be extended across the company.

Megasite update :

At the Cummins Megasite, living up to the spirit of 'One Cummins', your Company continues to invest in a team based inclusive environment. In alignment with the same, Team Based Work Systems (TBWS) have been launched across all entities to strengthen team spirit among shop-floor employees at the Megasite. The Megasite at Phaltan has a 22% female population. The year witnessed the employment of female employees in the B-shift. TBWS benchmarking visits are being conducted in alignment with creating an agile workforce. Infrastructure facilities like a Learning Centre, Crèche and Health Centres are already in progress.

The Women's Affinity Group at the Megasite organized various sessions on self-defence, health and fitness, pre-marital counselling, awareness on various chronic ailments and leadership. This was in addition to the periodical Focus Group Discussions and interactive inter-entity competitions encouraging creativity among the employees.

Sessions on creating inclusive environment to leverage gender diversity were also conducted. In alignment with ensuring a performance driven culture at the Megasite, a Performance Management System (PMS) for associates has been rolled out.

Campus Hiring :

Your Company hired around 362 college hires in 2012. Over 125 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 230 women were hired in 2012 (which is 62.8 % of total hires in 2012), thus showcasing the commitment towards diversity. Your Company also continued to hire 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 Indian Institute of Management-Ahmedabad (IIM-A), S. P. Jain Institute of Management & Research (S. P. Jain), Narsee Monjee Institute of Management Studies (NMIMS), Indian Institute of Technology Bombay (IIT-Bombay), Indian Institute of Technology Madras (IIT-Madras), Symbiosis Centre of Management and Human Resource Development (SCMHRD), Jamnalal Bajaj Institute of Management Studies (JBIMS), College of Engineering Pune (COEP), Symbiosis Institute of Business Management (SIBM), Xavier Labour Relations Institute (XLRI) Jamshedpur, National Institute of Industrial Engineering (NITIE) Mumbai, Tata Institute of Social Sciences (TISS), Symbiosis Institute of Operations Management (SIOM)- Nashik, by appointing senior leaders as 'Sponsors' to take up the responsibility to engage with these colleges at various levels including participating in guest lectures, symposiums, college events, event-sponsorships, tech shows, case studies, etc.

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; and
- Leadership interactions and employee quarterly communications.

9. 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 has been Chairman of the Board of Directors of the Company, effective April 25, 2003.

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

Appointments :

Mr. Anant J. Talaulicar has been re-appointed as Managing Director for 5 years from April 25, 2013, subject to approval of the Shareholders.

During the year, Mr. Antonio Leitao, Mr. Prakash Telang and Mr. Edward Pence were appointed as Additional Directors of the Company w.e.f. August 3, 2012, January 31, 2013 and May 10, 2013 respectively. Mr. J. M. Barrowman has been appointed as an Alternate Director to Mr. Edward Pence w.e.f. May 10, 2013.

Cessations :

Mr. Sean Milloy, Alternate Director to Mr. John Wall, ceased to be a Director of the Company effective July 28, 2012 upon arrival of Mr. John Wall, Original Director, to the state of Maharashtra.

Mr. John Wall, Mr. B. H. Reporter and Mr. Mark Levett stepped down as Directors of the Company w.e.f. August 2, 2012, February 1, 2013 and May 9, 2013 respectively. Mr. J.M. Barrowman, Alternate Director to Mr. Mark Levett also ceased to be a Director consequent to resignation of Mr. Levett.

Board Meetings :

During the financial year, the Board of Directors met five times on May 15, 2012, August 2, 2012, September 13, 2012, November 8, 2012 and January 31, 2013.

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	–	4
Mr. M. A. Levett	Promoter Non-executive	–	–	–	–
Mr. Antonio Leitao	Promoter Non-executive	–	–	–	–
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	5
Mr. Nasser Munjee	Independent Non-executive	3	11	4	4
Mr. Prakash Telang	Independent Non-executive	–	6	–	1
Mr. Venu Srinivasan	Independent Non-executive	4	9	1	3
Mr. J.M.Barrowman	Alternate Director to Mr. M. A. Levett	–	–	–	–
Mr. Pradeep Bhargava	Alternate Director to Mr. Patrick Ward	–	6	1	1

- Notes: 1. As on March 31, 2013, Mr. Prakash Telang jointly with Mrs. Anjali Telang held 1,400 fully paid shares of Rs. 2/- each in the equity share capital of the Company.
2. 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) Mr. Anant J. Talaulicar attended all 5 meetings, (ii) Mr. B. H. Reporter attended 2 meetings, (iii) M/s. Rajeev Bakshi and Nasser Munjee attended 4 meetings, (iv) M/s. P. S. Dasgupta and Venu Srinivasan attended 3 meetings and (v) M/s. Patrick Ward, Antonio Leitao and Mr. Prakash Telang attended 1 meeting.

Mr. J. M. Barrowman (Alternate Director to Mr. Mark A. Levett) attended 2 meetings and Mr. Pradeep Bhargava (Alternate Director to Mr. Patrick Ward) attended 4 meetings.

M/s. Anant J. Talaulicar, Nasser Munjee, P. S. Dasgupta, Rajeev Bakshi, J. M. Barrowman (Alternate Director) and Pradeep Bhargava (Alternate Director) attended the Annual General Meeting (AGM) held on August 2, 2012, while M/s. B. H. Reporter, Venu Srinivasan, James Kelly, Patrick Ward and Mark Levett 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), P. S. Dasgupta, Rajeev Bakshi and Prakash Telang; 1 Promoter / Executive Director - Mr. Anant J. Talaulicar and 1 Promoter / Non-Executive Director - Mr. Patrick Ward. Mr. B.H. Reporter, Member of the Committee, resigned w.e.f. February 1, 2013 and Mr. Prakash Telang was appointed in place thereof.

The Finance and Audit Committee had 5 meetings during the year on May 14, 2012, August 2, 2012,

September 13, 2012, November 8, 2012 and January 31, 2013. Mr. Anant J. Talaulicar attended all 5 meetings; Mr. Nasser Munjee attended 4 meetings; M/s. P. S. Dasgupta and Rajeev Bakshi attended 3 meetings; and Mr. Patrick Ward attended 1 meeting, during the year.

The Committee reviewed the balance sheet and statement of profit & loss, audited financial results for the year ended March 31, 2012 and un-audited financial results for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012. 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 2011-12 (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 (xi) Code of Conduct monitoring and (xii) Forex Management Policy.

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 Operating Officer, 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. Prakash Telang (Chairman), Mr. P. S. Dasgupta and Mr. Anant J. Talaulicar. During the year, Mr. B.H. Reporter, Chairman of the Committee resigned w.e.f. February 1, 2013 and Mr. Prakash Telang was appointed as the Chairman of the Committee w.e.f. February 1, 2013.

During the year, 4 meetings of the Shareholders / Investors Grievance Committee were held on May 14, 2012, August 2, 2012, November 8, 2012 and January 31, 2013. Mr. Anant J. Talaulicar attended 4 meetings, Mr. P. S. Dasgupta attended 3 meetings and Mr. B. H. Reporter attended 1 meeting.

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

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. Trivikram Guda
General Manager - Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 1, 2012 to March 31, 2013:

Sr. No.	Nature of complaint	No. of complaints
1.	Non-receipt of Annual Reports	4
2.	Non- receipt of Dividend Warrants	4
3.	Non-receipt of Share Certificates	2
	Total	10

Number of complaints pending with the Company : 1

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, 2012 to March 31, 2013 :

₹ in Lacs

Name of the Director	Sitting fees	Commission	Total
Mr. Rajeev Bakshi	1.40	5.00	6.40
Mr. P. S. Dasgupta	1.50	5.00	6.50
Mr. Nasser Munjee	1.60	5.00	6.60
Mr. B. H. Reporter	0.90	5.00	5.90
Mr. Venu Srinivasan	0.60	5.00	5.60

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2012 to March 31, 2013 :

₹ in Lacs

	Sitting fees	Salary	Commis- sion	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	–	0.12	–	13.64	0.12	–	9.29	23.17

Notes :

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of the Managing Director.

5. GENERAL SHAREHOLDER INFORMATION :

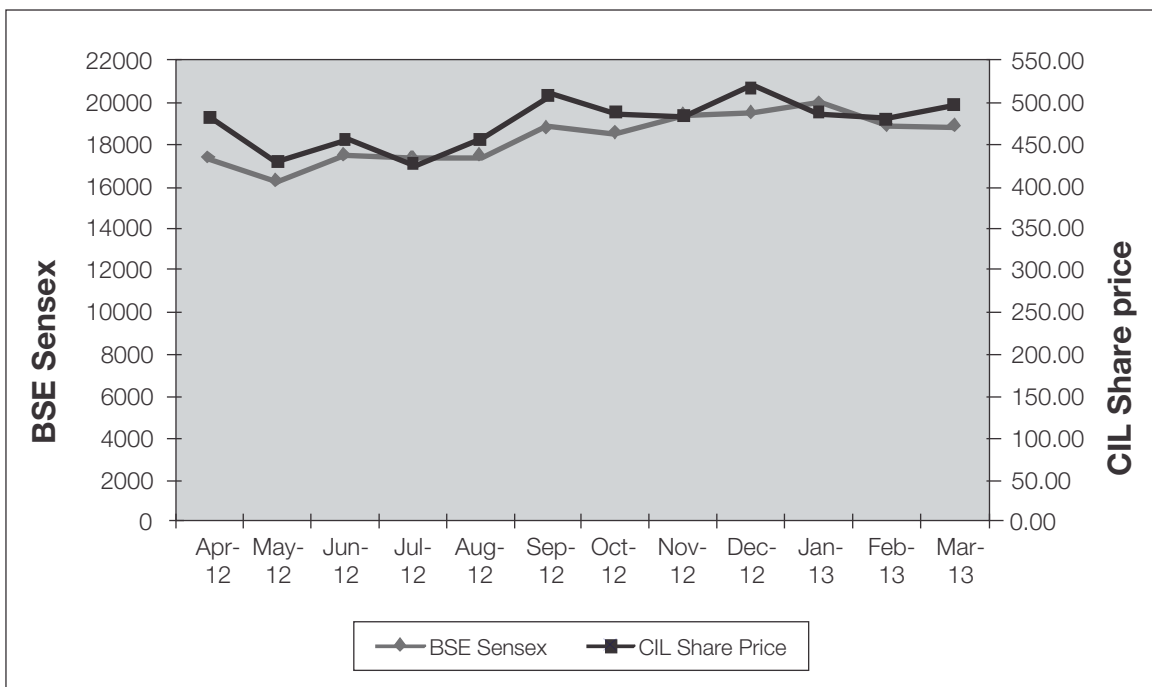
Registered Office	Kothrud, Pune 411 038 Phone No. : (020) 2538 5435, 2538 0240 Fax No. : (020) 2538 0125 Website : www.cumminsindia.com	
Annual General Meeting	Date and Time : August 1, 2013 at 12:00 noon Venue : Yashada, MDC Auditorium, Baner Road, Pune 411 007	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2013 - By first week of August, 2013. ■ Results for quarter and half year ending September 30, 2013 - By second week of November, 2013. ■ Results for quarter and nine months ending December 31, 2013 - By first week of February, 2014. ■ Results for the year ending March 31, 2014 - By second week of May, 2014. 	
Dates of Book Closure	July 27, 2013 to August 1, 2013 (both days inclusive).	
Interim dividend payment date	February 28, 2013.	
Final Dividend payment date	August 29, 2013.	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra - Kurla Complex, Bandra (E), Mumbai : 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2013-14.	

Market price data : High, Low during each month in the financial year 2012-13.

Month	BSE		Month	NSE	
	High (₹)	Low (₹)		High (₹)	Low (₹)
April 2012	505.00	470.75	April 2012	504.65	468.50
May 2012	495.00	396.05	May 2012	499.70	395.10
June 2012	467.55	410.35	June 2012	461.65	410.50
July 2012	464.00	419.00	July 2012	464.95	420.00
August 2012	491.50	430.00	August 2012	490.95	429.95
September 2012	517.70	444.60	September 2012	518.60	445.00
October 2012	517.90	481.10	October 2012	537.60	482.00
November 2012	494.40	446.10	November 2012	493.10	415.00
December 2012	527.50	481.25	December 2012	528.00	481.10
January 2013	550.00	477.00	January 2013	542.40	476.30
February 2013	545.00	469.55	February 2013	526.70	470.35
March 2013	509.05	473.10	March 2013	518.50	473.00

Performance in comparison to broad-based indices such as BSE Sensex.	Chart A depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2013.
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Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2012-13



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 : Mrs. Maheshwari Patil E-mail : maheshwari.patil@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 15 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.

