



Cummins India Limited Annual Report 2013-14

Poised for Profitable Growth

India Parts Distribution Center



Power Generation Exports Plant



High Horsepower Rebuild Center



Phaltan MidRange Upfit Center



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To Our Shareholders



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

As we look back at the year 2013-14, we can feel proud of all that your Company has accomplished despite the slowdown of economic growth in India and recession in the key markets where we operate. Guided by our Vision, Mission and six Core Values, your Company continued to positively influence the lives of its stakeholders.

Reaffirming our commitment to profitable growth while garnering synergies across our divisions, we took major strides in our 'One Cummins' approach by consolidating a majority of our manufacturing facilities and our non-manufacturing operations. The former is evident at the Cummins Megasite in Phaltan where we now have eight plants in operation, while the latter is being realized in the form of the new Cummins India Office Campus at Balewadi, Pune which houses the offices for the Cummins Group in India. Inaugurated early this year, the India Office Campus brings greater synergy between the Company's businesses and functions, thereby strengthening our ability to partner with our customers to help them succeed, and thus enhancing our brand promise of Dependability.

During the year, the four businesses of your Company – Industrial, Automotive, Power Generation and Distribution, continued to

demonstrate Dependability of its People, Products and Services while gearing up for the growth opportunities which the economic recovery will present to your Company.

I am pleased to share the performance of Cummins India Limited, for the fiscal year 2013-14. In 2013-14, net sales for your Company at Rs. 3,899 Crores, represented a drop of 14 percent over last year. Net profit before tax (excluding exceptional items) at Rs. 818 Crores, represented a 17 percent decrease 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 Rs. 5 per fully paid-up equity share of Rs. 2 each (250 percent) in March 2014. The 2013-14 financial year concluded with the Board recommending a final dividend of Rs. 8 per

share of Rs. 2 each fully paid-up (400 percent) aggregating to Rs. 13 per share of Rs. 2 each fully paid-up (650 percent), subject to your approval at the Annual General Meeting. Over the last five fiscal years, the total return has been 39 percent on a compounded annual growth basis.

Dependable Products

Your Company believes that in order to consistently deliver on its promise of Dependability, it is critical to continue exceeding customer expectations by always being the first to market, with the best products. As an example, the Industrial Engine Business delivered the first QSK60-M engine for the Indian marine market catering to the 35 ton Bollard Pull Tug vessel, built for the Gujarat Maritime Board. This tug vessel, powered by two such 16-cylinder 60-liter diesel engines, each delivering 2,000 HP at 1800 revolutions per minute, is used for main propulsion application.



Setting sail: The Industrial Engine Business delivers the first QSK60-M engine for the 35-ton Bollard Pull Tug vessel, built specially for the Gujarat Maritime Board.

Your Company continued to delight our medium and heavy commercial vehicle customers with the launch of the ISLe 8.9 liter engine. A highly effective power choice with light weight, compact size and fuel efficiency, this engine provides high performance, strong acceleration and low operating costs, all with the reliability and durability expected from your Company. The engine has been designed with heavy

duty structural strength, and incorporates design features which are normally associated with larger engines built by Cummins.



Cruising ahead: Your Company reiterates its customer focus with the launch of the ISLe 8.9 for medium and heavy commercial vehicles. This lightweight, compact and fuel-efficient 8.9 litre engine provides high performance, strong acceleration and lower operating costs, coupled with reliability and durability.

Last year, I spoke to you about the new emission norms for engines used

in generator sets that are scheduled to become effective in India. I am pleased to share that the Ministry of Environment and Forests has taken a positive measure and demonstrated its commitment to improving air quality in our country by announcing the introduction of the new cleaner emission norms starting July 1, 2014. In support of this new norm, your Company has launched a series of new generator sets that are compliant with the new



More power towards a cleaner, healthier and safer environment: The newly-launched series of generator sets reflects the Company's continued commitment towards environmental sustainability. Compliant with the CPCB II environmental norms, these fuel-efficient generator sets are the pioneers in power solutions.



Megaplans for the future:

The Phaltan MidRange Upfit Center (shown here) is one of the eight manufacturing plants operational at the Cummins Megasite in Phaltan.

environmental norms. Working ahead of the lowered emissions implementation dates, your Company is at the forefront of the power generation industry by releasing these clean, fuel-efficient and smartly-designed auxiliary power solutions. Production of the new series of generator sets has commenced at its plant in Pirangut in Maharashtra with nearly 80 units being field tested successfully at customer sites across the country. These new series of generator sets feature best-in-class in-cylinder emission solutions and have the most advanced exhaust emission-reduction technologies available today, not only exceeding the mandated emission standards, but also offering improved energy efficiencies. In addition, technological innovation has eliminated the need for diesel particulate filters by deploying a high-pressure fuel injection system that significantly optimizes fuel efficiency.

In addition to new products, your Company continued to build capabilities and invest in new facilities. The Cummins Megasite in Phaltan, has come a long way since its inception in 2011, and now has eight manufacturing plants operational. Of these, the HHP Rebuild Center, the India Parts Distribution Center, the Phaltan MidRange Upfit Center (PMUC) at the Domestic Tariff Area and the low horsepower generator set plant at the SEZ, are a part of your Company and stand to derive significant operational benefits from their co-location with the other manufacturing plants at the Megasite.

Currently, two world-class Training Centers are under construction at the Megasite, one for the employees based out of that location and the other being a Technical Training Center to support the Distribution Business. Both of these facilities are expected to be completed and operational in early 2015. Your



Making more space: A warehouse has been proposed at the Megasite to create additional space, so as to support the India Parts Distribution Center in enhancing their global customer service.

Company is also making fast progress in setting up a producer gas engine based power plant within the premises of the Phaltan Midrange Upfit Center (PMUC), which once operational, will source the organic feedstock readily available from the neighbouring communities. The communities would further be involved in collecting biomass to support the extended phase of this facility. In addition to electricity, char will be the other by-product, which can be used to make incense sticks, thus offering employment options for the local population around the Megasite. The power generated from this plant would provide electricity to the PMUC and would help your Company meet the forthcoming regulatory obligations of consuming a part of the power requirements from renewable sources and reduce electricity costs for the plant.

Another addition at the Megasite is an expanded warehouse to support the growing demand on the India Parts Distribution Center. Your Company understands that in addition to building capacities, it is also important to invest in our employees. During

the year, the Megasite inaugurated a common administrative facility along with a crèche and health center. A gymnasium is also a part of this block, which will soon be operational for the employees at the Megasite.

Reiterating our strategy to make Cummins a 'great place to work', your Company has commenced the construction of a hostel for its employees close to the Megasite. This hostel comprises of four two-storeyed buildings, each with sixty rooms, a kitchen and a club house, and is expected to be ready by mid-2015.

Dependable Services

Your Company believes that its success lies in bringing success to its customers. This requires strong after sales support for our complex, highly engineered products.

Customer Support Excellence (CSE) continues to be a critical initiative to strengthening our support and relationships with our customers. In order to enhance CSE, a core team was formed with representatives

from each of the businesses responsible for driving customer support excellence initiatives across the Company. In order to build and reinforce the culture of customer support, appropriate training is also being provided through online and instructor led training modules. Various communication media are also being leveraged to communicate and reinforce CSE. Customer Focussed Six Sigma projects are being executed to identify and resolve high impact customer issues. During the year, 89 such projects were closed successfully in your Company.

Our progress in CSE is best measured via the Net Promoter Score (NPS) that gives an indication of where our customer loyalty levels stand. Last year, I had updated you on the launch of the new initiative, Common Dealer Operating System (CDOS), a customer relationship management platform designed to deliver a paradigm shift in the overall customer service experience. CDOS helps capture every service event in the system so as to track and improve our response to our customers, schedule planned service events in advance and improve the availability of parts by replenishing stocks automatically based on customer demand. Owing to this program, and numerous other initiatives and improved processes, your Company's NPS has increased to 65 percent in 2013-14 from 63 percent in 2012-13.

The Distribution Business has tapped maintenance and repair contracts with leading customers in the Mining segment. By deploying skilled staff that works around the clock to guarantee up-time of the fleet of equipment, coupled with the availability of parts through depots, the business has a greater opportunity to be closer to the end-user to demonstrate your Company's performance and capabilities.

Dependable People

Your Company understands that the Dependability of its people is as important as its products and services. Your Company sustained its efforts in creating the right environment for its people, through a combination of long-term strategic initiatives and new programs. One such initiative, introduced during the year, has been the launch of the Health and Wellness program for employees. Your Company understands that a healthy workforce is a productive and happy workforce, and thus continues to reinforce a sense of shared accountability for workplace and personal health and safety. While sporadic initiatives have been undertaken in this area in the past, a structured holistic approach to health and wellness has been the highlight of this program, focusing on physical, emotional, financial and workplace health. The program has successfully touched more than 7,000 employees and their dependents from across Cummins locations in India. Going forward, the program aims to inculcate, amongst its employees and their dependents, a sense of ownership for one's own health and provides the tools to do so.

Given the positive impact of Diversity in taking sound business decisions, your Company continued to focus on improving gender representation across the organization. I am proud to say that women constitute a large part of our workforce today, with their representation standing at 28 percent of professional employees across Cummins' Group Companies in India, thus contributing to your Company's success. In fact, at the Megasite alone, there is an 18 percent representation of women employees.

In enhancing diversity at the workplace, it is imperative that a safe and inclusive environment is provided to men and women alike. The Ethics Committee instituted some time back, has been



Strong 'womanifesto': Gender diversity at Cummins sees strong women representation in the middle and senior management, as well as on the shop floor.

addressing concerns in this regard and taking appropriate actions. Adhering to the 'Cummins Code of Business Conduct' and 'Treatment of Others' policies continues to remain the core to providing the right environment to all the stakeholders. In compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013, your Company established an Internal Complaints Committee (ICC) to deal with sexual harassment complaints and to ensure a safe work environment for all employees including women personnel. Dedicated training sessions are underway to familiarize and empower employees to identify and report instances of violation for immediate action.

The third initiative, the global Employee Engagement Survey, designed to help us understand what drives employee engagement, has shown excellent results with India scoring 84 as against the industry benchmark of 79, which clearly indicates that our employees feel a high level of engagement within

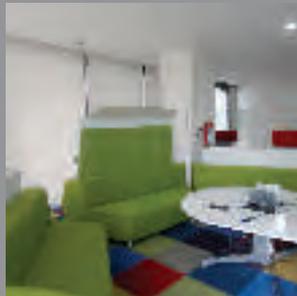
Cummins, to following our guiding principles and contributing to the overall success of the Company. This survey is different from the Employee Satisfaction Survey that we had been conducting annually. It helps us gather feedback that will help us better understand what we do well in terms of driving engagement and where we need to make further improvements.

As stated earlier, we have consolidated our non-manufacturing operations at the India Office Campus (IOC), situated in Balewadi, Pune, which houses all our corporate functions and businesses. Starting in the second half of 2015, we will locate our design and development engineers to the new technical center that is being constructed at the original Kothrud site. Earlier this year, close to 1,250 employees moved into the first tower of the new office. Significant work has gone in familiarizing the employees with the new, innovative and diverse collaborative workplace at the IOC, thus enhancing

their freedom and flexibility to bring out the best in them. Later this year, additional employees from our other locations will also be co-locating into the second tower, which will be ready by end of 2014.