Distribution of shareholding as on March 31, 2013	Category	No. of shares of ₹ 2/- each	% of shareholding
	Promoters	141,372,683	51.00
	Mutual Funds	36,421,054	13.14
	Banks / Financial Institutions / Insurance Companies	18,554,102	6.69
	Foreign Institutional Investors (FII)	43,002,876	15.51
	Corporate Bodies	11,385,947	4.11
	Indian Public	25,759,051	9.30
	NRIs	704,287	0.25
	TOTAL	277,200,000	100.00

Distribution of shareholding within various categories (as on March 31, 2013)

Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	27,350	2,627,671	0.95
501-1,000	2,533	1,764,537	0.64
1,001- 5,000	3,422	7,603,053	2.74
5,001-10,000	901	6,791,857	2.45
10,001- 50,000	461	9,349,048	3.37
50,001- 100,000	79	5,379,433	1.94
100,001 and above	155	243,684,401	87.91
Total	34901	277,200,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2013)	98.60% shares are in demat form.
Sub-divided share certificate in lieu of old certificates	The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 4, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has sent a reminder in the past to those Shareholders who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each. Shareholders who have not so far surrendered their old certificates in exchange for new certificates for sub-divided shares of the face value of ₹ 2/- each, are requested to do so immediately.
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. Gat No. 311/B&1B, Kasar Amboli 412 111, Dist. Pune, Maharashtra. 4. 35A/1/2 Erandwane, Pune 411 038. 5. MIDC Phaltan, Village Survadi, Dist. Satara, Maharashtra.
Address for correspondence	Registered Office : Kothrud, Pune 411 038 Tel: 020 2538 5435 Fax : 020 2538 0125 <ol style="list-style-type: none"> 1) Mr. Pradip Phansalkar, Sr. Manager, Secretarial E-mail - pradip.s.phansalkar@cummins.com 2) Mr. Trivikram Guda, General Manager - Legal & Company Secretary E-mail - trivikram.guda@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 2009-2010	FY 2010-2011	FY 2011-2012
Date and Time	12.08.2010 at 12 noon	04.08.2011 at 12 noon	02.08.2012 at 12 noon
Venue	Yashada, MDC Auditorium, Baner Road, Pune 411 007	Yashada, MDC Auditorium, Baner Road, Pune 411 007	Hotel Le Meridien Raja Bahadur Mill Road, Pune 411 001

■ 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.

At its Annual General Meeting held on August 2, 2012, the members of the Company passed a Special Resolution for payment of sum, in addition to sitting fees, by way of remuneration in the form of commission to the Independent Directors, who are not in the whole-time employment of the Company not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 198, 349 and 350 of the Act for a period of 5 years effective April 1, 2011.

■ Postal Ballot : During the financial year 2012-13 no resolution was passed through Postal Ballot.

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 2012 and quarters ended June, September and December 2012, were published in Business Standard and Maharashtra Times.
- Transcript of Conference calls with the Analysts held on May 16, 2012, August 3, 2012, November 9, 2012, February 1, 2013 and the Chairman's Presentation to the Shareholders made at the AGM held on August 2, 2012 were displayed on the Company's website www.cumminsindia.com.

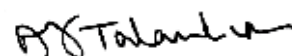
9. COMPLIANCE CERTIFICATE OF THE AUDITORS :

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 2012-13.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 10, 2013

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, 2013, 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 : Mumbai
Date : May 10, 2013

Independent Auditors' Report

To the Members of Cummins India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Cummins India Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), 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.

8. As required by section 227(3) of the Act, 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 purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as 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, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse

Firm Registration Number: 301112E

Chartered Accountants

Jeetendra Mirchandani

Partner

Membership Number 48125

Mumbai
May 10, 2013

Annexure to Auditors' Report

Referred to in paragraph 7 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, 2013

- i. (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 program 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 program, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (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.
- ii. (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.
- iii. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b), (c) and (d) / (f) and (g) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. 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.
- ix. (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 the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty 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, 2013 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. in Lacs)	Period 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	3,567	2007-2008	Income-tax Appellate Tribunal, Pune /Commissioner Income Tax (Appeals), Pune
The Maharashtra Sales Tax on Transfer of Property in goods involved in the Execution of Works Contract (Re-enacted) Act, 1989	Demand on account of Purchase tax/ Works contract tax and surcharge thereon	183	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	5,389	2002-2003 to 2007-2008	Joint Commissioner of Sales Tax (Appeal)/Sr Deputy Commissioner of Sales Tax (Appeals) - Pune/ Maharashtra Sales Tax Tribunal, Mumbai
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 Central Excise Act, 1944	Disallowance of credit taken on inputs	14	2004-2005	Central Excise and Service Tax Appellate Tribunal (Mumbai/Ahmedabad)

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

- xv. 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. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.
- xviii. 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. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse

Firm Registration Number: 301112E
Chartered Accountants

Jeetendra Mirchandani

Partner
Membership Number 48125

Mumbai
May 10, 2013

Balance Sheet as at March 31, 2013

Particulars	Note No.	₹ Lacs	
		As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	5,544	5,544
Reserves and Surplus	3	233,129	198,771
		<u>238,673</u>	<u>204,315</u>
Non-current Liabilities			
Deferred Tax Liabilities (Net)	10	3,278	-
Long-term Liabilities	4	1,504	1,470
Long-term Provisions	5	12,935	10,065
		<u>17,717</u>	<u>11,535</u>
Current Liabilities			
Trade Payables (Note 27)		57,652	51,662
Other Current Liabilities	6	18,038	15,165
Short-term Provisions	7	34,882	27,492
		<u>110,572</u>	<u>94,319</u>
	TOTAL	<u>366,962</u>	<u>310,169</u>
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	8	48,958	45,895
Intangible Assets	8	385	596
Capital Work-in-progress		12,079	4,967
Non-current Investments	9	5,339	7,551
Deferred Tax Assets (net)	10	-	695
Long-term Loans and Advances	11	47,263	34,294
		<u>114,024</u>	<u>93,998</u>
Current Assets			
Current Investments	12	57,417	52,204
Inventories	13	53,035	56,761
Trade Receivables	14	85,499	67,834
Cash and Bank Balances	15	35,465	22,350
Short-term Loans and Advances	16	20,619	16,525
Other Current Assets	17	903	497
		<u>252,938</u>	<u>216,171</u>
	TOTAL	<u>366,962</u>	<u>310,169</u>

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
Chairman &
Managing Director

Nasser Munjee
Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 10, 2013

Mumbai
Date: May 10, 2013

Statement of Profit and Loss for the year ended March 31, 2013

Particulars	Note No.	₹ Lacs	
		Year Ended March 31, 2013	Year Ended March 31, 2012
Revenue from operations (gross)	18	489,999	441,053
Less : Excise duty		31,061	29,331
Revenue from operations (net)		<u>458,938</u>	<u>411,722</u>
Other income	19	20,672	12,333
Total Revenue		<u>479,610</u>	<u>424,055</u>
Expenses:			
Cost of materials consumed (Note 35)		270,181	244,664
Purchases of traded goods (Note 36)		18,543	25,768
Change in inventories of finished goods, work-in-progress and traded goods	20	19	(5,890)
Employee benefits expense	21	33,862	30,394
Finance costs	22	461	541
Depreciation and amortization expense		4,725	4,198
Other expenses	23	52,845	47,061
Total expenses		<u>380,636</u>	<u>346,736</u>
Profit before exceptional items and tax		<u>98,974</u>	<u>77,319</u>
Exceptional items	24	6,159	5,144
Profit before tax		<u>105,133</u>	<u>82,463</u>
Tax expense			
Current tax [including (excess)/short provision of tax relating to earlier years (₹ 3,550 lacs) (previous year ₹ 32 lacs)]		24,749	22,158
Deferred tax (including reversal of deferred tax asset of ₹ 3,203 lacs (previous year ₹ NIL))		3,973	1,178
Total Tax Expense		<u>28,722</u>	<u>23,336</u>
Profit after Tax		<u>76,411</u>	<u>59,127</u>
Basic and diluted Earnings per share (₹) (Nominal value per share ₹ 2)	25	<u>27.57</u>	<u>21.33</u>

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

For and on behalf of the Board

Jeetendra Mirchandani
Partner
Membership Number 48125

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 10, 2013

Mumbai
Date: May 10, 2013

Cash Flow Statement for the year ended March 31, 2013

	₹ Lacs	₹ Lacs	Previous year ₹ Lacs
I. Cash flows from operating activities :			
Cash generated from operations	79,431		65,797
Tax paid (net of refunds)	(26,571)		(21,548)
Net cash provided by operating activities		52,860	44,249
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(22,882)		(22,882)
Sale	1,404		70
Interest received	1,353		1,503
Dividend received	6,886		4,287
Investments			
Purchase	(196,962)		(217,299)
Sale/redemption	199,982		232,766
Investment in Joint Venture	–		(600)
Divestment in Joint Venture	–		5,344
Sale of Long Term (Trade) Investments	6,355		–
Tax on divestment of Joint Venture	–		(417)
Investment in bank deposits (having original maturity of more than three months)	(31,001)		(15,502)
Redemption / Maturity of bank deposits (having original maturity of more than three months)	13,002		13,504
Net cash used for investing activities		(21,863)	774
III. Cash flows from financing activities :			
Finance cost	(461)		(541)
Dividend paid (including tax on dividend)	(35,439)		(34,518)
Net cash used for financing activities		(35,900)	(35,059)
IV. Net change in cash and cash equivalents (I+II+III)		(4,903)	9,964
V. Cash and cash equivalents at the beginning of the year		11,522	1,558
Cash and cash equivalents at the end of the year (IV+V)		6,619	11,522

Cash Flow Statement for the year ended March 31, 2013 (Contd.)

	₹ Lacs	₹ Lacs	Previous year ₹ Lacs
1) Cash generated from operations has been arrived at as follows :			
Profit before exceptional items and tax		98,974	77,319
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	4,725		4,198
Finance Costs	461		541
Interest income (gross)	(1,760)		(1,802)
Dividend earned (gross)	(6,886)		(4,287)
(Gain)/Loss on assets sold, discarded etc.	(1,185)		(5)
Gain on redemption /sale of investments (net)	(6,215)		(2,276)
Provision for doubtful debts	147		354
		(10,713)	(3,277)
b) Changes in working capital and other provisions :-			
Trade Receivable	(17,811)		3,628
Inventories	3,726		(4,865)
Loans and Advances	(7,269)		(5,988)
Trade Payable	5,991		(5,282)
Long term liabilities	34		(509)
Other current liabilities	2,855		4,066
Provisions	3,644		705
		(8,830)	(8,245)
Total adjustments (a+b)		(19,543)	(11,522)
Cash generated from operations		79,431	65,797

- 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, 2013 (Contd.)

3) Cash and cash equivalents comprise :	₹ Lacs 2012-13	₹ Lacs 2011-12	₹ Lacs 2010-11
Cash in hand	4	4	5
Balances with bank on current account	6,615	7,518	1,553
Balances with bank on deposit account (less than 3 months maturity)	-	4,000	-
Total	<u>6,619</u>	<u>11,522</u>	<u>1,558</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

Mumbai
Date: May 10, 2013

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 10, 2013

Notes to Financial Statements for the year ended March 31, 2013

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.

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 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.

Notes to Financial Statements for the year ended March 31, 2013

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 above provisions and adjusts, if necessary, the accrued provision, for actual experience.

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 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,

Notes to Financial Statements for the year ended March 31, 2013

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, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
2. Share Capital		
Authorised :		
400,000,000 equity shares of ₹ 2 each	<u>8,000</u>	<u>8,000</u>
Issued, Subscribed and Fully paid-up shares :		
277,200,000 equity shares of ₹ 2 each	<u>5,544</u>	<u>5,544</u>
Total	<u>5,544</u>	<u>5,544</u>

a. Reconciliation of number of shares

Equity shares:

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	₹ Lacs	No. of Shares	₹ Lacs
Balance as at the beginning of the year	<u>277,200,000</u>	<u>5,544</u>	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>277,200,000</u>	<u>5,544</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 ₹ 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 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA

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

	As at March 31, 2013		As at March 31, 2012	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid Cummins Inc., the holding company	141,372,000	51.00%	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	21,522,801	7.76%	23,619,461	8.52%

e. Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2013) :

Equity shares allotted as fully paid up bonus shares by capitalization of Free Reserves	Year	No. of Shares
	31 March 2013	-
	31 March 2012	79,200,000
	31 March 2011	-
	31 March 2010	-
	31 March 2009	-

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
3. Reserves and surplus		
Capital Redemption Reserve Account	70	70
General Reserve		
Balance as at the beginning of the year	100,561	96,232
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	7,641	5,913
Balance as at the end of the year	108,202	100,561
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	98,140	80,365
Profit for the Year	76,411	59,127
Less: Appropriations		
Proposed Dividend (₹ 8 per share (previous year ₹ 6 per share))	22,176	16,632
Interim Dividend (₹ 5 per share (previous year ₹ 5 per share))	13,860	13,860
Dividend Distribution Tax	6,017	4,947
Transfer to General Reserve	7,641	5,913
Total appropriations	49,694	41,352
Balance as at the end of the Year	124,857	98,140
Total Reserves and Surplus	233,129	198,771
4. Long-term Liabilities		
Dealer Deposit	1,180	1,226
Unearned revenue	324	49
Others	-	195
Total	1,504	1,470
5. Long-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Note 42)	4,750	3,574
	4,750	3,574
Other provisions (Note 32)		
Provision for warranties	5,928	4,246
Provision for statutory matters	1,670	1,649
Provision for New Engine Performance Inspection (NEPI)	587	596
	8,185	6,491
Total	12,935	10,065

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
6. Other Current Liabilities		
Unearned revenue	574	777
Unpaid Dividend	345	326
Statutory Dues	1,623	1,508
Advances from Customers	594	768
Royalty	5,236	5,289
Others	9,666	6,497
Total	18,038	15,165
7. Short-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Note 42)	553	574
	553	574
Other provisions		
Provision for warranties (Note 32)	7,197	6,108
Provision for NEPI (Note 32)	1,187	1,480
Proposed dividend	22,176	16,632
Tax on proposed dividend	3,769	2,698
	34,329	26,918
Total	34,882	27,492