In building Leadership Excellence across the organization, we continued to cascade the five critical

leadership skills identified by the organization: Coach and Develop, Fostering Open Communication, Talent Management, Managing Diversity and Thinking Strategically. During the year, we covered 900 managers in the Coach and Develop sessions and 800 managers in the session on Fostering Open Communications. In addition, we had 375 managers



Towering success: The new corporate office for the Cummins Group, India Office Campus (IOC) at Balewadi, Pune, consolidates all the non-manufacturing functions in one location. The office offers innovative and collaborative workspaces to meet the diverse needs of the employees

undergo the Leadership Conversations sessions, which provide teaching tools and techniques to help understand leadership behaviours and their impact on achieving business results. At the Cummins Megasite, your Company continues to leverage Team Based Work Systems (TBWS) across the recently inaugurated plants as well to synergize an inclusive work environment amongst the shop-floor employees.

As part of the sponsored program for providing higher education in management and technical streams, this year, 93 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, IIM-Ahmedabad and S.P. Jain for post graduate management programs and the Masters level program in Engineering at the ARAI-Vellore Institute of Technology. These employees will soon transition into larger leadership roles within the Company.

To honor instances of exemplary allegiance to the six Core Values of your Company, along with Six Sigma, Customer Support Excellence and Health, Safety and Environment, we recognized employees at the eighth CMD (Chairman and Managing Director) Awards. To ensure better alignment to business objectives, we cascaded key global and local strategies and objectives to 350 senior leaders at the third India Management Conference.

Towards the end of the year, to help develop talent in a more integrated manner, we launched the Global Internal Moves policy and iRecruit, which are automated systems that allow our employees visibility to growth opportunities in India and other parts of the world. Continuing our focus on our 'hire-to-develop' strategy in employing the right talent at the entry level and developing them for future roles within the

organization, we hired 183 fresh engineers, chartered accountants, MBA and M.Tech graduates. Furthermore, approximately 387 professional employees moved within Cummins, into different roles or functions.

Staying committed to the mission of ensuring that 'everything we do leads to a cleaner, healthier and safer environment', I am proud to share our achievements in the Health, Safety and Environment area proving that we did not lose sight of making Cummins a clean and safe place for everyone to work in. Your Company rolled out various initiatives focused on industrial hygiene and electrical safety, during the year. Safety has always been a priority at Cummins and your Company continues to focus on major initiatives like hammerless operations and machine guarding to safe-guard the hands of the employees. Your Company also understands that it is critical that the external environment in which we function should also be safe and healthy. Continuing with its commitment to the communities and environment, your Company achieved 29 percent reduction in greenhouse gases, 27.5 percent reduction in water consumption and 41 percent reduction in total waste disposal since last year. In fact, significant steps are being taken at the Kothrud plant to offset the total water consumed within the plant by adopting various water conservation activities within the plant, within the community and at public water bodies, consequently leading to water neutrality.

The awards received in the Health, Safety and Environment category from Cummins Inc. further testify your Company's commitment to this cause. The newly opened Power Generation plant, situated in the Special Economic Zone (SEZ) of the Megasite, received the Environment Award for Green Building Project, while the Kothrud plant received four awards, the Chairman Environment Award for Water



Generating green power: Testifying commitment to the environment, the newly-opened Power Generation Exports plant, situated in the Special Economic Zone (SEZ) of the Megasite, received the Environment Award for Green Building Project.

Conservation, the Safety Milestone Bronze and Gold Award, and the Cummins Ergonomics Cup.

In addition to Safety, we understand the importance of driving zero-defect results across the organization and have been passionately involved in making Six Sigma, a program instituted fourteen years ago, a way of life at your Company. This year, 480 projects were completed by 1,123 Six Sigma trained belts. Of these, 70 projects focused on customers and 41 on suppliers, contributing to cost reduction and processes. Six Sigma has multi-fold benefits including being a very practical platform to enhance leadership skills and the Dependability of our people. In fact, Six Sigma is being leveraged in multiple community impact projects, resulting in superlative results for the communities in which we work.

Through the year, the Dependability of our people further translated into creating a sustainable future for the communities through meaningful Corporate Responsibility projects under the focus areas of Higher Education, Energy & Environment, and Local Community Infrastructure Development. Employees across the Cummins Group collectively devoted

40,550 hours to the Every Employee Every Community (EEEEC) Program in 2013. This program requires every employee to devote up to four hours of Company paid time to community service annually. It is very heartening to see that each and every employee contributed four hours or more towards the many corporate responsibility initiatives, thus resulting in 100 percent participation from India.

Under Higher Education, gauging the positive impact of the Cummins Scholarship Program, which enables students from economically weak backgrounds to pursue higher education, Cummins India Foundation increased the scholarships to 125, up from 100 last year. Of the 125 scholarships awarded, 56 are to women. In fact, 50 scholarships have been granted to students in and around Phaltan. We took our Signature Project with the Cummins College of Engineering for Women one step ahead with the launch of a unique certified course on 'Innovation, Employability Skills Enhancement and Career Building' for students in the third year across all streams of engineering. The course has been designed to help students acquire the essential skills for effectiveness and employability thus providing



Getting an 'Upper Edge': A unique certified course on 'Innovation, Employability Skills Enhancement and Career Building' has been launched at the Cummins College of Engineering for Women. An initiative towards taking the Signature Project a step ahead, it helps students in the third year across all streams of engineering, become more competent.

them with an advantage in the industry. The focus during the next academic year is to help the College get autonomous status.

In replicating the success of the project 'Catch them Young' across many more schools in India, we succeeded in using the strength and reach of our distributors in engaging with more than 200,000 students across 75 cities of India to educate them about the ill-effects of water and waste pollution. Last year, I had updated you on the success of the zero-garbage project and its potential to be replicated across many areas in Pune. I am pleased to share that in addition to improvements of the past, a low-cost push-cart with better ergonomics was designed through a community impact Six Sigma project to better the process of waste collection, which has also won the global Chairman's Award.

The impact of our projects in improving the communities is evident from the recognition that has come our way:

- Cummins was conferred with the prestigious B.G. Deshmukh Award for outstanding work in the field of Corporate Responsibility. This award, instituted by the Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA), was won by Cummins for the second time.
- Yet again, six projects submitted from India won the 2013 Environmental Challenge from a total of 15 awards given worldwide by Cummins Inc.

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

I am pleased to share that in order to sustain this momentum with innovative and meaningful work, we are strengthening our Community Involvement Team structures within each business unit, function and location along with central support. We are scaling up leadership involvement and dedicated high quality resources towards identifying and executing high impact strategic and sustainable projects.

We continued our focus on reducing the Total Cost of Ownership for direct materials using our established "Accelerated Cost Efficiency" program. This program, which was originally kicked off in 2005, and now in its third phase, as ACE III, saw 280 projects completed this year, generating savings of approximately Rs. 34 Crores for your Company.

The other cost reduction program, TRIMS, launched in 2010, to reduce the Total Cost of Ownership in indirect materials and services by 10 percent every year, together with the purchasing projects in the indirect spend space, generated significant savings for your Company. The program continues to help us consolidate the indirect materials and services supply base while better leveraging our expenditure.

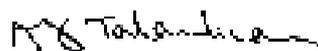
Another interesting initiative that we embarked upon this year has been Synchronized Business Planning (SBP) in India. This monthly process, reviews the demand forecast in the 4 through 36 month time horizon, ensuring supply consistency to address the demand and the new product implications. It includes a resource and financial plan to address the integrated demand, supply and product plan and identifies key opportunities and gaps that can be addressed proactively. Another key process for the shorter term planning time horizon (0 through 3 months), being implemented across India, is the Foundation of Planning and Control (FPC) process. Work has already commenced as the various business units have started assessing the process maturity and how best these practices can be leveraged across the businesses to minimize customization while laying a strong foundation for long-term synchronized planning. I look forward to the transformation this initiative is going to bring in the way we do business.

In Closing

Based on all of the exciting developments and achievements mentioned above, clearly despite all the economic challenges, 2013 has been an engaging and exciting year for your Company. We plan to continue making significant investments in 2014. It is most overwhelming to see the manner in which each and every employee, as in the past, has continued to unleash the Power of Cummins in positively influencing many different lives in 2013 – be it the shareholder, customer, employee, supplier or community.

I am excited about the growth opportunities which the economic recovery will present to us and our readiness in leveraging those for the long-term success of your Company and the many different stakeholders whose lives we are committed to making better. I remain grateful to our Board of Directors for their valuable direction towards helping us grow profitably while sustaining the respect of all stakeholders. I would like to thank the Leadership team and all the employees for what we have accomplished during the year. Most importantly, I would like to thank you for the trust and confidence placed in our capabilities. As we continue enhancing our legacy of Dependability, I recommit myself and my entire team at Cummins India Limited to our guiding principles comprising of our Vision, Mission, Core Values and Personality, so as to unleash the power of Cummins in making the lives of the many people associated with us, better.

Sincerely,



Anant J. Talaulicar

BOARD OF DIRECTORS



Anant J. Talaulicar
Chairman and
Managing Director



Antonio Leitao
Director



Edward Pence
Director



Rajasekhar Menon
Director



Mark Smith
Director



Nasser Munjee
Independent Director



P. M. Telang
Independent Director



P. S. Dasgupta
Independent Director



Rajeev Bakshi
Independent Director



Venu Srinivasan
Independent Director



J. M. Barrowman
Alternate Director
to Edward Pence



Pradeep Bhargava
Alternate Director
to Mark Smith

BANKERS :

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

AUDITORS :

PRICE WATERHOUSE
Chartered Accountants
Mutha Towers, 5th Floor,
Suite No. 8, Airport Road,
Yerwada, Pune 411 006

REGISTRAR & TRANSFER AGENT :

Link Intime India Pvt. Limited
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Cummins India Limited

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Financial Summary - 5 Years

₹ Crores

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Total income	4,154.38	4,796.10	4,240.55	4,122.90	2,966.62
Raw material	2,424.11	2,887.43	2,645.42	2,580.38	1,802.26
Employee cost	339.62	338.62	303.94	254.63	195.26
Mfg. exps. and overheads	287.25	342.12	299.98	282.23	190.37
Adm.,selling and other exps.	228.96	186.33	170.63	161.90	129.69
Finance Cost	4.18	4.61	5.41	4.75	2.05
Depreciation	52.75	47.25	41.98	36.64	36.08
Net profit before tax	817.51	989.74	773.19	802.37	610.91
Exceptional Item	—	61.59	51.44	—	—
Tax provision on income (Net of Excess/Short provision for prior years)	217.49	287.22	233.36	211.38	167.05
Net profit after tax	600.02	764.11	591.27	590.99	443.87
Dividend	360.36	360.36	304.92	297.00	237.60
Additional Income tax on dividend	61.24	60.17	49.47	48.72	39.92
Earnings in foreign exchange	1,258.31	1,315.97	1,236.16	1,089.75	507.63
Dividend % *	650.00	650.00	550.00	750.00	600.00
Earning per share (Face value of ₹ 2) #	21.65	27.57	21.33	21.32	16.01

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 Third Annual Report and the Audited Accounts of the Company for the year ended March 31, 2014.

1. FINANCIAL RESULTS :

During the Financial Year 2013-14, net revenue from operations was ₹ 397,667 Lacs as compared to ₹ 458,938 Lacs during the previous year (13% lower). Exports and other foreign exchange earnings stood at ₹ 125,831 Lacs as compared to ₹ 131,597 Lacs during the previous year (4% lower). Profit after tax decreased to ₹ 60,002 Lacs from ₹ 76,411 Lacs recorded for the previous year (21% lower).

	2013-2014 (₹ in Lacs)	2012-2013 (₹ in Lacs)
APPROPRIATION OF PROFIT :		
Profit before taxation	81,751	105,133
Net Profit for the year after tax but before tax on proposed dividend	60,002	76,411
Tax on dividend	6,124	6,017
Dividend	36,036	36,036
Transferred to General Reserve	6,000	7,641
Balance carried to Balance Sheet	136,699	124,857

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 February 4, 2014, aggregating to ₹ 13/- per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2014.

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, 2014 was ₹ 6,329 Lacs as compared to ₹ 8,512 Lacs during the previous year (26% lower). CRTI has a Research and Technology Center 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 ₹ 100,923 Lacs from its operations for the year ended March 31, 2014 as compared to ₹ 96,897 Lacs during the previous year (4% higher).

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

CSSSL is a 50:50 joint venture 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. CSSSL generated net revenue of ₹ 6,584 Lacs from its operations for the year ended March 31, 2014 as compared to ₹ 6,209 Lacs during the previous year (6% higher).

4. INITIATIVES AT PHALTAN :

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

- A facility for the Power Generation Business was inaugurated at MIDC Special Economic Zone at the Megasite, Phaltan in July, 2013. This is the sixth facility of the Cummins Group of Companies in Phaltan. This Plant is established 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).
- A Technical Training Center facility at Phaltan is expected to commence its operations in March 2015 with a capacity to train 550+ engineers, 300+ customers and special programs on controls, alternators etc. for dealer engineers, customers and OEMs every year.
- Common facilities like the Area Business Organization Training Center and Auditorium, Crèche, Administration Office are expected to commence their operations in March 2015.

Your Company's facility at Viman Nagar, Pune which catered to B-series engine based generators, closed down its operations w.e.f. March 31, 2013, due to synergizing business operations at the Megasite. 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 Phaltan Megasite Upfit Center, Phaltan.

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). The IOC is to 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 various plants. Your Company proposes to let out surplus office space to other Cummins Group companies, if any, after housing all of its professional employees. 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. As on March 31, 2014, your Company incurred total capital expenditure of ₹ 32,250 Lacs and an additional expenditure of ₹ 38,700 Lacs is proposed till the second part of the facility is made fully functional.

6. MANAGEMENT DISCUSSION AND ANALYSIS / CORPORATE GOVERNANCE REPORT :

As per Clause 49 of the Listing Agreement with Stock Exchanges, the Management Discussion and 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 2013-14, 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 judgements 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, 2014 and of the profit for the period April 1, 2013 to March 31, 2014;

- (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;
- (iv) that the Directors have prepared the annual accounts on an ongoing concern basis; and
- (v) that the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year.

9. CONSERVATION OF ENERGY :

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

Industrial Engine Business Unit Plant (Kothrud)

- Reduction in compressed air electrical energy consumption from 32 kWh per cylinder to 27 kWh per cylinder;
- Reduction in power consumption of machines in the Cylinder Block Line from 635 kWh to 571 kWh per equivalent KV cylinder blocks;
- 15% reduction in IEBU Refrigeration tonnage usage from 2167 Tons to 1798 Tons;
- Reduction in energy consumption of Main Power House Pumping system from 19,000 kWh to 12,000 kWh per month;
- Reduction in energy consumption of CNC machines from 1216 kWh to 1034 kWh per day in Cylinder Head section;
- 25% reduction in power consumption of hot well pump houses by demand-based pump rpm control automation using PLC and automation;
- Continued maintaining unity power factor by reducing line energy losses; and
- Energy saving by load balancing of Transformers - elimination of no load and load losses by switching off of Transformer A, B and D.

The Plant continued implementation of the following initiatives :

- Efficient load sharing between the distribution transformers leading to energy savings;
- 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 Plant (Pirangut)

- Use of natural sky lights on roofs to ensure minimal use of lights on the shop floor during day time;
- Maintaining a unity power factor and improving the power factor;
- Efficient load sharing between the distribution transformers leading to energy savings; and
- Reduction in compressor energy consumption by 5% by way of efficient operation, leakage elimination, use of air guns, demand-based pressure control at Pirangut.

The Plant continued implementation of the following initiatives :

- 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 and 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, Pune and HHP Rebuild Center, Phaltan)

- Use of APFC (Automatic Power Factor Correction) panel for power factor correction at the load end;
- Installation of solar water heater for canteen;
- Installation of temperature controller for cooling tower;
- 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 Centre and improving the power factor at the Erandwane, Pune;
- Use of sky lights on roofs to ensure minimal use of lights on the shop floor during day time; and
- Energy saving rounds during the break between the shifts.

The Plants continued implementation of the following initiatives :

- Alternate switching off, of the street lights after duty hours;
- 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 and instead use of portable air compressor of 5HP at Erandwane site; and
- Increased AHU preventative maintenance frequency has resulted in better efficiency with power saving.

India Parts Distribution Center (Phaltan)

- Installation of Solar street light at the Hill Top area;
- Installation of Solar water heater for dish cleaning at cafeteria;
- Use of motion activated sensors in the racking aisles and the office area and dock station;
- 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;
- Monitoring power off schedule and surprise audit by the Security Team and Safety Point Leaders which ensures optimum usage of available electrical equipment;
- Use of pull cords installation at offices and at packaging areas to reduce the lighting load consumption;
- Use of dual circuit motion sensors in meeting rooms;
- Use of VRV air conditioners for the administrative block;
- Use of energy efficient T-5 tubes at ware house to achieve energy savings; and
- Use of solar LED street lights at certain locations namely, internal connecting roads, Admin Block, Hill Top area etc. to reduce energy consumption.

IMPACT OF THE ABOVE MEASURES :

The above initiatives resulted in savings of about ₹ 271 Lacs in addition to Greenhouse Gas (GHG) emission reduction by 3,131,153 tons during the year. The energy units saved during the year were about 14,643 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, and 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, and 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 footprint and improve recyclability.
5. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives.
6. Alternate source development for various engine components.
7. Expanding the coverage of our engine development for the Power Generation market.

D. Your Company continues to draw benefits from Cummins Inc.'s technical capabilities and advanced technology. With continued support from Cummins Inc., 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 :

	2013-2014 (₹ in Lacs)	2012-2013 (₹ in Lacs)
Capital	790	812
Recurring	4,220	3,959
Total	5,010	4,771
Total R&D expenditure as a percentage of total sales turnover	1.26%	1.04%

11. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported 5,412 engines and 6,747 generator sets thereby achieving total export earnings of ₹ 121,927 Lacs.

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

	2013-2014 (₹ in Lacs)	2012-2013 (₹ in Lacs)
(a) Earnings	125,831	131,597
(b) Outgo –		
- Raw Materials/components	47,689	51,308
- Capital equipment	1,419	623
- Others	32,122	26,554
	81,230	78,485

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 has been re-appointed as Managing Director for five (5) years from April 25, 2013.

During the year, Mr. Edward Pence and Mr. Rajasekhar Menon were appointed as Additional Directors of the Company w.e.f. May 10, 2013 and August 3, 2013 respectively. Mr. Edward Pence is appointed as a Director in the Annual General Meeting held on August 1, 2013. Mr. J. M. Barrowman has been appointed as an Alternate Director to Mr. Edward Pence w.e.f. May 10, 2013. In its Meeting held on May 10, 2013, the Board of Directors noted the presence of Mr. Patrick Ward in the State of Maharashtra, India during May 6, 2013 to May 10, 2013 and consequent cessation of Mr. Pradeep Bhargava as an Alternate Director to Mr. Patrick Ward effective May 6, 2013. The Board, at its Meeting held on May 10, 2013 confirmed appointment of Mr. Pradeep Bhargava, as an Alternate Director to Mr. Patrick Ward

effective May 11, 2013 upon return of Original Director (Mr. Patrick Ward) to U.S.A. In its Meeting held on November 7, 2013, the Board of Directors noted the presence of Mr. Edward Pence in the State of Maharashtra, India during November 5, 2013 to November 9, 2013 and consequent cessation of Mr. J. M. Barrowman as an Alternate Director to Mr. Edward Pence effective November 5, 2013. The Board, at its Meeting held on November 7, 2013, confirmed appointment of Mr. J. M. Barrowman, as an Alternate Director to Mr. Edward Pence effective November 9, 2013 upon return of Original Director (Mr. Edward Pence) to the U.S.A.

Mr. Mark Levett and Mr. James Kelly stepped down as Directors of the Company w.e.f. May 9, 2013 and August 2, 2013, respectively. Mr. J.M. Barrowman, Alternate Director to Mr. Mark Levett, also ceased to be a Director consequent to resignation of Mr. Levett.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Casimiro Antonio Vieira Leitao and Mr. Edward Phillip Pence, 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 under the Companies Act, 2013.

COST AUDITORS :

Your Company appointed M/s Parkhi Limaye & Co., Cost Auditors, Pune as its Cost Auditors for the year 2013-14. The Cost Audit report and the Compliance Report for the year 2012-13 in the revised format, which was due on September 30, 2013, was filed with the Ministry of Corporate Affairs on September 21, 2013 for the Company.

On behalf of the Board of Directors,



Anant J. Talaulicar
Chairman & Managing Director

Mumbai: May 22, 2014

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

1. Industry Structure and Developments

Economic Trends and Implications

- The Indian economic growth rate was flat with GDP growth estimated at 4.9%¹⁾ in FY 2013-14, as compared to a decade low of 4.5% in 2012-13. This was largely due to a slowdown in infrastructure investments, high inflation, political uncertainty, drop in foreign investment in the first three quarters of the fiscal and a weakening currency.
- FY 2013-14 saw the rupee decline to an all-time low as a result of the announcement of US tapering its stimulative quantitative easing, slowing domestic economic growth as well as deficit spending on the part of the Indian government. Measures from the RBI helped arrest the fall of the rupee only to a very limited extent. The Current Account Deficit improved due to curbs on gold imports and lower domestic demand.
- The fiscal deficit improved due to reduction of fuel subsidies. The government took small and delayed steps to improve the business environment such as faster clearance of infrastructure projects, relaxation of FDI norms and new gas pricing guidelines. Measures are also being taken to lift mining bans which have adversely hit the exports of the country.
- Manufacturing output took a hit due to low demand and high interest rates. In spite of good monsoons resulting in lower food inflation, the repo rate was maintained at 8% to rein in core inflation.
- In the long term, India's growth story remains intact, supported by a positive demographic dividend, rapid urbanization and increasing domestic consumption driven by a growing middle class.
- Post the elections in 2014, it is expected that the new government will take strong actions to revive growth.

Note :

1) As per Central Statistical Organization

2. Opportunities and Threats

Key Opportunities

Power Generation :

- The average energy deficit in India has been 4.2% with peak power deficit of 4.5% and the power capacity addition has been around 12.5 GW in the last year.
- CPCB II - the second set of lower emission norms applicable to generator sets below 800 kW, have been announced by the Central Pollution Control Board, to be effective from July 1, 2014. These norms are likely to change the competitive landscape as the new norms demand greater technological capabilities.
- New global products launched have resulted in additional export opportunities for diesel and gas products. With the product from India gaining confidence globally, your Company is receiving repeat orders from its global customers.

Industrial :

- The increase in budget allocation towards infrastructure announced in the recent budget is likely to help in the overall infrastructure development in the medium term.
- The Supreme Court has removed the ban on mining blocks in Goa, as a result of which the business in Mining and Marine is likely to witness some increase.