Notes to Financial Statements for the year ended March 31, 2013

8. Fixed Assets

₹ Lacs

Particulars	Gross block (at cost)		Depreciation and Amortisation		Net block	
	As at April 1, 2012	As at March 31, 2013	As at April 1, 2012	Additions Deductions	As at March 31, 2013	As at March 31, 2012
Tangible Assets:						
Land						
-Freehold @	396	640	-	-	640	396
-Leasehold **	245	1,564	4	19	1,541	241
Leasehold Improvements	515	647	3	6	638	512
Roads	1,730	1,754	90	28	1,636	1,640
Buildings	15,092	15,482	2,322	463	2,764	12,770
Plant and machinery	71,819	76,634	42,904	3,858	46,397	28,915
Furniture and fittings	1,564	1,770	354	99	403	1,210
Vehicles	524	511	313	41	330	211
	91,885	99,002	45,990	4,514	50,044	45,895
	(77,831)	(91,885)	(43,006)	(3,982)	(45,990)	(-)
Intangible Assets:						
Software	942	942	931	0*	931	11
Technical Knowhow	2,060	2,060	1,475	211	1,686	585
Global Sourcing Consideration	2,143	2,143	2,143	-	2,143	-
	5,145	5,145	4,549	211	4,760	596
	(5,145)	(5,145)	(4,333)	(216)	(4,549)	(-)

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 Rounding Off Norms adopted by the Company

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2013

9. Non Current Investments:

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
Long-term Investments				
Trade Investments (valued at cost)				
a) Quoted equity instruments				
5,155,163	2	KPIT Cummins Infosystems Limited	201	397
b) Unquoted equity instruments				
Investments in Joint Ventures : (refer note no. 33)				
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	600
Investment in Associates :				
779,997	10	Cummins Generator Technologies India Limited (% Holding : 48.54%)	1,720	1,720
			3,336	3,532
Other Investments (valued at cost unless stated otherwise)				
a) Quoted equity instruments				
-	-	Housing Development Finance Corporation Limited	-	16
-	-	HDFC Bank Limited	-	0
15,000	2	Kirloskar Oil Engines Limited *	0	0
1,000	10	Kirloskar Industries Limited *	0	0
			0	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				
-	-	5.50% Nuclear Power Corporation Limited	-	500
			-	500
Carried forward			3,336	4,048

Notes to Financial Statements for the year ended March 31, 2013

9. Non Current Investments: (Contd.)

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
		Brought forward	3,336	4,048
		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)		
-	-	DWS Fixed Maturity Plan - Series 10 (DFMP - 10) - Growth	-	500
-	-	DWS Fixed Maturity Plan - Series 6 (DFMP - 6) - Growth	-	500
-	-	IDFC FMP 13 MS 8 -Growth	-	500
			-	1,500
		Total	5,339	7,551
		Aggregate cost of quoted investments	2,204	2,916
		Aggregate cost of unquoted investments	3,135	4,635
			5,339	7,551
		Aggregate market value of quoted investments	6,670	14,333

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

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
10. Deferred Tax Assets / (Liability) (net)		
Deferred Tax Asset		
Provision for doubtful debts	209	110
Provision for employee benefits	1,681	1,202
Disallowances under Income Tax Act, 1961	547	601
Other timing differences	-	3,172
Total Deferred Tax Asset	<u>2,437</u>	<u>5,085</u>
Deferred Tax Liability		
Depreciation	5,715	4,390
Total Deferred Tax Liability	<u>5,715</u>	<u>4,390</u>
Net Deferred Tax Asset / (Liability)	<u>(3,278)</u>	<u>695</u>
11. Long-term Loans and Advances		
Unsecured, Considered good;		
Capital advances	19,242	11,268
Security deposits	1,356	1,236
Other Loans and Advances:		
Balances with statutory/government authorities	23,188	19,962
Advance income-tax (net of provision for taxation)	3,364	1,542
Others	113	286
Total	<u>47,263</u>	<u>34,294</u>

Notes to Financial Statements for the year ended March 31, 2013

12. Current Investments:

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
At Cost:				
Current portion of Long term investments				
a) Quoted Tax Free Redeemable / Non Cumulative Bonds				
–	–	5.75% National Housing Bank	–	414
500	100,000	5.75% Nuclear Power Corporation Limited	500	–
			500	414
b) Unquoted Mutual Funds				
Fixed Maturity Plan (Growth Option)				
–	–	Birla Sun Life Fixed Term Plan - Series CY - Growth	–	500
–	–	HDFC FMP 370D June 2011 (2) - Growth Option	–	500
–	–	ICICI Prudential Fixed Maturity Plan – Series 54 - 1 Year Plan A - Growth	–	500
5,000,000	10	IDFC FMP YS 65 - Growth	500	500
–	–	Kotak FMP Series 45 (370 Days) - Growth	–	500
–	–	SBI Debt Fund Series - 370 Days 13 - Growth	–	531
–	–	UTI-FTIF Series-XI Plan III (368 Days) Growth Option	–	1,000
5,000,000	10	Birla Sun Life Interval Income Fund - Annual Plan II-Direct Plan-Growth	500	–
5,000,000	10	Birla Sun Life Interval Income Fund - Annual Plan III-Direct Plan-Growth	500	–
5,000,000	10	DWS Fixed Maturity Plan - Series 10 (DFMP - 10) - Growth	500	–
5,410,707	10	DWS Fixed Maturity Plan - Series 24 (DFMP - 24) - Direct Plan - Growth	541	–
5,000,000	10	DWS Fixed Maturity Plan - Series 6 (DFMP - 6) - Growth	500	–
5,000,000	10	HDFC Annual Interval Fund - Series I - Plan B-Direct Option-Growth Option	500	–
5,872,661	10	HDFC FMP 371D August 2012 (1)-Growth Option	587	–
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 66-368 Days Plan B - Direct Plan - Cumulative	500	–
5,000,000	10	IDFC FMP 13 MS 8 -Growth	500	–
5,000,000	10	IDFC FMP 366 DS 73 -Growth	500	–
		Carried forward	500	414

Notes to Financial Statements for the year ended March 31, 2013

12. Current Investments: (Contd.)

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
		Brought forward	500	414
5,000,000	10	IDFC FMP 366 DS 74 - Growth	500	-
5,000,000	10	IDFC FTP Series 13 -Direct Plan-Growth	500	-
5,000,000	10	IDFC YS Interval Fund - Series III -Direct Plan-Growth	500	-
5,000,000	10	Kotak FMP Series 87 (370 Days) - Growth	500	-
5,000,000	10	Kotak FMP Series 88 (370 Days) - Growth	500	-
5,000,787	10	Kotak FMP Series 94 - Direct - Growth	500	-
5,000,000	10	L&T FMP- VII (March367D A) - Growth - Direct plan	500	-
5,000,000	10	TFMP Series 40 Scheme F - Growth Option	500	-
5,000,000	10	UTI FTIF Series XIV -V (366 DAYS) Growth Option -DIRECT	500	-
5,000,000	10	UTI-FTIF Series-XII Plan IV (369 Days) Growth Option	500	-
5,000,000	10	Birla Sun Life Fixed Term Plan - Series HD (366 days) - Direct Plan-Growth	500	-
5,000,000	10	Birla Sun Life Fixed Term Plan-Series FD-Growth	500	-
5,000,000	10	Birla Sun Life Fixed Term Plan-Series FP-Growth	500	-
5,000,000	10	HDFC Annual Interval Fund - Series I - Plan A-Direct Option-Dividend Option	500	-
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 66-366 Days Plan D - Direct Plan - Cumulative	500	-
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 66-366 Days Plan F - Direct Plan - Cumulative	500	-
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 66-366 Days Plan H - Direct Plan - Cumulative	500	-
5,000,000	10	SBI Debt Fund Series - 366 Days - 1 - Growth	500	-
5,000,000	10	SBI Debt Fund Series - 366 Days - 10 - Growth	500	-
10,000,000	10	SBI Debt Fund Series - 366 Days - 11 - Growth	1,000	-
5,013,639	10	SBI Debt Fund Series - 366 Days - 14 - Growth	501	-
5,000,000	10	SBI Debt Fund Series - 366 Days - 22 - Direct Plan - Growth	500	-
			17,129	4,031
		Total Current portion of Long Term Investments	17,629	4,445

Notes to Financial Statements for the year ended March 31, 2013

12. Current Investments: (Contd.)

Number	Face value per unit ₹	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
	Brought forward	-	-
-	- IDFC FMP YS - 45 -Dividend	-	500
-	- IDFC FMP -QS-69 - Dividend	-	500
-	- IDFC FMP YS 49 - Dividend	-	500
-	- IDFC FMP YS 52 - Dividend	-	1,000
-	- IDFC FMP YS 53 - Dividend	-	625
-	- IDFC FMP YS 54 -Dividend	-	1,000
-	- IDFC FMP YS 59 -Dividend	-	500
-	- IDFC FMP YS-62 - Dividend	-	1,000
-	- Kotak FMP Series 56 (370 Days) - Dividend	-	500
-	- Kotak FMP Series 69 (370 Days) - Dividend	-	500
-	- Kotak FMP Series 70 (370 Days) - Dividend	-	548
-	- Kotak FMP Series 72 (370 Days) - Dividend	-	500
-	- Kotak FMP Series 79 (370 Days) - Dividend	-	500
-	- SBI Debt Fund Series - 180 Days - 23 - Dividend	-	500
-	- SBI Debt Fund Series - 367 Days - 13 - Dividend	-	506
-	- SBI Debt Fund Series - 367 Days - 16 - Dividend	-	500
-	- SBI Debt Fund Series - 367 Days - 4 - Dividend	-	500
-	- SBI Debt Fund Series - 367 Days - 5 - Dividend	-	500
-	- SBI Debt Fund Series - 367 Days - 7 - Dividend	-	500
-	- SBI Debt Fund Series - 367 Days - 9 - Dividend	-	505
-	- SBI SDFS 367 DAYS - 3 - DIVIDEND PAYOUT	-	500
-	- TFMP 37 Scheme C- Periodic Dividend Option	-	1,000
-	- TFMP 39 Scheme A- Periodic Dividend	-	500
-	- TFMP Series 36 B Periodic Dividend Payout Option	-	500
-	- UTI F I I F Series II -Quarterly Interval Plan VI- Dividend Option	-	500
-	- UTI F I I F Annual Interval Plan Series II Institutional Dividend Option	-	500
-	- UTI Fixed Income Interval Fund Annual Interval Plan Series I (Instn Dividend Option)	-	500
-	- UTI Fixed Interval Income Fund (Annual Interval Fund) Series III Instn Dividend Option	-	500
-	- UTI-FTIF Series-XI Plan IV (367 Days)- Dividend Option	-	500
-	- UTI-FTIF Sr. X Plan VI (368 Days) Dividend Option	-	549
-	- UTI-FTIF Sr. X Plan VIII (368 Days) Dividend Option	-	500
-	- UTI-FTIF Sr. X Plan X (367 Days) Dividend Option	-	500
	Carried forward	-	31,340

Notes to Financial Statements for the year ended March 31, 2013

12. Current Investments: (Contd.)

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
		Brought forward	-	31,340
		Liquid Fund (Dividend)		
-	-	Birla Sun Life Floating Rate Fund-Short Term Plan- Institutional Dividend	-	4,167
1,005,735	100	Birla Sun Life Ultra Short Term Fund - Daily Dividend	1,006	-
40,137,461	12	Birla Sun Life Short Term Fund-Plan C(Monthly Dividend)	4,668	-
-	-	DWS Ultra Short Term Fund- Inst Plan - Daily Dividend	-	1
40,977,634	10	DWS Treasury Fund Investment Plan Regular Dividend option	4,189	-
5,011,290	10	DWS Banking and PSU Debt fund- Regular Plan- Monthly Dividend	501	-
-	-	DWS Insta Cash Plus Fund Super Institutional Plan- Daily Dividend	-	501
4,687,998	11	DWS MONEY PLUS FUND - INST DIVIDEND	521	-
-	-	HDFC Liquid Fund-Premium Plan - Dividend-Daily	-	397
5,001,238	10	HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Dividend - Daily	504	-
4,462,590	11	HDFC Income Fund-Dividend	509	-
-	-	ICICI Prudential Liquid Plan -Super Institutional Dividend Daily	-	156
4,317,302	106	ICICI Prudential Flexible Income - Regular Plan - Daily Dividend	4,565	-
-	-	IDFC CF-Plan C-Daily Dividend	-	1,226
-	-	IDFC Ultra Short Term Fund - Daily Dividend	-	1,581
16,090,809	10	IDFC Ultra Short Term Fund -Regular Plan- Daily Dividend	1,611	-
45,760,309	10	IDFC-Money Manager Fund-Investment Plan-Regular Plan-Monthly Div.	4,652	-
5,046,324	10	IDFC Super Saver Income Fund - Short Term - Regular Plan-Fortnightly Dividend	516	-
-	-	Kotak Liquid-Institutional Premium Plan - (Daily Dividend)	-	1,102
10,505,960	10	Kotak Floater Long-Term-Daily Dividend	1,059	-
24,902,420	10	L&T Ultra Short Term Fund- Daily Dividend	2,530	-
-	-	SBI Magnum Income Fund - F R P - Short Term - Daily (D)	-	2,126
-	-	SBI Premier Liquid Fund - Institutional - Daily Dividend	-	1,403
		Carried forward	-	31,340

Notes to Financial Statements for the year ended March 31, 2013

12. Current Investments: (Contd.)

Number	Face value per unit ₹		As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
		Brought forward	-	31,340
298,244	1,010	SBI MAGNUM INSTA CASH FUND - LIQUID FLOATER - DIRECT PLAN - DAILY DIVIDEND	3,012	-
109,489	1,001	SBI ULTRA SHORT TERM DEBT FUND - REGULAR PLAN -DAILY DIVIDEND	1,096	-
9,151,310	11	SBI SHORT TERM DEBT FUND - REGULAR PLAN - MONTHLY DIVIDEND	1,032	-
82,889	1,004	Tata Floater Fund- Plan A- Daily Dividend	832	-
-	-	Tata Liquid Super High Investment Plan - Daily	-	1,224
-	-	UTI- Liquid Fund-Cash Plan-INST - Income	-	2,535
373,120	1,077	UTI - FLOATING RATE STP-DAILY DIVIDEND-Direct	4,018	-
246,649	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend	2,467	-
			39,288	16,419
		Liquid Fund (Growth)		
3,213,533	10	ICICI Prudential Income Opportunities Fund - Regular Plan - Growth	500	-
		Total Current Investments	39,788	47,759
		Total	57,417	52,204
		Aggregate cost of quoted investments	500	414
		Aggregate cost of unquoted investments	56,917	51,790
			57,417	52,204
		Aggregate market value of quoted investments	496	396

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
13. Inventories		
Raw materials and components (includes in transit ₹ 4,692 lacs (previous year ₹ 7,549 Lacs))	26,653	29,988
Work-in-progress	8,119	8,227
Finished goods	16,815	16,583
Traded goods (including stock-in-transit ₹ 63 lacs (previous year ₹ 275 lacs))	447	590
Stores and spares	497	592
Loose tools	504	781
Total	53,035	56,761
14. Trade Receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	122	51
Others	2,800	2,692
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	1,095	1,150
Others	81,482	63,941
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	530	420
Others	25	20
Less: Provision for doubtful debts	(555)	(440)
Total	85,499	67,834

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
15. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	4	4
Bank Balances		
In current accounts	6,615	7,518
Demand Deposits (less than 3 months maturity)	-	4,000
Sub-Total	6,619	11,522
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	28,501	10,502
Unpaid dividend account (restricted)	345	326
Sub-Total	28,846	10,828
Total	35,465	22,350
16. Short-term Loans and Advances		
Unsecured, Considered good		
Security deposits	391	344
Loan and advances to related parties	3,097	1,571
Other Loans and Advances		
Balances with statutory/government authorities	7,103	9,158
Others	10,028	5,452
Total	20,619	16,525
17. Other Current Assets		
Unsecured, Considered good		
Interest accrued on investments	903	497
Total	903	497

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
18. Revenue from operations		
Sale of products (Note 34)	464,716	420,096
Sale of services (Note 34)	17,245	14,452
Other operating revenue		
Scrap sales	1,061	1,078
Export Incentives	2,064	1,916
Commission	564	1,112
Other	4,349	2,399
Revenue from operations (gross)	489,999	441,053
Less: Excise duty	31,061	29,331
Revenue from operations (net)	458,938	411,722
19. Other income		
Income from investments:		
Interest Income		
- On Bonds (Long Term Investments)	183	181
- On Fixed Deposits with Banks	1,563	1,085
	1,746	1,266
Dividend Income		
Other than trade		
- On Current Investments	4,872	2,883
- On Long Term Investments in Associates and Joint Ventures	2,014	1,404
	6,886	4,287
Gain on sale/redemption of investments		
- On Current Investments	1,307	-
- On Long Term investments	4,908	2,276
	6,215	2,276
Interest on income tax refunds, from customers and on deposits, etc.	14	536
Provision for earlier years written back	-	452
Exchange gain (net)	1,645	1,396
Net gain on fixed assets sold or discarded	1,185	5
Miscellaneous income	2,981	2,115
Total	20,672	12,333

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
20. Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year		
Work-in-progress	8,119	8,227
Finished goods	16,815	16,583
Traded goods	447	590
	<u>25,381</u>	<u>25,400</u>
Inventories at the beginning 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>
Total	<u>19</u>	<u>(5,890)</u>
21. Employee benefit expense		
Salaries, wages and bonus	27,905	25,490
Contribution to provident and other funds	3,534	2,457
Staff welfare expenses	2,423	2,447
Total	<u>33,862</u>	<u>30,394</u>
22. Finance costs		
Interest	122	242
Bank charges	339	299
Total	<u>461</u>	<u>541</u>

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
23. Other expenses		
Commission on sales	3,108	2,894
Consumption of stores and spare parts	5,501	4,341
Warranty Expenses (Note 32)	10,770	7,943
Tools and gauges	681	909
Repairs to buildings	841	811
Repairs to machinery	523	762
Other repairs	348	284
Power and fuel consumed	3,809	3,175
Rent (Note 30)	1,397	1,156
Rates and Taxes	960	806
Insurance	604	455
Outside Processing charges	2,276	2,867
Donations and contributions	103	436
Technical fees and royalties	6,502	6,488
Payment to Auditors (Refer details below)	130	123
Other expenses (Note 29)	15,292	13,611
Total	52,845	47,061
Payment to Auditors:		
Statutory Audit (including Limited Reviews)	88	79
Other services	40	41
Reimbursement of expenses	2	3
Total	130	123

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013	Year ended March 31, 2012
	₹ Lacs	₹ Lacs
24. Exceptional items		
Profit on Sale of shares *	6,159	5,144
Total	6,159	5,144

* Exceptional Items represents profit on sale of long term (trade) investments.

25. 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 :

	March 31, 2013	March 31, 2012
(a) Profit for the year after taxation (₹ Lacs)	76,411	59,127
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	27.57	21.33
Face value per share (₹)	2	2

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
26. Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances)	33,555	42,845
27. Trade payables include:		
Total outstanding dues of micro and small enterprises	605	4,184
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	605	4,184
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	4,022	9,958
4. Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	18	140
6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-
7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-

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

Notes to Financial Statements for the year ended March 31, 2013

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
28. Contingent liabilities		
a. Bills discounted not matured	17	265
b. Income Tax matters	9,385	8,735
c. Central excise duty/service tax matters	456	456
d. Duty drawback matters (excludes interests, if any)	4,816	4,816
e. Sales Tax matters	8,315	6,872
f. Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	9	9
g. Civil liability / secondary civil liability in respect of suits filed against the Company	19	19
Total	23,017	21,172

29. Other expenses include provision for doubtful debts ₹147 lacs (previous year ₹ 354 lacs)

30. Operating Leases

The company has entered into non-cancellable operating leases for warehouse, office and residential premises. These lease arrangements range for a period between 12 months and 60 months with lock in period between 12 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. 23) for the year amount to ₹ 1,397 lacs (previous year ₹ 1,156 lacs).

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

	As at March 31, 2013 ₹ Lacs	As at March 31, 2012 ₹ Lacs
Within one year	231	610
After one year but not more than five years	14	187
Total	245	797

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

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
a. On capital account	812	1,023
b. On revenue account	3,959	3,834
Total	4,771	4,857

Notes to Financial Statements for the year ended March 31, 2013

32. Disclosure on Provisions made, utilised and reversed during the year as per AS-29

(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 historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in 1 year is classified as Current

	As at March 31, 2013	As at March 31, 2012
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	10,354	9,390
Additions	11,197	7,943
Utilisation	7,999	6,979
Reversal	427	–
Balance as at the end of the year	13,125	10,354
Classified as Non-current:	5,928	4,246
Classified as Current:	7,197	6,108

(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 estimates made by the Company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

	As at March 31, 2013	As at March 31, 2012
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	1,649	1,617
Additions	100	32
Utilisation	79	–
Reversal	–	–
Balance as at the end of the year	1,670	1,649
Classified as Non-current:	1,670	1,649
Classified as Current:	–	–

Notes to Financial Statements for the year ended March 31, 2013

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

The provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Company at specified intervals. The provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in 1 year is classified as Current.

	As at March 31, 2013	As at March 31, 2012
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	2,076	1,887
Additions	1,056	921
Utilisation	791	567
Reversal	567	165
Balance as at the end of the year	1,774	2,076
Classified as Non-current:	587	596
Classified as Current:	1,187	1,480

33. 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), and Valvoline Cummins Limited incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2013 and Income and Expenses for the year ended on that date.

Interest in Joint Ventures :

	As at March 31, 2013	As at March 31, 2012
	₹ Lacs	₹ Lacs
Assets	26,345	21,072
Liabilities	9,773	6,256
Income	56,584	45,803
Expenses (including provision for tax)	50,892	42,176
Contingent Liabilities	998	554
Capital and other commitments	253	1,419

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
34. Details of Sales		
Finished goods:		
Internal Combustion Engines	289,912	274,373
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	44,168	20,696
Traded goods:		
Engines	16,046	23,834
Spare parts, accessories and components*	83,529	71,862
Sale of Services:		
Revenue from Service Contract	17,245	14,452
Total	450,900	405,217
* includes sale of traded parts		

35. Details of materials consumed

i) Castings - various	3,018	3,519
ii) Forgings - various	2,938	2,924
iii) Components	209,807	168,019
iv) Engines	32,282	24,153
v) Long Blocks	122	315
vi) Others including semi-finished components	22,014	45,734
Total	270,181	244,664

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.

36. Details of purchase of Traded goods

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
Engines	12,891	19,813
Others	5,652	5,955
Total	18,543	25,768

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
37. Value of imported and indigenous raw materials and components consumed		
Imported	57,672	48,268
%	21%	20%
Indegeneously procured	212,509	196,396
%	79%	80%
Total	270,181	244,664
38. Value of imports calculated on CIF basis		
a) Raw materials	6,588	5,765
b) Components	44,719	39,428
c) Machinery spares	105	112
d) Capital goods	623	1,918
e) Tools, stores, etc.	78	1,334
Total	52,113	48,557
39. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis		
a) Royalty	6,502	6,488
b) Others (including IT Service charges, Customer Support Charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	4,319	3,719
Total	10,821	10,207
40. 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	141,372,000
Amount remitted:		
For the year ended 31st March, 2013 (Interim)	7,069	
For the year ended 31st March, 2012 (Final)	8,482	
For the year ended 31st March, 2011 (Final)		8,078
For the year ended 31st March, 2012 (Interim)		7,069

Notes to Financial Statements for the year ended March 31, 2013

	Year ended March 31, 2013 ₹ Lacs	Year ended March 31, 2012 ₹ Lacs
41. Earnings in foreign exchange		
Export on FOB basis	127,035	119,076
Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	4,562	4,540
Total	131,597	123,616

42. 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 :

Particulars	₹ Lacs Total
Contribution to Employees Provident Fund	449 (447)
Particulars	Total
Contribution to Management Superannuation Fund	1013 (873)

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):

Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	₹ Lacs Total
	Opening DBO as on	6,010	1,510	59	70	8,911	16,560
	01 st April 2012	(5,658)	(1,831)	(73)	(55)	(7,771)	(15,388)
i)	Current Service Cost	494 (456)	54 (65)	2 (3)	3 (2)	2,061 (1,289)	2,614 (1,815)
ii)	Interest Cost	478 (429)	115 (134)	4 (5)	6 (4)	685 (560)	1,288 (1,132)
iii)	Actuarial -Gains / Losses	863 (49)	14 (-201)	3 (-6)	(4) (17)	85 (264)	961 (123)
iv)	Benefits Paid	(881) (-582)	(354) (-319)	(16) (-16)	(10) (-8)	(1,654) (-1,261)	(2,915) (-2,186)
v)	Past Service Cost	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
vi)	Acquisitions/ Transfer out	- (-)	- (-)	- (-)	- (-)	348 (288)	348 (288)
vii)	Plan Amendments	- (-)	108 (-)	- (-)	- (-)	- (-)	108 (-)
	Closing DBO as on	6,964	1,447	52	65	10,436	18,964
	31 st March 2013	(6,010)	(1,510)	(59)	(70)	(8,911)	(16,560)

Notes to Financial Statements for the year ended March 31, 2013

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

							₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
	Opening Fair Value of Plan Assets	5,392 (3,973)	2,057 (2,212)	- (-)	- (-)	8,719 (7,764)	16,168 (13,949)
i)	Expected Return on Plan Assets	439 (363)	160 (164)	- (-)	- (-)	780 (641)	1,379 (1,168)
ii)	Actuarial Gains / -Losses	(53) (-80)	(28) (-)	- (-)	- (-)	- (-)	(81) (-80)
iii)	Contribution by the Employer	419 (1,718)	- (-)	- (-)	- (-)	2,365 (1,575)	2,784 (3,293)
iv)	Benefits Paid	(881) (-582)	(354) (-319)	- (-)	- (-)	(1,654) (-1,261)	(2,889) (-2,162)
v)	Acquisition/Transfer out	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Closing Fair Value of Plan Assets	5,316 (5,392)	1,835 (2,057)	- (-)	- (-)	10,210 (8,719)	17,361 (16,168)

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 :

							₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
i)	Present value of Funded Obligations	6,962 (6,010) (5,658) (4,442)	1,445 (1,510) (1,831) (2,145)	- (-) (-) (-)	- (-) (-) (-)	10,436 (8,720) (7,764) (6,757)	18,843 (16,240) (15,254) (13,345)
ii)	Fair value of Plan Assets	(5,315) (-5,392) (-3,973) (-3,986)	(1,835) (-2,057) (-2,212) (-2,501)	- (-) (-) (-)	- (-) (-) (-)	(10,210) (-8,719) (-7,764) (-6,757)	(17,360) (-16,168) (-13,949) (-13,244)
iii)	Amount not recognized as an asset, because of the limit in para 59(b)	- (-) (-) (-)	260 (-) (130) (116)	- (-) (-) (-)	- (-) (-) (-)	- (-) (-) (-)	260 (-) (130) (116)
iv)	Present Value of Unfunded Obligations	- (-) (-) (-)	- (-) (-) (-)	55 (60) (73) (84)	65 (70) (55) (58)	226 (191) (7) (2)	346 (321) (136) (144)
v)	Net Liability/ -Asset recognized in Balance Sheet	1,647 (618) (1,686) (456)	(130) (-547) (-251) (-239)	55 (60) (73) (84)	65 (70) (55) (58)	226 (192) (7) (2)	1,863 (393) (1,570) (361)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	(183) (-341) (-516) (94)	32 (160) (-24) (221)	(1) (4) (-2) (-4)	6 (-19) (7) (-5)	- (-) (-) (-)	(146) (-196) (-535) (307)
vii)	Experience Gain/ -Loss adjustments on plan Assets	(53) (-80) (94) (-118)	(28) (-) (35) (33)	- (-) (-) (-)	- (-) (-) (-)	- (-) (-) (-)	(81) (-80) (129) (-85)
viii)	Actuarial Gain/ -Loss due to Change on assumptions	(680) (292) (-529) (-83)	(46) (41) (18) (-6)	(1) (2) (1) (-6)	(2) (3) (-3) (-18)	- (-) (-) (-)	(729) (338) (-513) (-113)

Notes to Financial Statements for the year ended March 31, 2013

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

							₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex- Gratia	PRMB	PF	Total
i)	Current Service Cost	494	54	2	3	858	1,411
		(456)	(65)	(3)	(2)	(529)	(1,055)
ii)	Interest Cost	478	115	4	6	685	1,288
		(429)	(134)	(5)	(4)	(560)	(1,132)
iii)	Expected Return on Plan Assets	(439)	(160)	-	-	(668)	(1,267)
		(-363)	(-164)	(-)	(-)	(-560)	(-1,087)
iv)	Actuarial -Gains / Losses	916	42	3	(4)	(26)	931
		(129)	(-201)	(-5)	(17)	(183)	(122)
v)	Past Service Cost	-	108	-	-	-	108
		(-)	(-)	(-)	(-)	(-)	(-)
	Total	1,449	159	9	5	849	2,471
		(651)	(-166)	(3)	(23)	(712)	(1,222)

All of the above have been included in the line 'Company's contribution to provident and other funds', in Note 21 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	0.00%	0.00%	0.00%	0.00%	30.46%	35.05%
ii)	Corporate Bonds	0.00%	0.00%	0.00%	0.00%	52.60%	42.84%
iii)	Special Deposit Scheme	0.00%	0.00%	0.00%	0.00%	16.94%	18.51%
iv)	Equity Shares of Listed Companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
v)	Property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
vi)	Insurer Managed Funds	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%
vii)	Others	0.00%	0.00%	0.00%	0.00%	0.00%	3.60%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

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

					₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	PF	Total
i)	Actual return on plan assets	385	131	780	1,296
		(283)	(164)	(641)	(1,088)

Notes to Financial Statements for the year ended March 31, 2013

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

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount Rate	8.10%	8.10%	8.10%	8.10%	8.10%
	8.60%	8.60%	8.60%	8.60%	8.60%
Expected Rate of Return on Plan Assets	8.50%	8.50%	NA	NA	NA
	8.50%	8.50%	NA	NA	NA
Expected return on assets for exempt PF fund					
2013-14	NA	NA	NA	NA	8.25%
	NA	NA	NA	NA	8.10%
2014-15	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.25%
2015 and thereafter	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.50%
Salary Escalation Rate - Management Staff	10%	NA	NA	NA	NA
	9%	NA	NA	NA	NA
Salary Escalation Rate - Non-Management Staff	7%	NA	NA	NA	NA
	7%	NA	NA	NA	NA
Annual Increase in Healthcare Costs - First 10 years	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual Increase in Healthcare Costs - Next 5 years	NA	NA	NA	8%	NA
	NA	NA	NA	8%	NA
Annual Increase in Healthcare Costs - Thereafter	NA	NA	NA	6%	NA
	NA	NA	NA	6%	NA
Long term EPFO rate					
2012-13	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.60%
2013 and thereafter	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.60%

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

- 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	₹ 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	0.63	(0.64)
	(0.18)	(-0.22)
The accumulated post-employment benefit obligation for medical costs	4.15	(3.72)
	(4.19)	(-4.30)

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2013

43. Related Party Disclosures

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

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

b) Transactions with related parties as per the books of account during the year ended March 31, 2013

		₹ Lacs
Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	18,981
		(16,045)
	Tata Cummins Limited	36,758
		(46,847)
	Cummins Limited, UK	14,823
		(16,000)
	Others	25,059
		(25,320)
Sale of goods	Cummins Limited, UK	71,639
		(82,062)
	Others	39,609
		(22,051)
Purchase of fixed assets	Cummins Inc.	83
		(34)
	Cummins Technologies India Limited	23
		(-)
Sale of fixed assets	Tata Cummins Limited	56
		(8)
	Others	1
		(-)
Services Rendered	Cummins Inc.	3,832
		(1,905)
	Tata Cummins Limited	1,867
		(803)
	Valvoline Cummins Limited	931
		(764)
	Cummins Technologies India Limited	954
		(304)
	Others	911
		(1,194)

Notes to Financial Statements for the year ended March 31, 2013

		₹ Lacs
Transaction	Name of the Party	Total
Remuneration Paid (Refer note (iii) below)	Anant Talaulicar	23 (15)
	Mahesh Narang	161 (-)
	Raj Menon	79 (261)
Services Received	Cummins Technologies India Limited	8,775 (5,556)
	Cummins Inc.	1,922 (920)
	Others	1,173 (1,839)
Transfer of Technology including royalty	Cummins Inc.	6,502 (6,488)
Inter Corporate Deposits Given	Cummins Technologies India Limited	- (1,200)
Inter Corporate Deposits Recovered	Cummins Technologies India Limited	- (3,950)
Interest Received on inter corporate deposit	Cummins Technologies India Limited	- (301)
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	1,014 (1,404)
	Cummins Research and Technology India Limited	1,000 (-)
	Valvoline Cummins Limited	950 (-)
Dividend paid	Cummins Inc.	15,551 (15,147)

Notes to Financial Statements for the year ended March 31, 2013

c) Amounts outstanding as at March 31, 2013.

		₹ Lacs
Particulars	Name of the Party	Total
Trade Payables	Cummins Inc.	6,090 (4,382)
	Cummins Limited, UK	2,938 (3,176)
	Cummins Technologies India Limited	2,502 (2,347)
	Tata Cummins Limited	1,755 (-)
	Others	3,164 (2,697)
Other Current Liabilities	Cummins Inc.	5,122 (5,096)
	Others	307 (-)
Trade Receivables	Cummins Limited, UK	11,773 (8,571)
	Others	10,690 (8,388)
Advances recoverable	Cummins Inc.	683 (482)
	Tata Cummins Limited	1,994 (859)
	Others	420 (230)

Notes to Financial Statements for the year ended March 31, 2013

Notes:

- i) The names of the related parties under the appropriate relationship included in notes 43(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Holding Company	Cummins Inc.
Fellow subsidiaries (with which there are transactions during the year)	Cummins Brazil Limited Cummins Co-Generation India Pvt. Ltd. Cummins Hongkong Limited Cummins Makina Sanayi Ve Ticaret Ltd. Sirketi Cummins Westport Inc. Cummins Angola LDA Cummins Asia Pacific Pte. Ltd. Cummins Comercializadora S. de R.L. de C.V. Cummins De Los Andes S.A. Cummins Deutschland GmbH Cummins Diesel Italia Spa Cummins Diesel Ltd. Cummins Diesel N. V. Cummins DKSH (Singapore) Pte. Ltd. Cummins DKSH (Thailand) Limited Cummins East Asia Research & Development Co. Ltd. Cummins Emission Solutions Cummins (China) Investment Co. Ltd. Cummins Engine (Shanghai) Services & Trading Co. Ltd. Cummins Engine (Shanghai) Company Ltd. Cummins Filtration Inc. Cummins France S.A. Cummins Fuel Systems (Wuhan) Co. Ltd. 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 (Singapore) Pte. Ltd. Cummins Power Generation Inc. Cummins Power Generation Limited, Kent

Notes to Financial Statements for the year ended March 31, 2013

Nature of Relationship	Name of the Party
	Cummins Qatar LLC
	Cummins Rocky Mountain LLC
	Cummins S De R L De CV
	Cummins Romania S.R.L.
	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, Belgium
	Distribuidora Cummins Peru
	Komatsu Cummins Chile. Ltda.
	Distribuidora Cummins S.A.
	OOO Cummins
	Shanghai Cummins Trade Co. Ltd.
Key Management Personnel	Anant Talaulicar (Chairman and Managing Director) Mahesh Narang (Chief Operating Officer - w.e.f. July 1, 2012) Raj Menon (Chief Operating Officer - upto June 30, 2012)
Associate	Cummins Generator Technologies India Limited
Joint Venture	Valvoline Cummins Limited Cummins SVAM Sales and Service Limited Cummins Reseach and Technology India Limited
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, 2013

44. Segment Information

a) Primary Segment

The Company had in the previous years identified two separate reportable business segments, namely 'Engine Business Segment' (manufacture and sale of Internal combustion engines, gensets and parts thereof) and 'Others' (Service solutions business). On a review of all the relevant aspects including, in particular, the system of internal financial reporting to the Board of Directors and Managing Director, the relative "risks and returns" governing the operations and products & its related services, the Company has now identified a single segment viz. 'Engine Business Segment' without distinguishing between the products & its related services.

b) Secondary Segment

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

	₹ Lacs		
Information about geographical segments (Secondary Segments)	Domestic	Export	Total
Segment revenue	323,865	127,035	450,900
	(286,141)	(119,076)	(405,217)

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, 2013

45. Derivatives - Forward Contracts

a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency

(₹ Lacs)							
March 31, 2013				March 31, 2012			
Currency	Amount	Sell/Buy	Cross Currency	Currency	Amount	Sell/Buy	Cross Currency
USD	308	Sell	₹	USD	211	Sell	₹
EURO	7	Sell	₹				

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

(₹ Lacs)					
As at March 31, 2013			As at March 31, 2012		
	Foreign Currency	₹		Foreign Currency	₹
Receivables					
USD	175	9,489		136	6,918
Euro	10	714		13	861
GBP *	4	367		–	–
Payables					
USD	168	9,111		201	10,247
Euro	1	92		1	38
GBP	8	658		3	279

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

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

Signatures to the notes 1 to 46

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership Number 48125

Mumbai
Date: May 10, 2013

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 10, 2013

Nasser Munjee
Director

Business Responsibility Report

Introduction

Vision, mission, values and principles

Vision

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

Mission

We unleash the Power of Cummins by:

- Motivating people to act like owners, working together.
- Exceeding customer expectations by always being the first to market with the best products.
- Partnering with our customers to make sure they succeed.
- Demanding that everything we do leads to a cleaner, healthier, safer environment.
- Creating wealth for all stakeholders.

Values

- **Integrity**
Strive to do what is right and what we say we will do.
- **Innovation**
Apply the creative ingenuity necessary to make us better, faster, first.
- **Deliver superior results**
Exceed expectations consistently.
- **Corporate responsibility**
Serve and improve the communities in which we live.
- **Diversity**
Embrace the diverse perspectives of all people and honor both with dignity and respect.
- **Global involvement**
Seek a world view and act without boundaries.

Strategic principles

Leverage Complementary Businesses

Cummins is a family of complementary businesses that create value for our customers by leveraging relationships and applying innovative technology across business boundaries.

Increase Shareholder Value

Cummins' financial success is measured by growth in shareholder value. We will focus on ROE / ROANA and Earnings Growth (not Revenue Growth) as the principal drivers of shareholder value.

Seek Profitable Growth

Cummins will seek profitable growth by leveraging our assets and capabilities to grow in market segments with favorable industry dynamics and where Cummins can establish an advantage.

Relentlessly Pursue Cost Leadership

Cummins will pursue an operational strategy of cost leadership.

Lead in Critical Technologies

Cummins will be the market leader in technologies most critical to our customers' success and our Company's performance.

Create the Right Work Environment

Cummins will assure that the physical and cultural work environment is conducive to excellent performance and continuous improvement.