- Infrastructure debt funds have been promoted to provide finances for infrastructure projects. These ought to have positive implications on the construction market.
- Budgetary support to Railways increased from ₹ 26,000 Crore in BE FY 2013-14 to ₹ 29,000 Crore in FY 2014-15 which would help the railways business. The increase in government spends on safety, modernization and fuel-efficiency will create additional opportunity for your Company in 2014. About 35-40% growth is expected over FY 2013-14 in the Diesel Electric Multiple Units (DEMU) segment.
- Increase in Defense expenditure is likely to boost the Marine Naval and Defense businesses. In FY 2013-14, 19 Oil and Gas blocks were given out for exploration.
- Your Company will continue to dwell on indirect exports which will drive growth while the domestic market is expected to grow during the latter half of the next fiscal.

Automotive :

- The M&HCV market (Medium and Heavy commercial vehicles - GVW >7.5 Ton) shrank by 20% in FY 2013-14 over the previous year. This was mainly driven by lower GDP growth, high interest rates and further impact of fuel subsidy reduction on diesel. The market scenario continues to be uncertain. Excise duty benefit given by the government has only moderately helped in improving the situation.
- The M&HCV space has seen the entry of new players, thereby increasing competition and price pressure.
- During the year, your Company launched a new product to attempt to change the dynamics within M&HCV, such as introduction of 4-Cylinder engines in the traditional 6-Cylinder applications in the 14T and 31T space.
- Your Company launched electronic products with the increasing acceptability due to improved fuel economy and maintenance intervals.

Distribution :

- Emission regulations (CPCB II norms) and a shift to electronic engines is likely to improve the opportunities for the Distribution Business through increased sales of electronic parts and service opportunities.
- 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.
- Your Company is continuing to invest heavily in modern capabilities to support long term growth. One major initiative is the introduction of a Common Dealer Operating System (CDOS) which will enable better data, information visibility and business integration across the dealer network and centrally by Cummins.
- Your Company is also continuing to invest in Training Centers across the nation to ensure well trained technicians who will provide state-of-the-art support to your Company's products.

Exports :

- Working with Cummins Inc., your Company was able to implement the identified opportunity with Brazil and Latin American markets for Heavy Duty engines. With the success of supplying Heavy Duty engines, new opportunities are being explored to supply High Horsepower engines to the Latin American market. Your Company will continue to explore new geographies and hence markets to strengthen the exports portfolio.
- Your Company successfully identified opportunities related to components supply to China. Your Company will continue to build on this and increase the business in the coming years. Efforts continue to consolidate and maximize supplies of components from your Company by utilizing cost efficiencies.

Key Threats :

- The revival of the economy is largely dependent on a stable government that would progressively push for the required economic reforms. There is continued risk of inflation and therefore high interest rates (to curb inflation).
- Low liquidity in the market could continue to cause delay in projects, which could dampen industrial activity and thus India's growth momentum. Capital allocation bottlenecks threaten the long-term growth prospects of the larger miners.
- Margin pressures are expected to continue with increased commodity cost and along with that cost efficiency drives being undertaken by customers, leading to depressed price realization.
- Slow global economic conditions continue to impact 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 could continue to impact export revenues.
- Your Company is expecting further power deficit reduction leading to gensets being used sparsely. This could impact service and parts revenue. Customers tend to postpone their repair work due to low utilization.
- The applicability of CPCB II norms has demanded a change in the product portfolio. These product changes require major technological changes that will impact the generator set prices. Coupled with the already weak sentiments in the market, there is demand sensitivity for the market willingness to absorb this significant price increase.
- Leading international players are establishing their footprint in India, thus increasing competition and leveraging on local manufacturing advantage.
- The M&HCV market is likely to get more competitive with continuous product improvement and new product launches from existing players and entry of new players.

3. Product-wise Performance

Power Generation :

- Lower power deficits and an adverse investment climate led to a challenging FY 2013-14 for power generation business, leading to a drop in sales revenue. Therefore, your Company focused on cost reduction initiatives, quality improvements and on time delivery.
- Due to slowdown across a few global geographies, low kilowatt generator exports remained flat, even after your Company's new product introductions such as (140-175 kVA) 5.9 litre B series engine based generators as well as mobile and telecom application product for global markets.

Industrial :

- Revenue in the Industrial Business Unit increased by 10% in FY 2013-14 over FY 2012-13, owing to a significant increase in business in the Compressor - Water Well segment.
- The other segments which contributed to the growth were Construction, which grew by 4%, Mining by 2% and Pumps by 34%.
- Marine engine sales dropped by 6% in FY 2013-14 due to execution delays. The financial crunch continued to affect the Shipyards segment and the ban in mining activities in Goa was not lifted until April 2014.
- There was a drop in the Oil and Gas segment by 19% in FY 2013-14 over FY 2012-13, due to loss of gas compression export orders and delayed execution of BRDM Project.
- The Railway segment suffered on reduced revenue by 12% in FY 2013-14 over FY 2012-13 due to delay in the execution of some key projects.

Automotive :

- Your Company followed the declining market trend in FY 2013-14 with volume declining 19%. However, its market share increased by ~1%, partially because of the increased market share of its major customer and increased penetration in segments other than the major (HCV - >16T Goods) segment.

Distribution :

- The Distribution Business witnessed a drop of 1% in FY 2013-14. The spare parts business remained flat on account of continued slow economic growth and reduced engine utilization by key power generation customers. On the other hand, Service Solutions business witnessed growth on account of long term mining contracts. Rebuilt Engines, New Engines and ancillary parts contracted due to softness in the economy.

Exports :

- Your Company supplied record number of Heavy Duty Engines to Brazil 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 FY 2013-14**Power Generation :**

- Building on its potential as a key global hub for low horsepower generators, your Company, apart from starting production from its dedicated Export facility at the Megasite SEZ, has launched a number of new offerings for global distributors like telecom application product, mobile genset, Gas product and product range extension (140-175 kVA).

Industrial :

- Your Company acquired new business for the 6 litre engine in the wheel loader application which will help the Construction segment.
- Your Company has launched the 14 litre electronic engine with a major OEM for export to China.
- Your Company has also successfully executed the shipment of 60 litre engines for a new boiler feed pump application which has been an unaddressed market segment so far.
- Your Company was able to technically qualify for the 1.2 MWe, powered by the 60 litre engine, which has given a breakthrough entry into the Indian Naval segment with the new application.
- Your Company was able to execute orders for the 14 litre, 19 litre and the 28 litre in the COD Pump and Mud Pump applications respectively, in the Oil and Gas segment.
- Your Company executed major orders for the Indian Defense segment for FAT segment and proto engine for the alternative to Bofors gun application. This will provide an opportunity for further success in the latter application in FY 2014-15.

Automotive :

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

Distribution :

- Your Company has reorganized the sales structure to a more customer centric approach with segment wise focus on key accounts, dealer accounts and retail accounts.
- Your Company has undertaken a pan-India customer reach improvement project with the dealerships to improve post warranty customer engagement.

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 has started seeding CPCB II generator products across the country. These products are designed to fit the market requirements with a lower footprint, TCO improvement, and better block loading for majority of the portfolio.
- Bulk orders were received from key distributors in Africa and Latin American Operations Regions.

Industrial :

- Your Company was able to achieve a record billing in the Compressor segment which helps to sustain its market leadership in the water well drill rig segment.
- Your Company was able to achieve a 4% growth in the Construction segment in spite of significant slowdown in infrastructure projects. This was due to the focus on capturing indirect exports with global OEMs in India.
- Your Company was able to ship the 60 litre engine for the Pumps segment for the boiler feed pump application. This will open up new avenues in the new market for the boiler feed pump applications. Moreover, this Project and focus on new business resulted in a growth of 34% in FY 2013-14 over FY 2012-13.
- Your Company was able to achieve execution for an alternate solution to the Bofors gun and participation in re-power opportunities along with major players in the market. This resulted in a 32% increase in the segment's performance in FY 2013-14 over FY 2012-13.

Distribution :

- The Net Promoter Score, a measure of customer loyalty improved from 63% in FY 2012-13 to 65% in FY 2013-14. Contributors to this improvement were : -
 - Implementation of the Common Dealer Operating System (CDOS) : Capturing every service event for tracking and improving the response levels to the Customers, scheduling service events in advance and improving the parts availability by replenishing parts stocks automatically.
 - Focus on Customer Loyalty and Customer Support Matrix : Customer Focused Six Sigma projects, Customer Experience Improvement Activities at dealerships by our trained Customer Experience Improvement Teams, increased capacity of trained Diploma Engineer Trainees at dealer locations to bridge the gap between required and available field support and training and development of technical skills of engineers and technicians to ensure the jobs are done Right First Time.

- The Distribution Business Unit of your Company embarked on a nation-wide campaign 'Catch Them Young' in August 2013 to reinforce awareness amongst the future citizens of our country about how important it is to protect the environment in a sustainable manner. In FY 2013-14, the program set forth a significant target of reaching out to 200,000 school children across various locations in India. The campaign started in Mumbai and was spread to 75 other locations.
- 'Environmental Challenge Award for 2013' conferred by the Cummins Inc. Chairman was won by Distribution Business Unit.
- The Distribution Business Unit has achieved savings from Six Sigma projects along with execution of 40 Customer Focused Six Sigma Projects. Most of the projects were aligned with key Business initiatives such as NPS Improvement, Supply Chain Transformation, and profitable Growth and Partnering with Channel partners to make them succeed.
- Distribution Business Unit has 41 green belt certified, 4 black belt certified and 217 trained belts to take the Six Sigma journey to the next level as of FY 2013-14.

Exports :

- Your Company received the Star Performer National Award for Export Excellence 2012-13. The Award was received in the Product Group of Engines, Turbines and Parts : Large Enterprise.

4. Outlook and Initiatives for the Current Year and Thereafter

Power Generation :

- Domestic market sentiments continue to be weak for capital goods which includes the genset market in the short term. The domestic power generation business is unlikely to see volume increase in the forthcoming financial year. However, with the increased export offerings, your Company is more optimistic about its low kVA exports business.
- With CPCB implementing more stringent environmental norms in the current financial year, your Company is positioned favorably in the competitive landscape as pioneers in producing engines with higher fuel-efficiency and cleaner technology. This will however lead to significant cost increase and subsequent price increases.

Industrial :

- Indirect exports will drive growth while the domestic market could improve in second half of FY 2014-15. We are seeing the growth of indirect exports by global OEMs such as JCB, Hyundai (also Direct) and Dynapac.
- Your Company is expected to sustain market share and leadership in Water Well Compressors. It will continue to sustain the 8.9 and 9 litre applications.
- Coal India production is expected to increase by 40 million tonnes (~8%) due to new mines clearances: The new mines which have been cleared are : CCL Katahar Open Cast Mine, WCL Chhinda expansion, Bhakra underground, Ukni Deep Open Cast and BCCL Dhanbad projects. Your Company is expected to retain market share in 2014.
- Strong Indian Navy order board and new tenders from the Coast Guard are expected in 2014. Market share improvement over 2013 through entry into 1.2 MW DG set powered by the 60 liter engine.
- Growth in Fire Fighting Pumps demand due to implementation of MB Lal Committee Report to deploy Fire Protection Systems at Oil Depots across the country. Market share is expected to increase in 2014.
- The CGD market is expected to increase over 2013 due to higher gas pricing reducing demand from power sector and increasing availability for CGD. Your Company continues to strive to increase performance by executing offshore orders and entry in onshore drilling to drive growth in 2014.

- Increasing thrust for indigenization from the Ministry of Defense is creating opportunities – tenders are expected in H2-2014. Your Company is developing capabilities for growth, new opportunities being pursued in the Self Propelled Gun, Infantry Combat Vehicle (tracked vehicle) and Spying Vehicle - segments.