Personality

- Decisive
- Driven to win
- Agile
- Passionate
- Caring

Section A

General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN):
L29112PN1962PLC012276
- Registered Office Address:
Kothrud, Pune 411 038
- Website: www.cumminsindia.com
- Email Id: sameer.chugh@cummins.com
- Financial Year reported: 2012-13

Business Sectors

Cummins India Limited was established in 1962 and is a leading manufacturer of diesel and natural gas engines, generator sets and related services. The Company comprises of four business units as follows:

Industrial Engine Business:The Industrial Engine Business Unit caters to almost the entire gamut of engine requirements for the industrial sector. Starting from 65 HP spanning up to 3500 HP, the offerings are meant to power Construction, Mining, Compressors, Marine, Rail, Pumps, Gas Compression, Oilfield, Defence and re-power segments in the industry.

Power Generation Business:The Power Generation Business Unit is the market leader in the diesel, natural gas, producer gas and biogas generator set segment, with a single window for complete power solutions, offering top of the line products and services. Beyond generator sets, it undertakes power projects and provides alternate fuel solutions and power quality improvement services across numerous industry sectors including telecom, construction, IT / ITES, realty, hospitality, textiles, auto & auto ancillaries, food processing, government, pharma, gas and manufacturing. To meet the increasing demand for low horsepower generator sets for exports, the Company recently set up a new facility at the Special Economic

Zone in MIDC at the Megastore in Phaltan.

Automotive Business Unit:The Automotive Business Unit was established in 2005 in order to expand the Company's offerings in the growing automotive segment in India. This business unit caters to the commercial vehicle segment in India with its range of engine platforms and related technologies alongside parts and customer support.

Distribution Business Unit:The fourth business, Distribution, operates under the brand name Cummins Sales and Service India (CSS). Acquired in 1967, with the objective of providing products, packages, services and solutions for uptime of Cummins equipments, CSS has since been engaged in the business of sale of engines, providing after-market support to customers in India, Nepal and Bhutan as well as providing after-market support for stationary power and off-highway applications. It mainly provides spare parts, service contracts, re-powering & reconditioning services for engines and generating set equipment.

Key products of the Company as per Balance Sheet

The Company's primary products are Compression ignition internal combustion engines and Component Parts thereof bearing ITC Code No. 8408.90 and 8409.99 respectively.

Locations from which business activity is undertaken by the Company

The Company has its operations spread all across the country with its registered office and administrative office at Pune. Additionally, the Company has four zonal offices at Mumbai, Gurgaon, Kolkata and Bangalore and has area offices at 16 locations across India. The manufacturing operations are carried out

from 7 different plants that are situated at Pune, Pirangut and Megasite in Phaltan.

Apart from these, the Company's Group entities have its administrative offices at Pune, Delhi, Rudrapur, Bareilly and Ghaziabad and manufacturing plants at Ahmednagar, Ranjangaon, Noida and Rampur.

Markets served by the Company

The Company serves the domestic market in India, Nepal and Bhutan and also exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five export destinations.

Section B

Financial details of the Company

Paid-up capital: Rs. 5,544 Lacs

Net Sales: Rs. 450,900 Lacs

Total Profit after taxes: Rs. 76,411 Lacs

Corporate Social Responsibility (CSR) spend:

The Company's participation in improving lives of the communities goes beyond mere philanthropy. To progress its Corporate Responsibility initiatives, Cummins India Foundation (CIF) was instituted in 1990 by the Cummins Group in India with a view to channelize the Company's commitment towards the society at large. Utilizing its expertise and knowledge and engaging its people, the Company continues to work on various projects (as detailed in this report) undertaken in the three focus areas as identified by CIF:

- (i) Higher Education;
- (ii) Energy and Environment;
- (iii) Local Community Infrastructure Development.

During FY 2012-13, CIF has spent approximately Rs. 7 Crores in forms of donation and otherwise towards for various projects in India. The contribution to

CIF is made by various Cummins group entities in India.

The Company has undertaken to spend up to 1% of profit after taxes each year on Corporate Responsibility projects.

Section C

Other Details

The Company does not have any subsidiaries. However, the Company owns 50% equity shares in Cummins Research and Technology India Limited, Valvoline Cummins Limited and Cummins Svam Sales & Service Limited and approximately 48% equity shares in Cummins Generator Technologies India Limited.

The Company has business with various Cummins entities in India and they in turn take active participation in the business responsibility initiatives of the Company. However, the entities outside Cummins viz., suppliers, distributors etc., are not included in the BR initiatives of the Company and do not participate in the same. The overall participation percentage would be less than 30%.

Section D

BR Information

1. Details of Director responsible for BR

a) Details of the Director responsible for implementation of the BR policy

DIN Number : 00031051

Name : Mr. Anant J. Talaulicar

Designation : Chairman & Managing Director

b) Details of the BR head :

Name : Mr. Sameer Chugh

Designation : Vice President, Legal & Secretarial

Telephone : 020 2538 5435, 2538 0240

Email Id : sameer.chugh@cummins.com

2. Principle-wise (as per NGVs) BR Policy

The National Voluntary Guidelines on Social,

Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These briefly are as under:

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- P3 - Businesses should promote the wellbeing of all employees
- P4 - Businesses should respect the interests of, and be responsive towards all stakeholders,

especially those who are disadvantaged, vulnerable and marginalized.

- P5 - Businesses should respect and promote human rights
- P6 - Business should respect, protect, and make efforts to restore the environment
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8 - Businesses should support inclusive growth and equitable development
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner

Replies to the questions on above principles are stated in this matrix	Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 Do you have a policy / policies for...	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2 Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3 Does the policy conform to any national / international standards?	Y	-	Y	Y	-	Y	-	-	-
4 Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/CEO/appropriate Board Director?	Y	-	N	N	-	Y	-	Y	-
5 Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	Y	-	Y	-
6 Indicate the link for the policy to be viewed online?	#	-	-	-	-	-	-	-	-
7 Has the policy been formally communicated to all relevant internal and external stakeholders?	Y**	-	Y**	Y**	-	Y**	-	Y**	-
8 Does the company have in-house structure to implement the policy/policies?	Y	-	Y	Y	-	Y	-	Y	-
9 Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	-	Y	-	Y	-
10 Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	-	N	N	-	Y	-	N	-

*The policies related to safe and sustainable products, Human Rights and Customer relations are embedded in the Company's Vision, Mission, Values, Strategic Principles, the Cummins Operating System and the Company's Code of Conduct.

**Policies are communicated to internal stakeholders and wherever required they are also communicated to the external stakeholders.

Ethics Helpline

The Company has an ethics helpline where employees can place anonymous complaints against ethics violations as per the policy of the Company. The ethics helpline can be reached in the following ways:

- Online: ethics.cummins.com
- Ethics Hotline : 000117 800 100 1071, after the prompt dial the number “800 100 1071”

[Anonymous report is possible and you can file

report in Hindi.]

- Contact Ethics & Compliance: Email to ethicsandcompliance@Cummins.com
- India whistle - blower Number – 1800 2333 4575 (Whistle Blower Policy); (voice recorded message – 3 minutes) (anonymous report possible)

Wherever answer to S.No. 1 against any principle, is "No", explanation is given below.

	Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2 The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3 The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4 It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5 It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6 Any other reason (please specify)	-	-	-	-	-	-	#	-	-

The Company has a track record of pioneering achievements, long experience and is a leader in the engine and power generation business and initiates dialogue with Government through various Industry bodies and associations. However, no need for a formal policy has been felt.

3. Governance related to BR

The Board of Directors of the Company review the BR performance of the Company on a regular basis but at least annually. The Chairman and Managing Director reviews the BR activities of the Company on a regular basis. The Company shall publish a sustainability report annually which shall accompany the Annual Report. The hyperlink for viewing this report is http://www.cumminsindia.com/annual_reports.html.

Section E

Principle-wise Performance

Principle 1 : Business should conduct and govern themselves with Ethics, Transparency and Accountability

Cummins believes that a sustainable company is built on a foundation of good governance that promotes ethical behaviour at all levels. The Company's view on ethics is reflected in the statements from Cummins

Inc.'s Chief Executive Officer, Tom Linebarger and Chairman and Managing Director, Cummins India Limited, Anant J. Talaulicar.

According to Tom Linebarger, "Acting in accordance with our code of Business Conduct is the responsibility of every employee at Cummins and the creation of this new ethics and compliance organization does not change the primary accountability each of us has to live Cummins' values in every aspect of our work."

Anant J. Talaulicar has said, "As integral as ethics is to ensuring a great place to work, we practise zero tolerance towards non adherence."

At Cummins, several principles under the Cummins Code of Conduct are implemented effectively to drive ethical behaviour at all levels. The Cummins Code of Conduct covers ten basic principles which all Cummins employees are expected to follow:

- We will follow the law everywhere
- We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect
- We will compete fairly and honestly
- We will avoid conflicts of interest
- We will demand that everything we do leads to a cleaner, healthier and safer environment
- We will protect our technology, our information and our intellectual property
- We will demand that our financial records are accurate and that our reporting processes are clear and understandable
- We will strive to improve our communities
- We will communicate honestly and with integrity
- We will create a culture where all employees take responsibility for ethical behaviour

The Cummins Code of Conduct applies to all its employees, customers and suppliers. In addition the Cummins Code of Conduct is also applicable to the Joint Ventures and its employees, customers and suppliers. All employees are expected to follow the Code of Conduct on or off company property when they are on Cummins business or acting as an agent or on behalf of Cummins. The suppliers too are expected, in their contracts, to understand and comply with the policy.

Cummins has been successfully doing business through alliances with partners and joint venture agreements. The Company takes appropriate steps to ensure these business relationships share Cummins values regardless of whether the Company directly manages the alliances and joint ventures.

The Cummins Code of Conduct is implemented and monitored on a regular basis through several mechanisms:

- New Hire and Ongoing Training and Compliance Certification
- Ethics Help-line, Organizational Support and Whistle Blower Policy
- Regular updates to Senior Management

New Hire and Ongoing Training and Compliance Certification

Cummins puts its ethics and compliance principles into practice through a comprehensive compliance training programme targeting appropriate employee groups to promote ethical behaviour. All employees are required to attend the 'Treatment of Each Other at Work Policy' Training course and complete refresher courses as needed. New employees are scheduled into the course at New Hire Orientation and are required to complete the course within their first three months of

employment.

On a regular basis, all employees are required to certify themselves with the Cummins Code of Conduct and report any exceptions.

Ethics Help-line, Organizational Support and Whistle Blower Policy

At Cummins, employees have several different options to report ethics related issues. Besides being able to reach out to Managers or HR, employees have the option to anonymously report issues through three separate channels*:

- Regularly monitored voice mail box
- Online at ethics.cummins.com
- Toll-free number

Statistics: The Company received 41 complaints during the year under the Ethics investigation mechanism out of which 39 complaints were resolved and the balance complaints are under investigation.

**Note: As stated earlier in this report.*

Cummins has a Whistle Blower Policy which is strictly enforced to ensure more employees feel free to reach out and report likely issues.

Cummins India has specifically appointed people within the organization to be able to monitor and investigate any ethics related issues. Reported issues are regularly reviewed by a team comprised of Cummins Senior Management.

Regular Updates to Senior Management

Cummins Senior Leadership closely monitors the implementation of the policies. Each quarter, the Senior Management receives an update on issues reported in

their region or business, and the actions taken thereafter. Additionally, the same is also placed before the Audit Committee of the Board of Directors on quarterly basis.

Principle 2 – Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Cummins develops engines and components for the automotive, industrial and power generation markets. In each of the markets, Cummins ensures its products meet all required standards set by law. Additionally, Cummins continues to develop products and technologies to further develop fuel efficient products which help reduce the use of diesel and other fuels to reduce the total cost of ownership for its end users and to reduce GHG emissions.

In its industrial business, Cummins has launched several electronic engines such as QSK19, QSK38 and QSK50 to replace older mechanical engines. Through introduction of electronic engines, Cummins has reduced the emissions from its engines and also increased the fuel efficiency of its products.

Cummins also launched a Selective Catalytic Reduction (SCR) product to support the transition of its OEM customers to meet tighter emission norms while reducing the fuel usage. SCR technology provides the end user up to 5% reduction in diesel consumption thus resulting in lower greenhouse gas emissions from the vehicles apart from limiting emissions to very low levels that comply with Bharat Stage IV, CPCB2 and Euro Stage 3A levels.

In the automotive segments, Cummins has developed a new electronically controlled engine for the tractor trailer segment to reduce the fuel requirement of tractor

trailers by 2.8%. The new product once launched will result in lower diesel consumption in the product.

Cummins has worked extensively to develop a detailed procurement procedure to ensure sustainability of its suppliers. The procedure is currently being implemented in India. The procedure includes seven separate areas including, Sourcing, Contract Development & Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management & Supplier Quality Improvement. The procedure includes steps to eliminate Lead in all products supplied to Cummins. The procedure also includes the Supplier Code of Conduct (SCOC) which ensures that the supplier follows key ethical principles set forth by Cummins including the Supplier being required to protect the environment.

Cummins supports local and small producers including the community around itself. Currently, Cummins procures direct and indirect material from 525 medium and small scale suppliers. Of this 168 are utilized for direct purchases and 357 are utilized for indirect purchases.