Automotive :

- The M&HCV Market outlook for FY 2015 is uncertain owing to the lack of investments in infrastructure development and policy actions from the government.
- Though the mining bans have been lifted in some States, its full impact is yet to be seen after all the clearances are granted.
- Major decisions like excise duty benefit continuation and stoppage of fuel price hike will help determine the market growth but the final decision depends on the political scenario.
- Future outlook is going to be determined by the new government post the General Election and its policy actions.
- Your Company will continue to support its key customers through its emissionized and competitive product portfolio.

Distribution :

- During FY 2013-14, 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 a pan-India basis. This IT platform will also improve post warranty customer engagement by building CRM capability and business intelligence.
- The Distribution Business Unit has undertaken a pan-India wide customer reach improvement project with the dealerships to improve post warranty customer engagement.

Exports :

- Your Company is focused on increasing the export sales of its products. Your Company is positioned strongly in all its export 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

- Inflationary pressures are likely to continue. Industrial activity continues to be a drag on the economy, with retrenchment in both consumption and investment demand.
- Export growth hinges on growth in demand in partner countries which needs to be closely monitored.
- Further tightening of the global liquidity as US tapers its bond-buying program could be a likely risk to the Indian economy.

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 net revenue from operations dropped 13% to ₹ 397,667 Lacs and profit before tax dropped by 22% to ₹ 81,751 Lacs.

Total employee cost was ₹ 33,962 Lacs as compared to ₹ 33,862 Lacs during the previous year. The depreciation charge increased from ₹ 4,725 Lacs during the previous year to ₹ 5,275 Lacs during the year under review. Finance Cost (including bank charges) decreased to ₹ 418 Lacs as compared to ₹ 461 Lacs in the previous year.

Fixed Assets :

Additions to the Fixed Assets block during the year ended March 31, 2014 were ₹ 48,263 Lacs (₹ 7,796 Lacs in the previous year). The addition of ₹ 48,263 Lacs consists mainly of Buildings amounting to ₹ 37,552 Lacs, Plant and machinery worth ₹ 6,861 Lacs and Freehold land worth ₹ 2,165 Lacs. The depreciation block as of March 31, 2014 was ₹ 59,283 Lacs as compared to ₹ 54,804 Lacs as at March 31, 2013. The deductions/disposals during the year amounted to ₹ 1,212 Lacs as compared to ₹ 679 Lacs in the previous year. Consequently, the net fixed asset block increased to ₹ 91,915 Lacs as of March 31, 2014 as compared to ₹ 49,343 Lacs as at March 31, 2013.

The estimated amount of contracts remaining to be executed on capital account and not provided for, as of March 31, 2013 was ₹ 30,900 Lacs, and your Company believes that it will be able to fund them internally.

Investments :

Investments decreased from ₹ 62,757 Lacs in March 31, 2013 to ₹ 49,535 Lacs as on March 31, 2014. The net decrease was due to investments that we made at the Cummins Megasite and in the India Office Campus that we acquired and have occupied, at Balewadi Pune. We maintained a dividend distribution to our shareholders at 650% which absorbed ₹ 42,160 Lacs after dividend distribution tax.

8. Human Resources Development and Industrial Relations

The total number of employees stands at 3,395 as on March 31, 2014.

Leadership Excellence :

In building Leadership Excellence across the organization, your Company has continued to cascade the five critical Leadership Skills, covering 900 managers in the Coaching and Developing session, and 800 managers in the session on Fostering Open Communications. In addition, 375 managers underwent the Leadership Conversations sessions. This year, 93 employees were sponsored for higher education, at your Company's partner institutions such as The Kelley School of Business at the Indiana University in the US, the "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 your Company.

Hire-To-Develop and Seamless Talent Deployment :

To help develop talent in a more integrated manner, your Company has launched the Global Internal Moves policy and iRecruit. These are automated systems that allow your Company's employees to view growth opportunities in India and other parts of the world. Another important initiative under Hire-to-Develop philosophy involves presenting growth opportunities to employees to develop themselves by taking on responsibilities across functions and businesses. Approximately 387 professional employees moved into different roles or functions, within the group.

Campus Hiring :

Continuing the focus around employing the right talent at the entry level and developing them for future roles within the organization, this year, your Company hired 186 employees from Engineering, CA, MBA and MTech fields in 2013. Over 113 engineers went through the Young Managers Development Program (YMDP). Around 117 women were hired in 2013 (which is 62.9 % of total hires in 2013), thus showcasing the commitment towards gender 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 and 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.

In addition to the above mentioned colleges, your Company has also tied-up with the Indian School of Business (ISB) – Hyderabad, one of India's premiere business schools, to hire talented students and groom them for leadership roles. The first batch will join shortly.

Employee Engagement :

- Your Company designed The Global Employee Engagement Survey to understand what drives engagement of the employees. This was designed to gather feedback which will help in understanding what your Company does well in driving engagement and where further improvements are needed.
- Your Company's Engagement Index is 84, as against the India industry benchmark of 79, which is one of the highest scores as compared to other global companies of similar size. It is encouraging that your Company's employees feel a high level of engagement within Cummins as a whole, and also within India. Overall, it has been fulfilling to see the employees' willingness to walk the extra mile for the Company.
- To improve the engagement levels of your Company's employees, based on the survey results, your Company has taken up 3 projects for the professional employee segment and 5 projects for the shop employee segment as mentioned below to drive improvements to create the right environment :

- Empowerment and authority to take decisions (Professional/ Shop)
- Career growth and development opportunities (Shop)
- Uniform distribution of workload (Professional/ Shop)
- Improve understanding of departmental goals (Shop)
- Reinforce role of managers (Professional/ Shop)

Diversity :

Your Company has continued its focus on Growing Women in Leadership Roles initiative. Given the impact of diversity as a powerful business driver, your Company has continued to focus on diversity as a Core Value. Improving Gender Representation, especially in the Middle and Senior Management group, has been chosen as an area of focus. Last year we worked extensively with a group of leaders to prepare a comprehensive roadmap for Improving Women Leadership Representation. However, your Company is careful not to encourage any reservation system and all selections are made on the basis of merit. The efforts of the past eight years in increasing representation and greater inclusion of women at the workplace at all levels of the organization are more visible with representation at professional levels at 28%.

Your Company has invested in the Cummins Collaborative Workplace (CCW) Project at the new India Office Campus (IOC). Collaborative Workplaces are not only about cost-effective infrastructure preparing your Company for a progressive growth outlook, but it also allows employees the freedom and flexibility to do their best work. CCW reflects your Company's commitment to diversity as one of its core values and demonstrates an endeavor to create a workplace that caters to the diversity of organizations and individual work styles while providing a variety of workspace options to encourage innovation and collaboration. A total of 910 employees have moved to the new campus.

Megasite Update :

At the Cummins Megasite, living up to the spirit of 'One Cummins', your Company continues to invest in Team Based Work Systems (TBWS), which create an inclusive environment in all its plants. In order to strengthen team spirit among the shop-floor employees at the Megasite, TBWS Day was celebrated. Your Company has achieved 20% female representation amongst the shop-floor employees at the Megasite.

The Women's Affinity Group at the Megasite organized various sessions on self-defence, health and fitness, pre-marital counselling, contraceptives, early pregnancy support, awareness of various chronic ailments, stress management and leadership. This was in addition to the periodical Focus Group Discussions and interactive inter-entity competitions encouraging creativity among the employees. A rally on Environment Protection was organised at Phaltan on the occasion of the second anniversary of the Megasite Foundation Day. In alignment with ensuring performance-driven culture at the Megasite, Performance Management System (PMS) was rolled out for associates. TBWS Benchmarking visits are being conducted in alignment with creating an agile workforce. Infrastructure facilities like the Learning Center, Creche and Health Center are already in progress.

Right Environment :

During the course of the year, your Company honored instances of exemplary allegiance to the six Core Values, namely, Integrity, Innovation, Delivering Superior Results, Diversity, Global Involvement and Corporate Responsibility, along with Six Sigma, Customer Support Excellence and Health, Safety and Environment. The winners were recognized at the CMD (Chairman and Managing Director) Awards Function, an annual event which is now in its eighth year. During this year, your Company hosted the third Management Conference and held a dedicated communication session for more than 350 senior leaders across your Company. 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. Our efforts to have all employees understand and commit to the 'Cummins Code of Business Conduct' and 'Treatment of Each Other at Work' Policy continues. This remains the core in creating and sustaining the right environment for all our stakeholders, both inside and outside the organization.

Health and Awareness initiatives :

Your Company held communication sessions as a pre- launch of the Health and Wellness initiative across India, in all entities and locations. The purpose of these sessions was to explain the importance of taking responsibility of one's own health and also the entire journey of this initiative and how it would help the employees. A well geared team including Wellbeing Council, Core Team and Health Champions ensured that your Company reached out to more than 98% of its employees. This was followed by a Biometric and Health risk assessment study at the workplace. The Biometric profile included basic blood investigations and the health risk assessment covering the basic information of the health, lifestyle and the family history of an individual. The entire initiative was supported by Vantage Health and Benefits Consulting Private Ltd. who ensured total confidentiality, as per medical norms. Each and every employee who participated in this initiative received a wellness roadmap and was explained the importance of each parameter impacting his or her health and the corrective actions to be taken by the individual in order to take his health to the next level. For the organization as a whole there are many initiatives identified which will have a larger impact on the health of the employees and their families.

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 stakeholders. Integrity, transparency and compliance with regulations in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Code of Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency and accountability at all levels in the organisation.

2. BOARD OF DIRECTORS :

Composition of the Board of Directors :

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

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

During the year, Mr. Edward Pence and Mr. Rajasekhar Menon were appointed as Additional Directors of the Company w.e.f. May 10, 2013 and August 3, 2013 respectively. Mr. Edward Pence is appointed as a Director in the Annual General Meeting held on August 1, 2013. Mr. J. M. Barrowman has been appointed as an Alternate Director to Mr. Edward Pence w.e.f. May 10, 2013. In its Meeting held on May 10, 2013, the Board of Directors noted the presence of Mr. Patrick Ward in the State of Maharashtra, India during May 6, 2013 to May 10, 2013 and consequent cessation of Mr. Pradeep Bhargava as an Alternate Director to Mr. Patrick Ward effective May 6, 2013. The Board, at its Meeting held on May 10, 2013 confirmed appointment of Mr. Pradeep Bhargava, as an Alternate Director to Mr. Patrick Ward effective May 11, 2013 upon return of Original Director (Mr. Patrick Ward) to U.S.A. In its Meeting held on November 7, 2013, the Board of Directors noted the presence of Mr. Edward Pence in the State of Maharashtra, India during November 5, 2013 to November 9, 2013 and consequent cessation of Mr. J. M. Barrowman as an Alternate Director to Mr. Edward Pence effective November 5, 2013. The Board, at its Meeting held on November 7, 2013, confirmed appointment of Mr. J. M. Barrowman, as an Alternate Director to Mr. Edward Pence effective November 9, 2013 upon return of Original Director (Mr. Edward Pence) to the U.S.A.

Cessations :

Mr. Mark Levett and Mr. James Kelly stepped down as Directors of the Company w.e.f. May 9, 2013 and August 2, 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 10, 2013, August 1, 2013, September 2, 2013, November 7, 2013 and February 4, 2014.