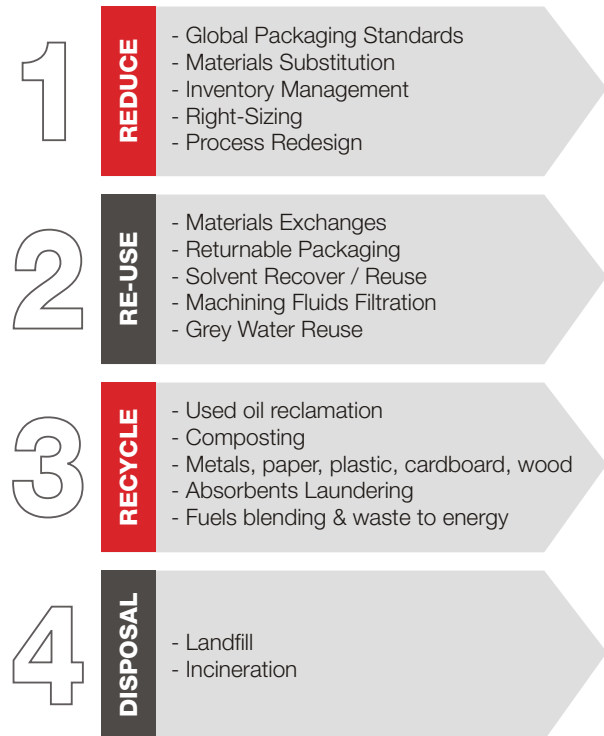
The Company continued to initiate waste reduction efforts during the year through several initiatives like Pollution Prevention training, Six Sigma projects specifically on waste management, proposed waste management strategy at a global and regional level, to name a few.

Cummins believes strongly in ensuring that the waste generated in its facilities is disposed in compliance with all local rules and regulations. Cummins globally and in India has three strategic target areas to reduce waste:

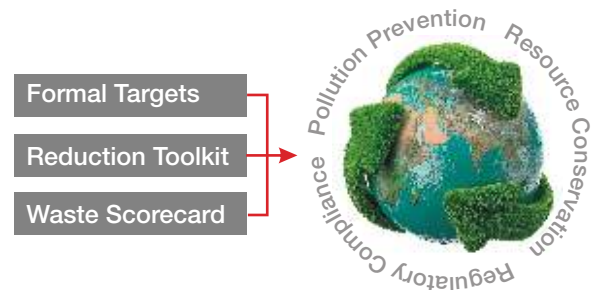
- Reduce Waste
- Increase Waste Reuse / Reduce Waste Disposed
- Increase "Zero" Waste Sites

There are four main principles followed to accomplish the strategic goals:

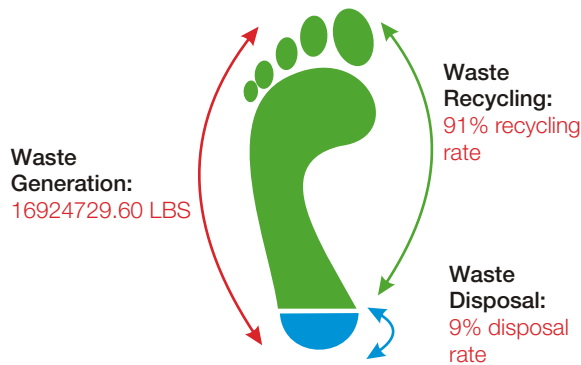
SUSTAINABILITY



In order to accomplish the goals, the Company creates formal targets, uses the reduction toolkit and manages a waste scorecard.



As a result of our continual efforts at Cummins India Limited, we have shown remarkable improvement of 30% reduction in total waste disposal in absolute terms from 2011. We have recycled 91% of our total waste generation and disposed 9% in the year 2012.



Principle 3 : Businesses should promote the well-being of all employees

The Company employs around 3,590 persons out of which around 514 are women employees and two permanent employees with partial disabilities. Apart from this, the Company also employs around 844 temporary / contractual / casual basis employees. The Company has never engaged any child / forced / involuntary labours in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety and skill up gradation training to various categories of employees are rendered as per the training policy of the Company.

The Company has recognised trade unions for production and staff associates and the unionized work force forms approximately 23 % of the permanent employees of the Company.

Category	No. of complaints filed during the financial year	No. of complaints pending as on the end of the financial year
Child labour/ forced labour/ involuntary labour	Nil	Nil
Sexual Harassment	3	3
Discriminatory employment	Nil	Nil

Cummins aspires to be recognized as a globally respected company that reflects the markets we serve, by creating a work environment that embraces today's diverse world. Diversity and inclusion is a core value at Cummins. Diversity is represented in our workforce and supporting it requires that Cummins allow flexibility of work arrangements in order to best suit the needs of its employees, customers and shareholders.

To derive the greatest benefit from diversity, Cummins believes it must do the following:

- Create a workplace population with representation that is similar to the markets in which it operates.
- Demand that the workplace is safe and inclusive for all individuals and organizations.
- Develop a collective behaviour that encourages all individuals and employees to best use their talents.
- Capitalize on a diverse workforce to enhance the Company's competitive position in the marketplace.

Cummins has developed work life balance policies that enable our employees to give their best to Cummins, grow with Cummins and at the same time attend to their personal exigencies, maintaining a sensible balance of work and life obligations / commitments. The various work-life balance policies at Cummins are:

- **Flexi work hour policy** – flexibility to come in and

move out at a convenient time, but ensuring that the stipulated hours of work are completed and team work is not disrupted under any circumstances.

- **Maternity and New Mothers policy** – a lady employee who has given birth to a child or adopted a child who is less than one year of age is entitled to maternity leave of up to 12 weeks, extended Maternity Leave, Part time work as well as flexi work hours to support her as a new mother.
- **Part time work policy** – where an employee can work on a reduced work plan to be able to balance a personal exigency.

Additionally, Cummins has crèche facilities at its plants and plans to continue building crèches in all its new facilities to support working mothers.

The Company has Affinity Groups in India typically organized around a specific demographic trait within its workforce. The core work of such affinity groups is to provide support and enhancement opportunities to employees they represent. In addition, they can provide meaningful leadership development experience for members.

The Women's Affinity Group (WAG) is an employee-led group devoted to the recruiting, retention and career development of women at Cummins. The mission observed by WAG is to:

- Provide an inclusive environment for diverse work teams to come together cohesively in order to achieve business objectives.
- Ensuring a safe and equal workplace for women thus fostering higher attraction, retention and growth in Cummins India.

Diversity at Cummins: Initiatives undertaken at the Cummins Megasite ensure a safe and inclusive workplace for women.



WAG aims at improving communication about initiatives through advocacy, focusing on inclusion of hourly workers in identifying barriers to women at Cummins and expanding support initiatives geared towards working parents. With strong leadership in place, and a large, active membership, WAG shall continue to champion women for years to come.

WAG in collaboration with the Megasite Leadership works to ensure that the following are provided for the gender diverse workforce on the shop floors:

- Anaemia prevention program.
- Health awareness sessions – Special sessions that cover diet and pre-marital counselling, awareness on anaemia, breast cancer, contraceptives etc. at office premises and at women hostels.
- Hostel facilities – 5 rented properties as hostels at Phaltan for women employees with 24 x7 security and availability of Hostel Rector.
- Women's day celebrations – A cultural event which includes dance competitions and talent shows.
- Need based counselling for women on personal issues.

Cummins has women shop-floor employees who work on a contractual basis under the "learn and earn" scheme while pursuing their studies.

Cummins is committed to promoting the health and wellbeing of employees and their families through access to health and benefits programs developed to address organizational and individual needs within the local business context. Our Wellness Strategy which has been launched recently is aimed to provide globally and locally appropriate well-being programs designed to support all aspects of health and well-being on physical, emotional, financial and workplace health. This strategy emphasizes that we care about employees' health enough to provide education and programs to

address individual health needs. Our managers and business leaders support these initiatives and programs as they believe that healthier employees are more productive employees.

Our Global Well-being Strategy supports Cummins' efforts to build capacity ahead of demand. The Global Well-being Strategy emphasizes the impact employees' health has on productivity as well as provides a framework for extending wellness concepts and initiatives around the globe. The strategy would apply consistently and would be flexible enough to encourage locally appropriate wellness initiatives in all Cummins locations. The strategy is built on three foundational components: (1) Education, (2) Self-Awareness, and (3) Improvement and Maintenance. These components form the foundation for establishing local wellness initiatives.

Cummins has a long standing and well embedded value of non-discrimination. We hire and promote employees strictly on qualification and merit, irrespective of caste, creed, gender, race, religion, disability or sexual orientation. We have robust hiring and performance management systems to support this value.

All developmental opportunities - whether through internal job postings, projects or training - are open to all. We have a training calendar published where employees can nominate themselves as per the established process. Developmental opportunities are open to all irrespective of region, caste, religion etc. We have well designed leadership development interventions which all managers go through. We also have regular leader-led sessions.

Cummins ensures that Health Safety and Environment (HSE) related training is imparted to all relevant stakeholders at regular intervals. For this purpose, the

Company conducts workshops to train HSE employees with sessions on Pollution Prevention for plant floor employees.

Cummins has a structured process to identify potential associates in order to confer rewards and recognition. Cummins has successfully completed a Six Sigma project to look for more learning opportunities to its associates, reward and recognition of associations and scholarships for employees' children. As an outcome of this Six Sigma project, Cummins has organized sports activities for its employees to promote employee morale and career development through enlightened human resource interventions.

Principle 4 : Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

More than a decade ago, Cummins set out to clearly

define and articulate its vision, mission and core values so that they might guide the Company in its journey towards sustained excellence in all it does. One of the key Mission statements for Cummins includes 'Creating Wealth for all stakeholders'. Cummins focuses on the well-being of all its stakeholders including shareholders, customers, vendors, employees and the communities it is part of.

In order to support the community, and especially the disadvantaged, vulnerable and marginalized, Cummins has taken up several different initiatives-

- Developing Nandal village near the Megasite at Phaltan into a Model village
- Employment for Locals at Phaltan
- Providing sustainable water harvesting solution to Manjarsumbha village
- Employment opportunities for differently abled people



A 'Model' village:

In developing Nandal (a village in close proximity to the Cummins Megasite in Phaltan) into a Model village, Cummins brings infrastructure development, improved health and sanitation, vocational education and entrepreneurial opportunities for livelihood and enhanced lifestyle.

- Gift of Life for Little Ones
- Providing food and other rations to drought affected areas
- Supporting the Blind Girls' School in Kothrud, Pune

Some of the key initiatives are explained in more detail below:

Developing Nandal into a Model village

After considerable study and need analysis, Cummins selected Nandal, a village near Phaltan, Maharashtra, for developing 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.

Cummins has devised a three-pronged developmental approach encompassing infrastructural up gradation, improved health and 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. Cummins regularly organizes 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 covering 1,100 households. Team of employees who worked on this project also created tie ups with local hospitals which will provide affordable medical assistance to the farmers. 29 villagers have also undergone cataract operation in the nearby hospital as a result of this effort. In order to improve sanitation, the Company also constructed 40 toilets and created awareness among the villagers on benefits of using toilets. Cummins will construct 40 additional toilets for the villagers in the coming year.

Creating local employment at Phaltan

The Company believes in enriching the society where it belongs and one major step towards this initiative was to provide employment to locals in the Phaltan region at the Megasite.

Providing sustainable water harvesting solution to Manjarsumbha village

Village Manjarsumbha with an area of about 1,000 hectares and a population of about 1,100 is a rain dependant village for drinking water and irrigation. The village, facing acute drought conditions, had women who travel about 3–4 kms each day to fetch a pot of water. Agriculture production touched a record low. About 3,000 saplings planted earlier by Company employees faced the danger of extinction. A project was identified by Cummins to provide a cost effective and sustainable solution for short and long term, keeping in mind the deficit rainfall conditions. With the help of an NGO, the village community and the Company employees, the project helped to increase the capacity of a percolation tank from 10 million litres to 20 million litres for irrigation purpose, enhanced the storage capacity of a pond from 1 million litres to 2 million litres for drinking water and cleared a nearby abandoned well.



Making people's lives better at Phaltan:

Employing from amongst the residents of Phaltan, Cummins reinforces commitment to the communities in which it operates.

As a result, in spite of 75% deficit rains, water is now available abundantly. Bore wells in the vicinity of 1 km radius from the village are all charged, the abandoned well in the village now has a static water column of 15 feet and tanker water supply to the village was stopped for the first time in 40 years. Each farmer earned considerable amount this year from agricultural yield.

Opportunity to differently abled people

A Six Sigma project was implemented to identify opportunities and recommend appropriate working environment for employment of differently abled people at Cummins. Cummins has had a history of employees (Associates) with Speech and Hearing impairment, who worked and retired from the shop floor. The project recommended a phase wise road map and has taken a target of recruiting 1% of its new employees as differently abled. A pilot was run to check the feasibility of the recommendations. Medical SOP and Risk assessment by HSE professionals were done to check the ergonomics of the plant and facilities before the employees joined the department. A control plan has been prepared to ensure process compliance. Cummins is continuing to work on other support efforts such as assistive technology, sensitizing of existing employees and networking opportunities for differently abled to ensure smooth assimilation of the differently abled in its work force.

Additionally, Cummins has identified support for differently abled by selecting suppliers with a large part of their work force comprised of differently abled. Cummins Kothrud facility gets lots of imported parts in wooden boxes. Cummins identified the usage of this scrap in innovative ways, one of them being variety of wooden items required for material handling. Till this project, Cummins had to purchase such items made from forest wood. Cummins used this opportunity to

generate employment for differently abled people of the community. Cummins identified a supplier to support the effort, given their experience in and demonstrated passion in handling differently abled people. Today, one fourth of the said supplier's employees are differently abled. As a result of the project, 1.7 tons of scrap has been reused.