Composition and Category of Directors :

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	Member	Chairman	Member
Mr. Anant J. Talaulicar	Promoter Executive	2	4	—	3
Mr. Antonio Leitao	Promoter Non-executive	—	—	—	—
Mr. Edward Pence	Promoter Non-executive	—	—	—	—
Mr. Patrick Ward	Promoter Non-executive	—	—	—	—
Mr. Rajasekhar Menon	Promoter Non-executive	—	1	—	—
Mr. Rajeev Bakshi	Independent Non-executive	—	1	—	1
Mr. P. S. Dasgupta	Independent Non-executive	—	9	2	5
Mr. Nasser Munjee	Independent Non-executive	2	9	4	3
Mr. Prakash Telang	Independent Non-executive	1	6 #	—	1
Mr. Venu Srinivasan	Independent Non-executive	4	8	1	1
Mr. J. M. Barrowman	Alternate Director to Mr. Edward Pence	—	—	—	—
Mr. Pradeep Bhargava	Alternate Director to Mr. Patrick Ward	—	7	2	3*

- Notes :
- As on March 31, 2014, 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.
 - Directorships in Foreign Companies, Private Limited Companies and companies under Section 25 of the Companies Act, 1956 are excluded in the above table.
 - For the purpose of reckoning the limit, membership of Audit Committee and Shareholders and Investors Grievances Redressal Committee has been considered.

*Includes one membership in the Audit Sub-committee.

Includes one nominee Directorship

Attendance at the Board Meetings and AGM :

During the year, (i) Mr. Anant J. Talaulicar attended all 5 meetings, (ii) Mr. Prakash Telang attended 4 meetings, (iii) M/s. Nasser Munjee, P. S. Dasgupta and Venu Srinivasan attended 3 meetings, (iv) M/s Antonio Leitao and Rajeev Bakshi attended 2 meetings and (v) M/s. Edward Pence, Patrick Ward and Rajasekhar Menon attended 1 meeting.

Mr. Pradeep Bhargava (Alternate Director to Mr. Patrick Ward) attended 4 meetings and Mr. J. M. Barrowman (Alternate Director to Mr. Edward Pence) attended 2 meetings.

Mr. Anant J. Talaulicar, Mr. Nasser Munjee, Mr. Prakash Telang, Mr. Rajeev Bakshi, Mr. Pradeep Bhargava, Alternate Director to Mr. Patrick Ward and Mr. J. M. Barrowman, Alternate Director to Mr. Edward Pence attended the Annual General Meeting (AGM) held at Yashada, MDC Auditorium, Baner Road, Pune 411007 on August 1, 2013, at 12.00 noon, while M/s. Antonio Leitao, James Kelly, P. S. Dasgupta and Venu Srinivasan 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 5 Independent Directors – M/s. Nasser Munjee (Chairman), P. S. Dasgupta, Rajeev Bakshi, Prakash Telang and Venu Srinivasan; 1 Promoter / Executive Director – Mr. Anant J.

Talaulicar and 1 Promoter / Non-Executive Director – Mr. Patrick Ward. Mr. Venu Srinivasan was appointed as a Member of Finance and Audit Committee w.e.f. May 11, 2013.

The Finance and Audit Committee had 5 meetings during the year on May 10, 2013, August 1, 2013, September 2, 2013, November 7, 2013 and February 4, 2014. During the year, (i) Mr. Anant J. Talaulicar attended all 5 meetings; (ii) Mr. Prakash Telang attended 4 meetings; (iii) M/s. Nasser Munjee and P. S. Dasgupta attended 3 meetings; (iv) M/s. Rajeev Bakshi and Venu Srinivasan attended 2 meetings and (v) Mr. Patrick Ward attended 1 meeting.

The Committee reviewed the balance sheet and statement of profit & loss, audited financial results for the year ended March 31, 2013 and un-audited financial results for the quarters ended June 30, 2013, September 30, 2013 and December 31, 2013. 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 2012-13, (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) Monitoring of the Code of Conduct and (xii) Forex Management Policy. The Ethics and related matters are presented at the Finance and Audit Committee Meeting by the Vice President – Legal & Secretarial.

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 remuneration. 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, the Company Secretary 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 4 Directors - Mr. Prakash Telang (Chairman), Mr. P. S. Dasgupta, Mr. Anant J. Talaulicar and Mr. Venu Srinivasan. During the year, Mr. Venu Srinivasan was appointed as a Member of Shareholders / Investors Grievance Committee w.e.f. May 11, 2013.

During the year, 4 meetings of the Shareholders / Investors Grievance Committee were held on May 10, 2013, August 1, 2013, November 7, 2013 and February 4, 2014. During the year, (i) Mr. Anant J. Talaulicar attended all 4 meetings; (ii) Mr. Prakash Telang attended 3 meetings; (iii) Mr. P. S. Dasgupta attended 2 meetings and Mr. Venu Srinivasan 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, 2013 to March 31, 2014 :

Sr. No.	Nature of complaint	No. of complaints
1.	Non-receipt of Annual Reports	2
2.	Non-receipt of Dividend Warrants	2
3.	Non-receipt of Share Certificates	0
	Total	4

Number of complaints pending with the Company : NIL

Number of pending share transfers : NIL

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

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 Independent Directors for the year April 1, 2013 to March 31, 2014 :

₹ in Lacs

Name of the Director	Sitting fees	Commission	Total
Mr. Nasser Munjee	1.20	5.00	6.20
Mr. P. S. Dasgupta	1.40	5.00	6.40
Mr. Prakash Telang	1.90	5.00	6.90
Mr. Rajeev Bakshi	0.80	5.00	5.80
Mr. Venu Srinivasan	1.10	5.00	6.10

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2013 to March 31, 2014.

₹ in Lacs

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	0.12	—	15.00	0.12	—	9.29	24.53

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 :

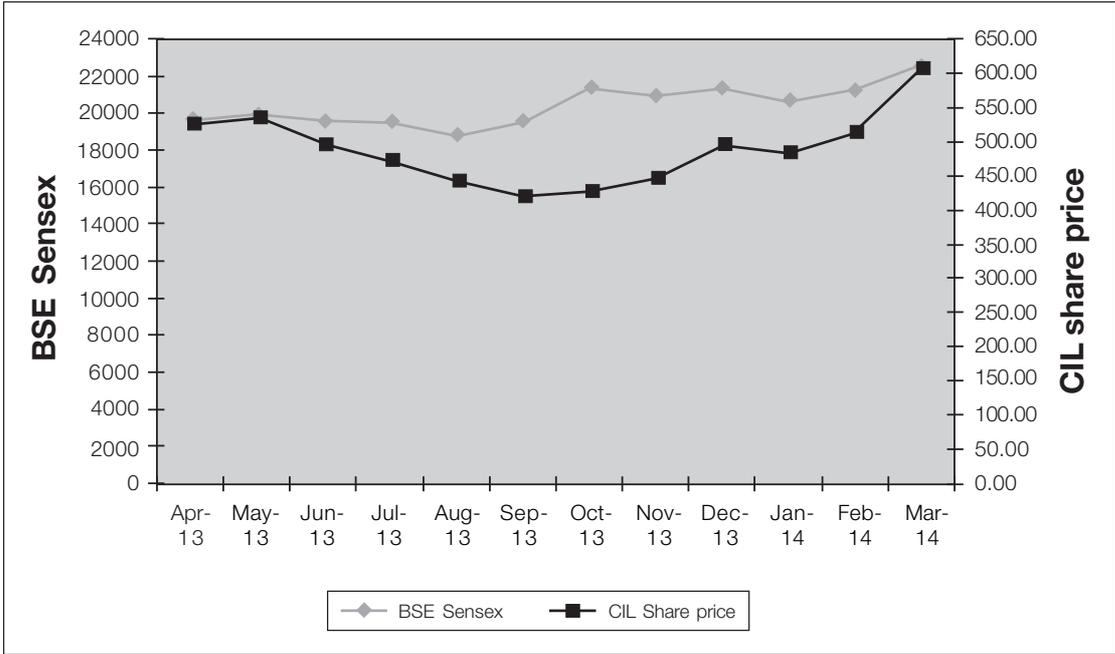
Registered Office	Kothrud, Pune 411 038. Phone No. : (020) 25385435, 25380240 Fax No. : (020) 25380125 Website : www.cumminsindia.com	
Annual General Meeting	Date and Time : August 1, 2014 at 12:00 noon Venue : Yashada, MDC Auditorium, Baner Road, Pune 411 007	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2014 – By first week of August, 2014 ■ Results for quarter and half year ending September 30, 2014 – By second week of November, 2014 ■ Results for quarter and nine months ending December 31, 2014 – By first week of February, 2015 ■ Results for the year ending March 31, 2015 – By second week of May, 2015 	
Dates of Book Closure	July 26, 2014 to August 1, 2014 (both days inclusive).	
Interim dividend payment date	March 4, 2014	
Final Dividend payment date	August 28, 2014 (Subject to approval of shareholders)	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai : 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2014-15.	

Market price data: High, Low during each month in the Financial Year 2013-14

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2013	521.00	472.00	April 2013	522.00	470.00
May 2013	530.35	442.50	May 2013	530.80	441.55
June 2013	492.00	437.05	June 2013	476.65	436.95
July 2013	467.00	402.00	July 2013	468.00	402.10
August 2013	440.00	365.05	August 2013	439.85	369.10
September 2013	416.95	376.40	September 2013	417.05	375.00
October 2013	424.60	388.00	October 2013	424.85	388.20
November 2013	443.00	392.00	November 2013	443.20	391.50
December 2013	490.75	418.00	December 2013	491.00	417.70
January 2014	481.00	423.25	January 2014	482.00	422.45
February 2014	508.20	431.60	February 2014	508.95	430.25
March 2014	601.50	482.90	March 2014	605.00	481.55

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, 2014.
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Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2013-14



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) 25946970 Fax No. (022) 25946969 Contact Person : Mrs. Maheshwari Patil E-mail:maheshwari.patil@linkintime.co.in / rnt.helpdesk@linkintime.co.in Time:- 1000 to 1600 hours (Monday to Friday excluding 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, 2014	Category	No. of shares of ₹ 2/- each	% of shareholding
	Promoters	141,372,683	51.00%
	Mutual Funds	27,271,853	9.84%
	Banks / Financial Institutions / Insurance Companies	20,502,746	7.40%
	Foreign Institutional Investors (FIs)	51,055,920	18.42%
	Corporate Bodies	9,791,280	3.53%
	Indian Public	26,410,710	9.53%
	NRIs	794,808	0.28%
	TOTAL	277,200,000	100.00

Distribution of shareholding within various categories (as on March 31, 2014)

Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1 - 500	32,347	3,132,529	1.13
501 - 1,000	2,691	1,898,416	0.68
1,001 - 5,000	3,552	7,923,710	2.86
5,001 - 10,000	898	6,764,188	2.44
10,001 - 50,000	465	9,713,740	3.50
50,001 - 100,000	72	4,925,034	1.78
100,001 and above	150	242,842,383	87.61
Total	40,175	277,200,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2014).	98.66% 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 to those Shareholders who have not yet claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each.
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

Plant locations	<p>1. Kothrud, Pune 411 038.</p> <p>2. Plot No. 206/2, Off. Nagar Road, Haveli, Pune 411 014.</p> <p>3. Gat No. 311/B&1B, Kasar Amboli 412 111, Dist. Pune, Maharashtra.</p> <p>4. 35A/1/2 Erandwane, Pune 411 038.</p> <p>5. MIDC Phaltan, Village Survadi, Dist. Satara, Maharashtra.</p>
Address for correspondence	<p>Registered Office : Kothrud, Pune 411 038 Tel: 020 25385435 Fax : 020 25380125</p> <p>Corporate Office : Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411 045, Maharashtra, India Tel: 020 67067000 Fax : 020 67067015</p> <p>1) Mr. Pradip Phansalkar, Sr. Manager, Secretarial E-mail - pradip.s.phansalkar@cummins.com</p> <p>2) Mr. Trivikram Guda, General Manager - Legal & Company Secretary E-mail - trivikram.guda@cummins.com</p> <p>Registrar and Transfer Agent : Link Intime India Private Limited Please refer details above for address / contact details etc.</p>

6. ANNUAL GENERAL MEETINGS (AGMs) :

Particulars	FY 2010 – 2011	FY 2011 – 2012	FY 2012 – 2013
Date and Time	04.08.2011 at 12 noon	02.08.2012 at 12 noon	01.08.2013 at 12 noon
Venue	Yashada, MDC Auditorium, Baner Road, Pune 411 007	Hotel Le Meridien, Raja Bahadur Mill Road, Pune 411 001	Yashada, MDC Auditorium, Baner Road, Pune 411 007

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

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

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.