Principle 5 : Businesses should respect and promote human rights

Diversity and inclusion have been a part of Cummins' core values for more than 40 years dating back to the global Cummins Inc. CEO J. Irwin Miller who led the Company until 1977. Miller believed in the power of listening. He wanted to hear from a wide variety of voices before reaching a decision, believing no single gender, race, or ethnicity had a monopoly on wisdom.

The Company strives to be inclusive and ensure that employees and other stakeholders are always treated with dignity and respect. We are stronger because of the diversity of our employees and as a global company, we need a work environment that is welcoming and allows employees to best use their unique talents and diverse perspectives so ideas and innovation can flourish.

Cummins strictly forbids discrimination, harassment and retaliation and strives to provide equal opportunity and fair treatment for all. Cummins respects laws of the land and adheres to provision pertaining to human rights embedded in the Constitution of India to prohibit any discrimination on grounds of religion, race, caste, sex or place of birth.

We support human rights around the world and will comply with all applicable laws regarding treatment of our employees and other stakeholders. Cummins does

not tolerate child or forced labor anywhere and does not do business with any company that does. Cummins respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

Cummins is committed to fair treatment which also extends to its joint ventures, suppliers and other partners. Cummins makes sure that its suppliers and partners treat their stakeholders in a way consistent with its own value through the Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

Cummins Inc.'s continued efforts resulted in receiving a perfect rating for a seventh consecutive year from the Human Rights Campaign (in 2012), the largest advocacy group for lesbian, gay, bisexual and transgender (LGBT) employees and similar efforts are being adopted by the Company.

Cummins Inc. 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. This recognition came to Cummins Inc. for its work in the areas of social responsibility and governance.

Principle 6 : Businesses should promote respect, protect and make efforts to restore the environment

At Cummins, our mission demands that "Everything we do leads to a cleaner, healthier and safer environment."

The Company understands that it is our responsibility as a good corporate citizen to also be a good steward of our air, land and water. One out of our three focus areas for Corporate Responsibility is supporting Environmental

sustainability. As the Cummins Inc. Chairman and CEO, Tom Linebarger says, *"Cummins must be a catalyst for environmental sustainability action. Our vision and mission demands it, our business success depends on it, and the ingenuity and energy of our employees can make it happen."*

The Company meticulously abides by all the Health, Safety and Environmental (HSE) laws of the land. Cummins has comprehensive policies and procedures governed by a dedicated HSE department, which covers the Company, Contractors, Dealerships, Group Joint Ventures, and Suppliers etc., to implement and monitor the same.

The Company understands the importance of adopting a proactive approach to address issues like climate change and global warming. GHG emission, water consumption and waste generation was set as the company's leading environment indicators which provide a representative picture of environmental conditions and pressures on the environment.

All Environment Performance indicators (EPI's) are adequately reported and updated on a quarterly basis internally. The environmental data of all facilities are collated and used for tracking of performance against set target.

Cummins achieved 31% reduction in emissions in 2010 from 2005 baseline and followed progressive targets of 5% reduction in total emissions on year on year basis.

As a result of continual efforts, the Company had achieved approximately 4% reduction in green house gases and 2.5% reduction in water consumption in absolute terms in 2012 from 2011.



Gift of life for little ones: Rain-water harvesting techniques implemented by Cummins employees, bring clean potable water to the school children of Deep Griha Society, Chaufula.

Since all of our operational facilities are EMS (IS 14001) and OHSAS (IS 18001) certified as a part of system implementation, each site has developed HSE policy and identified its significant environmental risks in form of aspects and impacts. The identification of the environmental aspects is an ongoing process that determines the past, current and potential impact (positive or negative) of an organization's activities on the environment.

Though the Company currently does not indulge in any project related with Clean Development Mechanism, it is focused to promote environment sustainability through Green Buildings. Our existing construction standards provide mandates and guidance to build an eco-efficient building, with pollution prevention measures included as well. The new Power Generation Business Unit facility at the Special Economic Zone at Phaltan Megasite was also constructed according to the Green design concept which displayed commitment to environmental stewardship with a triple-bottom-line (people, planet, profit) approach. The facility was presented an award by Cummins Inc. for Design for Construction Sustainability.

On the Operations front, the Company continued energy conservation programs with more projects observed this year for reducing GHG footprint of site and promoting energy efficiency. We had initiated several initiatives which include Six Sigma projects on energy conservation, unplugged challenge, energy audits, energy champion's training and proposed adoption of Energy Management System IS 50001 to name a few. The Kothrud Plant achieved annual energy savings of 1,784,849 KWH and in turn reduction of GHG emission by 1,677 tons by reducing fixed energy consumption of plant area wise, replacement of Metal halide lamps by T5 light fittings and efficient load

sharing between the distribution transformers. All operational facilities of the Company religiously monitor and track the quantity and quality of their emissions / wastes generation as per their consent requirement and report it to concerned Pollution Control Boards on an annual basis in the form of Environment Statement.

The Company ensured that all show cause notices received from the Pollution Control Board were satisfactorily resolved. The Company also carries out independent audit / evaluation of the working of its policy by an internal or external agency.

Besides the efforts in its own facilities Cummins has also supported several community projects to help its stakeholders achieve sustainability as detailed below.

Gift of life for little ones

Deep Griha Society (Marathi for 'Light House') was formed in Pune in 1975. Originally set-up as a Centre for medical and health care for those residing in the slums of Pune, it has expanded over the years to work on various programs including health care, child care, education, women empowerment, youth empowerment and awareness on HIV / AIDS programs.

The employees of the Company toiled to bring drinking water to the primary school at Deep Griha Society, Chaufula. The idea was to make use of natural resources and create an environmentally-sustainable system that would work independently. Consequently, it was decided that rain water harvesting would be the ideal approach to satisfactorily supply clean drinking water to the children.

The project was segregated in two phases. In Phase 1, our engineers implemented a Rain Water Harvesting

system at the Primary School to augment the ground water level. In Phase 2, Cummins provided sustainable source of drinking water to the children at the same English Medium School at Deep Griha. The various stringent processes and numerous Six Sigma tools used in the planning of the project ensured smooth implementation.

This project saw active participation by the employees right from planning to the implementation stage including building a small play area and planting trees.

The highlights of the system are as follows:

- Rain Water System has the potential of harnessing 142,000 litres of water every year. If not harvested, this water would have gone waste.
- Provision of 300 litres / day of potable water sufficient for 400 children, which at the moment is non-existent.
- Providing safe and filtered water, thereby eliminating probability of water-borne diseases.
- Long-term sustainable mechanism, as storage of water is made available through this project.

Besides that, there is no additional burden of electricity on the environment as the water purification system runs on solar power. There is provision for the system to run on electricity, in case of an emergency. The system is self-sustaining and minimal effort is required to operate and maintain it. Most importantly, no chemicals are added to purify the water.

Saying No to Plastic Bags

Cummins identified one more opportunity to reduce the harmful impacts of plastic usage by replacing it with news paper bags, wherever feasible. Over 45,000 plastic bags were replaced by paper bags and 6,000 nos. from amongst these paper bags were utilized

internally for different festivals. Paper bags usage helped in reduction of 7 tons of GHG which was made possible by contribution of 400 kg of newspaper collected through newspaper donation drive by Cummins employees. Women Self Help Groups (SHG) received order of more than 5,000 bags last year. Local shops were approached and encouraged to use paper bags resulting in reduction of 3.5 tons of GHG in the community. Over 3.6 Tons of GHG was reduced at our supplier end as they started using paper bags. Around 80% of all fast moving items were shipped in paper bags. These paper bags were used in packaging gaskets, O-rings & shell bearings etc. To achieve this success, proper training of product costing, marketing and personality development was provided.

Tree Plantation

Cummins believes that trees are the most important link in the entire value chain for not only saving and protecting our environment but also improving and maintaining it in a sustainable manner. Cummins organized a tree plantation event in Bhimashankar. The event was coordinated with Maharashtra Arogya Mandal (MAM) at Kharoshi Ahwaz, near Bhimashankar-130 kms from Pune. The village has been adopted by MAM as part of the 1,190 hectare NABARD Watershed Development Program.

The Company planted 110 trees and about 20,000 seeds covering over 20 hectares of sloping hills and a total of 356 employee EEEEC hours were clocked in the process.

Creating environmental awareness with 75,000 School children across India

Today's children are tomorrow's torch bearers and they can help us make a difference. Children are known to be very persuasive and an influencing factor in their

homes. We decided to sensitize them to the environmental challenges faced in India and empower them to be torch bearers.

Cummins launched a project 'Catch Them Young' with the objective to create awareness amongst 75,000 school children across the country on the importance of preserving our environment and to showcase various initiatives by Cummins towards betterment of environment, especially on two national issues like Water Body Pollution during festival times and Solid Waste Management. The project received an overwhelming response and we decided to continue this project in the coming year with a goal to cover 200,000 students across the country.

Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Cummins works on various advocacy initiatives with the respective Industry Associations as partners. All the issues that we work on are related to the industries we are part of or we provide products to. Typically, in India, there are Associations formed on the basis of product lines. For example, Society of Indian Automobile Manufacturers (SIAM) takes up issues on the Auto sector with the Government, NGOs and Think tanks. So, our advocacy issues on Auto are with SIAM as a partner. Similarly, for issues on Power Generation, we work with the Indian Diesel Engines Manufacturers Association (IDEMA). On broader issues relating to environment and society, we work with CII, FICCI and ASSOCHAM.

Our major advocacy focus is on issues related to emissions - both for the Power Generation sector as well as Auto sector. We work with respective Associations to encourage better and tighter emission

norms to improve the quality of air in the country. This is also our contribution to the society as we propound that better technology can be an effective solution for cleaner air.

We also encourage fuel economy as that not only conserves precious fossil fuels and provides a lower carbon footprint on the environment, but also results in lower operating costs for the user. All these efforts are done under the aegis of one or more Industry Associations.

Our targets for the future are better and cleaner engines and generators running on cleaner fuel and focus on better technology for lower emissions.

Principle 8 : Businesses should support inclusive growth and equitable development

Two out of our three principles of Corporate Responsibility guide us in supporting inclusive growth through initiatives focused on Education and Social Justice. In India, we have supported several initiatives to provide education to different underprivileged and weaker sections of society. Some of our initiatives include:

- Cummins Scholarship Program
- Cummins College of Engineering for Women in Pune
- Up-gradation of ITI Phaltan

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 programs). In 2012, a total of 100 students (an increase of 40% over last year) were selected for scholarship of which 59% scholars were female.



Women Power: Cummins scales up its engagement with the Cummins College of Engineering for Women in order to rank it amongst the top 5 percent privately-managed engineering institutes in India.

Cummins College of Engineering for Women in Pune

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

The Cummins College of Engineering for Women (CCEW), conceptualized and launched in 1991 in Pune, was established last year as a Signature Project. Under this initiative, the Company aims to enhance the quality of education so as to rank CCEW amongst the top 5% privately-managed engineering institutes in India. The Company along with the institution, has developed a road map for accomplishing this objective. In the first phase (2011-2017), the focus will be on the undergraduate programs and in the second phase

(2018-2025) the emphasis will be on graduate programs.

Cummins' 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 programs. Regular PhDs and paper presentations keep the staff updated on technology. Continuous development of the College is being ensured through new infrastructure and up-gradation of lab equipment.

Up-gradation of the ITI Phaltan

Approximately 10 kilometres from the Cummins Megasite is Phaltan's only Industrial Training Institute (ITI). About 210 students study in this government-run Institute. Cummins 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.



A step towards excellence: Cummins has devised a detailed four-year development plan for up-gradation of the Industrial Training Institute (ITI) at Phaltan, in order to transform it into a Center of Excellence.

Cummins 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 - 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;
- 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 in the previous year.

Cummins has created a detailed four-year development plan for further up-gradation of the ITI.

Principle 9 : Businesses should engage with and provide value to their customer and consumers in a responsible manner

Cummins works closely with and supports its customers and end users in a responsible manner through developing high quality state-of-the-art products and providing regular after-market service. Cummins works closely with OEMs it supplies its products to understand their requirements and make appropriate product modifications to support their requirements. Further, Cummins also engages with the end users of the products to ensure it can provide high quality products with a low total cost of operation. As an example, Cummins has started supplying reconditioned parts to its end users to reduce their total cost of operation.

Cummins provides after-market service for its parts to the end users through 33 dealers established across the country. The dealers are provided with trained manpower through training centres set up by Cummins across the country. The dealers are able to support the after-market needs of the customers in a timely manner. All issues registered with the dealers in the warranty time period are tracked. The information is used to ensure that Cummins is able to improve the quality of its products and reduce the issues faced by its end users.

Cummins customers / consumers lodge their complaints / provide feedback to the Company through the Cummins portal, dealerships and regional offices. Cummins also has an online platform "Oracle

Siebel based Issue Tracking System" to register complaints, feedback. In addition, Customers / Consumers can use- Toll free number 1800-233-2000
Fax number: 020 2543 9490

Email ID: powermaster-india@cummins.com
Hyperlink:http://www.cumminsindia.com/DBU/cust_assnt_cell.html

Cummins recognizes and respects consumer rights under various Acts (e.g. Sale of Goods Act) and does not restrict the freedom of choice and free competition in any manner while designing, promoting and selling its products.

As at the end of financial year 2012-13, 31 no. of consumer cases are pending before various forums and the same are sub-judice.



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