At its Annual General Meeting held on August 1, 2013, the members of the Company passed a Special Resolution for appointment of Mr. Pradeep Bhargava, Alternate Director to Mr. Patrick Ward, as an advisor to the Company on retainership basis pursuant to Section 314 of the Companies Act, 1956 on an aggregate remuneration of not exceeding ₹ 40 Lacs (₹ Forty Lacs) for a period starting from April 1, 2013 to April 30, 2014.

- **Postal Ballot:** No resolution was passed through Postal Ballot during the Financial Year 2013-14 or is being proposed at the ensuing Annual General Meeting.

7. DISCLOSURES :

- i) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large.
- ii) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties / strictures have been imposed against it in the last 3 years.
- iii) None of the Directors of the Company are related to each other.
- iv) The Company has complied with the mandatory Corporate Governance requirements of Clause 49 of the Listing Agreement.
- v) The Company released a Whistle Blower Policy during the Financial Year 2003-2004 which is a non-mandatory requirement as per Clause 49 of the Listing Agreement. No person has been denied access to the Finance and Audit Committee under the Whistle Blower Policy.

8. MEANS OF COMMUNICATION :

- The quarterly shareholding pattern and quarterly / half-yearly / yearly unaudited / audited financial results were posted on the Company's website www.cumminsindia.com.
- The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.
- The annual audited and quarterly / half-yearly unaudited financial results for the year ended March 2013 and quarters ended June, September and December 2013 were published in Business Standard and Maharashtra Times.
- Transcript of Conference calls with the Analysts held on May 13, 2013, August 2, 2013, November 8, 2013 and February 5, 2014 and the Chairman's Presentation to the Shareholders made at the AGM held on August 1, 2013 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 2013-14.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Mumbai : May 22, 2014

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, 2014, 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 : Palermo, Italy
Date : May 22, 2014

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, 2014, 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 notified under the Companies Act, 1956 of India (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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 and other applicable authoritative pronouncements 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, 2014;
 - (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 notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, 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

Palermo, Italy
May 22, 2014

Annexure to Independent Auditors' Report

Referred to in paragraph 7 of the Independent 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, 2014

- 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 programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies 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 or from 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), (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 and sales tax as at March 31, 2014 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	4,840	2007-2008 and 2008-2009	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	5,384	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

- 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 funds 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

Palermo, Italy
May 22, 2014

Balance Sheet as at March 31, 2014

₹ Lacs

Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	5,544	5,544
Reserves and Surplus	3	250,971	233,129
		<u>256,515</u>	<u>238,673</u>
Non-current Liabilities			
Deferred Tax Liabilities (Net)	10	4,651	3,278
Long-term Liabilities	4	2,019	1,914
Long-term Provisions	5	11,709	12,935
		<u>18,379</u>	<u>18,127</u>
Current Liabilities			
Trade Payables (Note 27)		48,511	54,934
Other Current Liabilities	6	18,567	20,346
Short-term Provisions	7	35,301	34,882
		<u>102,379</u>	<u>110,162</u>
	TOTAL	<u>377,273</u>	<u>366,962</u>
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	8	91,752	48,958
Intangible Assets	8	163	385
Capital Work-in-progress		9,576	12,079
Non-current Investments	9	5,339	5,339
Long-term Loans and Advances	11	68,795	47,263
		<u>175,625</u>	<u>114,024</u>
Current Assets			
Current Investments	12	44,196	57,417
Inventories	13	55,134	53,035
Trade Receivables	14	78,203	85,499
Cash and Bank Balances	15	8,649	35,465
Short-term Loans and Advances	16	15,250	20,619
Other Current Assets	17	216	903
		<u>201,648</u>	<u>252,938</u>
	TOTAL	<u>377,273</u>	<u>366,962</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

Palermo, Italy
Date: May 22, 2014

Mumbai
Date: May 22, 2014

₹ Lacs

Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note No.	Year Ended March 31, 2014	Year Ended March 31, 2013
Revenue from operations (gross)	18	432,510	489,999
Less : Excise duty		34,843	31,061
Revenue from operations (net)		397,667	458,938
Other income	19	17,771	20,672
Total Revenue		415,438	479,610
Expenses:			
Cost of materials consumed (Note 36)		228,084	270,181
Purchases of traded goods (Note 37)		14,843	18,543
Change in inventories of finished goods, work-in-progress and traded goods	20	(516)	19
Employee benefits expense	21	33,962	33,862
Finance costs	22	418	461
Depreciation and amortization expense		5,275	4,725
Other expenses	23	51,621	52,845
Total expenses		333,687	380,636
Profit before exceptional items and tax		81,751	98,974
Exceptional items	24	—	6,159
Profit before tax		81,751	105,133
Tax expense			
Current tax [including (excess)/short provision of tax relating to earlier years (₹ 433 lacs) (previous year ₹ 3,550 lacs)]		20,377	24,749
Deferred tax (including reversal of deferred tax asset of ₹ 454 lacs (previous year ₹ 3,203 lacs))		1,372	3,973
Total Tax Expense		21,749	28,722
Profit after Tax		60,002	76,411
Basic and diluted Earnings per share (₹) (Nominal value per share ₹ 2)	25	21.65	27.57

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
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Jeetendra Mirchandani
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Director

Trivikram Guda
General Manager Legal & Company Secretary

Palermo, Italy
Date: May 22, 2014

Mumbai
Date: May 22, 2014

Cash Flow Statement for the year ended March 31, 2014

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
I. Cash flows from operating activities :			
Cash generated from operations	59,318		79,432
Tax paid (net of refunds)	<u>(23,081)</u>		<u>(26,571)</u>
Net cash provided by operating activities		36,237	52,861
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(47,179)		(22,882)
Sale	396		1,404
Interest received	5,293		1,353
Dividend received	6,010		6,886
Investments			
Purchase	(172,858)		(196,962)
Sale/redemption	187,751		199,981
Sale of Long Term (Trade) Investments	—		6,355
Investment in bank deposits (having original maturity of more than three months)	(2,520)		(31,001)
Redemption / Maturity of bank deposits (having original maturity of more than three months)	28,501		13,002
Net cash used for investing activities		5,394	(21,864)
III. Cash flows from financing activities :			
Finance cost	(418)		(461)
Dividend paid (including tax on dividend)	<u>(42,160)</u>		<u>(35,439)</u>
Net cash used for financing activities		(42,578)	(35,900)
IV. Net change in cash and cash equivalents (I+II+III)		(947)	(4,903)
V. Cash and cash equivalents at the beginning of the year		6,619	11,522
Cash and cash equivalents at the end of the year (IV+V)		5,672	6,619

Cash Flow Statement for the year ended March 31, 2014 (Contd.)

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
1) Cash generated from operations has been arrived at as follows :			
Profit before exceptional items and tax		81,751	98,974
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation and amortization	5,275		4,725
Finance Costs	418		461
Interest income (gross)	(4,605)		(1,760)
Dividend earned (gross)	(6,010)		(6,886)
(Gain)/Loss on assets sold, discarded etc.	20		(1,185)
Gain on redemption /sale of investments (net)	(1,672)		(6,215)
Provision for doubtful debts	207		147
		(6,367)	(10,713)
b) Changes in working capital and other provisions :-			
Trade Receivable	7,089		(17,811)
Inventories	(2,099)		3,726
Loans and Advances	(12,039)		(7,269)
Trade Payable	(6,423)		3,274
Long term liabilities	105		444
Other current liabilities	(1,892)		5,163
Provisions	(807)		3,644
		(16,066)	(8,829)
Total adjustments (a+b)		(22,433)	(19,542)
Cash generated from operations		59,318	79,432

- 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, 2014 (Contd.)

	₹ Lacs	₹ Lacs	₹ Lacs
	2013-14	2012-13	2011-12
3) Cash and cash equivalents comprise :			
Cash in hand	3	4	4
Balances with bank on current account	5,669	6,615	7,518
Balances with bank on deposit account (less than 3 months maturity)	—	—	4,000
Total	<u>5,672</u>	<u>6,619</u>	<u>11,522</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

Palermo, Italy
Date: May 22, 2014

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 22, 2014

Nasser Munjee
Director

Notes to Financial Statements for the year ended March 31, 2014

1. Summary of Significant accounting policies

a) Basis of preparation of financial statements

- (i) These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to circular 15/2013 dated 13.09.2013 read with circular 08/2014 dated 04.04.2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing accounting standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with accounting standards notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other 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. Subsequent expenditures related to an item of Fixed Asset are added to its book value only if they increase the future benefits from the existing assets beyond its previously assessed standard of performance.

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.

Notes to Financial Statements for the year ended March 31, 2014

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.

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 based on confirmation received from customers.
- (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.

Notes to Financial Statements for the year ended March 31, 2014

(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, 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, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ 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, 2014		As at March 31, 2013	
	No. of Shares	₹ Lacs	No. of Shares	₹ Lacs
Balance as at the beginning and end of the year	277,200,000	5,544	277,200,000	5,544

b. Rights, preferences and restrictions attached to shares

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

c. 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, 2014		As at March 31, 2013	
	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)	17,927,497	6.47%	21,522,801	7.76%

e. Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2014) :

Equity shares allotted as fully paid up bonus shares by capitalization of Free Reserves	Year	No. of Shares
	31 March 2014	—
	31 March 2013	—
	31 March 2012	79,200,000
	31 March 2011	—
	31 March 2010	—

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
3. Reserves and surplus		
Capital Redemption Reserve Account	70	70
General Reserve		
Balance as at the beginning of the year	108,202	100,561
Add: Transferred from surplus in Statement of Profit and Loss during the year	6,000	7,641
Balance as at the end of the year	114,202	108,202
 Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	124,857	98,140
 Profit for the Year	60,002	76,411
Less: Appropriations		
Proposed Dividend (₹ 8 per share (previous year ₹ 8 per share))	22,176	22,176
Interim Dividend (₹ 5 per share (previous year ₹ 5 per share))	13,860	13,860
Dividend Distribution Tax	6,124	6,017
Transfer to General Reserve	6,000	7,641
Total appropriations	48,160	49,694
Balance as at the end of the Year	136,699	124,857
Total	250,971	233,129
 4. Long-term Liabilities		
Dealer Deposit	1,209	1,180
Unearned revenue	528	324
Others	282	410
Total	2,019	1,914
 5. Long-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Note 43)	3,887	4,750
	3,887	4,750
 Other provisions (Note 33)		
Provision for warranties	5,590	5,928
Provision for statutory matters	1,670	1,670
Provision for New Engine Performance Inspection (NEPI)	562	587
	7,822	8,185
Total	11,709	12,935

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
6. Other Current Liabilities		
Unearned revenue	552	574
Unpaid Dividend	457	345
Statutory Dues	1,374	1,623
Advances from Customers	2,344	594
Royalty	4,759	5,236
Others	9,081	11,974
Total	<u>18,567</u>	<u>20,346</u>
7. Short-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Note 43)	558	553
	<u>558</u>	<u>553</u>
Other provisions		
Provision for warranties (Note 33)	7,618	7,197
Provision for NEPI (Note 33)	1,180	1,187
Proposed dividend	22,176	22,176
Tax on proposed dividend	3,769	3,769
	<u>34,743</u>	<u>34,329</u>
Total	<u>35,301</u>	<u>34,882</u>

Notes to Financial Statements for the year ended March 31, 2014

8. Fixed Assets

Particulars	₹ Lacs									
	Gross block (at cost)			Depreciation and Amortisation			Net block			
	As at April 1, 2013	Additions	Deductions	As at March 31, 2014	As at April 1, 2013	Additions	Deductions	As at March 31, 2014	As at March 31, 2013	
Tangible Assets:										
Land										
- Freehold @	640	2,165	1	2,804	—	—	—	—	640	640
- Leasehold **	1,564	—	—	1,564	23	16	—	39	1,541	1,541
Leasehold Improvements	647	5	43	609	9	6	—	15	638	638
Roads	1,754	446	1	2,199	118	34	—	152	1,636	1,636
Buildings	15,482	37,552	102	52,932	2,764	775	1	3,538	12,718	12,718
Plant and machinery	76,634	6,861	828	82,667	46,397	4,070	609	49,858	30,237	30,237
Furniture and fittings	1,770	1,137	55	2,852	403	111	26	488	1,367	1,367
Vehicles	511	97	182	426	330	41	160	211	181	181
	99,002	48,263	1,212	146,053	50,044	5,053	796	54,301	48,958	48,958
	(91,885)	(7,796)	(679)	(99,002)	(45,990)	(4,514)	(460)	(50,044)	(—)	(—)
Intangible Assets:										
Software	942	—	—	942	931	11	—	942	—	11
Technical Knowhow	2,060	—	—	2,060	1,686	211	—	1,897	374	374
Global Sourcing Consideration	2,143	—	—	2,143	2,143	—	—	2,143	—	—
	5,145	—	—	5,145	4,760	222	—	4,982	385	385
	(5,145)	(—)	(—)	(5,145)	(4,549)	(211)	(—)	(4,760)	(—)	(—)

NOTES:

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

2) Additions include undivided share of land, on purchase of office premises

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

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2014

9. Non Current Investments :

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Long-term Investments				
Unquoted equity instruments				
Investments in Joint Ventures : (refer note no. 34)				
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 & Services Limited	600	600
Investment in Associates :				
779,997	10	Cummins Generator Technologies India Limited (% Holding : 48.54%)	1,720	1,720
			3,135	3,135
Other Investments (valued at cost unless stated otherwise)				
a) Quoted equity instruments				
5,155,163	2	KPIT Technologies Limited	201	201
9,811	2	Kirloskar Oil Engines Limited *	0	0
913	10	Kirloskar Industries Limited *	0	0
			201	201
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 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
Carried forward			5,187	5,187

Notes to Financial Statements for the year ended March 31, 2014

9. Non Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	5,187	5,187
		d) Quoted Corporate Bonds		
12	1,250,000	6.68% Power Grid Corporation of India 2019	152	152
			152	152
		Total	5,339	5,339
		Aggregate cost of quoted investments	2,204	2,204
		Aggregate cost of unquoted investments	3,135	3,135
			5,339	5,339
		Aggregate market value of quoted investments	9,942	6,670

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

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
10. Deferred Tax Assets / (Liability) (net)		
Deferred Tax Asset		
Provision for doubtful debts	223	209
Provision for employee benefits	1,119	1,681
Disallowances under Income Tax Act, 1961	558	547
Total Deferred Tax Asset	1,900	2,437
Deferred Tax Liability		
Depreciation	6,551	5,715
Total Deferred Tax Liability	6,551	5,715
Net Deferred Tax Asset / (Liability)	(4,651)	(3,278)
11. Long-term Loans and Advances		
Unsecured, Considered good;		
Capital advances	20,661	19,242
Security deposits	1,199	1,356
Loan and advances to related parties (Note 29)	14,601	—
Other Loans and Advances:		
Balances with statutory/government authorities	26,196	23,188
Advance income-tax (net of provision for taxation)	6,069	3,364
Others	69	113
Total	68,795	47,263

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments :

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
At Cost :				
Current portion of Long term investments				
a) Quoted Tax Free Redeemable / Non Cumulative Bonds				
—	—	5.75% Nuclear Power Corporation Limited	—	500
			—	500
b) Quoted Mutual Funds				
Fixed Maturity Plan (Growth Option)				
—	—	IDFC FMP YS 65 - Growth	—	500
—	—	Birla Sun Life Interval Income Fund - Annual Plan II-Direct Plan - Growth	—	500
—	—	Birla Sun Life Interval Income Fund - Annual Plan III- Direct Plan - Growth	—	500
—	—	DWS Fixed Maturity Plan - Series 10 (DFMP - 10) - Growth	—	500
—	—	DWS Fixed Maturity Plan - Series 24 (DFMP - 24) - Direct Plan - Growth	—	541
—	—	DWS Fixed Maturity Plan - Series 6 (DFMP - 6) - Growth	—	500
—	—	HDFC Annual Interval Fund - Series I - Plan B - Direct Option - Growth Option	—	500
—	—	HDFC FMP 371D August 2012 (1) - Growth Option	—	587
—	—	ICICI Prudential Fixed Maturity Plan-Series 66 - 368 Days Plan B - Direct Plan - Cumulative	—	500
—	—	IDFC FMP 13 MS 8 - Growth	—	500
—	—	IDFC FMP 366 DS 73 - Growth	—	500
—	—	IDFC FMP 366 DS 74 - Growth	—	500
—	—	IDFC FTP Series 13 - Direct Plan - Growth	—	500
—	—	IDFC YS Interval Fund - Series III - Direct Plan - Growth	—	500
—	—	Kotak FMP Series 87 (370 Days) - Growth	—	500
—	—	Kotak FMP Series 88 (370 Days) - Growth	—	500
—	—	Kotak FMP Series 94 - Direct - Growth	—	500
—	—	L&T FMP- VII (March367D A) - Growth - Direct plan	—	500
—	—	TFMP Series 40 Scheme F - Growth Option	—	500
—	—	UTI FTIF Series XIV -V (366 DAYS) Growth Option - DIRECT	—	500
		Carried forward	—	500

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	—	500
—	—	UTI-FTIF Series-XII Plan IV (369 Days) Growth Option	—	500
—	—	Birla Sun Life Fixed Term Plan - Series HD (366 days) - Direct Plan - Growth	—	500
—	—	Birla Sun Life Fixed Term Plan-Series FD - Growth	—	500
—	—	Birla Sun Life Fixed Term Plan-Series FP - Growth	—	500
—	—	HDFC Annual Interval Fund - Series I - Plan A - Direct Option - Dividend Option	—	500
—	—	ICICI Prudential Fixed Maturity Plan - Series 66 - 366 Days Plan D - Direct Plan - Cumulative	—	500
—	—	ICICI Prudential Fixed Maturity Plan - Series 66 - 366 Days Plan F - Direct Plan - Cumulative	—	500
—	—	ICICI Prudential Fixed Maturity Plan - Series 66 - 366 Days Plan H - Direct Plan - Cumulative	—	500
—	—	SBI DEBT FUND SERIES - 366 DAYS - 1 - GROWTH	—	500
—	—	SBI DEBT FUND SERIES - 366 DAYS - 10 - GROWTH	—	500
—	—	SBI DEBT FUND SERIES - 366 DAYS - 11 - GROWTH	—	1,000
—	—	SBI DEBT FUND SERIES - 366 DAYS - 14 - GROWTH	—	501
—	—	SBI DEBT FUND SERIES - 366 DAYS - 22 - DIRECT PLAN - GROWTH	—	500
			—	17,129
		Total Current portion of Long Term Investments	—	17,629
		Current portion of Long term investments At Cost or market value whichever is lower		
		Quoted Mutual Funds		
		Fixed Maturity Plan (Growth Option)		
5,000,000	10	Birla Sun Life Fixed Term Plan - Series KK (367 days) - Direct Plan - Growth	500	—
5,000,000	10	DSP BlackRock FMP - Series 104 -12M - Direct Plan - Growth Option	500	—
5,000,000	10	DSP BlackRock FMP - Series 145 - 12M - Direct Plan - Growth	500	—
		Carried forward	—	17,629

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	—	17,629
2,000,000	10	DWS Fixed Maturity Plan - Series 34 - Direct Plan - Growth	200	—
5,000,000	10	DWS FIXED MATURITY PLAN - SERIES 48 - DIRECT PLAN - GROWTH	500	—
5,000,000	10	DWS FIXED MATURITY PLAN - SERIES 51 - DIRECT PLAN - GROWTH	500	—
5,000,000	10	HDFC FMP 370D February 2014 (1) - Direct Option - Growth Option	500	—
5,000,000	10	HDFC FMP 370D March 2014 (1) - Direct Option - Growth Option	500	—
5,000,000	10	HDFC FMP 371D July 2013 (1) - Direct Option - Growth Option	500	—
10,000,000	10	ICICI Prudential Fixed Maturity Plan - Series 68 - 369 Days Plan I - Direct Plan - Cumulative	1,000	—
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 72 - 366 Days Plan K - Direct Plan - Cumulative	500	—
2,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 72 - 368 Days Plan A - Direct Plan - Cumulative	200	—
5,000,000	10	ICICI Prudential Fixed Maturity Plan-Series 73 - 368 Days Plan D - Direct Plan - Cumulative	500	—
5,000,000	10	IDFC FTP - S 27 (369 days) - Direct Plan Growth	500	—
5,000,000	10	IDFC FTP S-59(370 Days) - Direct Plan - Growth	500	—
5,000,000	10	IDFC FTP S-69(370 Days) - Direct Plan - Growth	500	—
10,000,000	10	Kotak FMP Series 105 Direct Growth	1,000	—
5,000,000	10	Kotak FMP Series 106 Direct Growth	500	—
5,000,000	10	Kotak FMP Series 110 Direct Growth	500	—
5,000,000	10	Kotak FMP Series 138 (370 Days) - Direct Growth	500	—
5,000,000	10	Kotak FMP Series 143 (370 Days) - Direct Growth	500	—
5,000,000	10	Kotak FMP Series 144 (371 Days) - Direct Growth	500	—
10,000,000	10	SBI DEBT FUND SERIES - 366 DAYS - 33 - DIRECT PLAN - GROWTH	1,000	—
5,000,000	10	SBI DEBT FUND SERIES - 366 DAYS - 53 - DIRECT PLAN - GROWTH	500	—
10,000,000	10	Tata FMP Series 46 Scheme L - Direct Plan - Growth Option	1,000	—
		Carried forward	—	17,629

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	—	17,629
10,000,000	10	UTI FTIF Series XV - IX (366 DAYS) - Growth Option - Direct	1,000	—
10,000,000	10	UTI FTIF Series XV - VIII (368 DAYS) - Growth Option - Direct	1,000	—
5,000,000	10	UTI FTIF Series XVI - I (366 DAYS) - Growth Option - Direct	500	—
5,000,000	10	UTI FTIF Series XVII - XIII (369 DAYS) - Growth Option - Direct	500	—
Total Current portion of Long Term Investments			16,900	—
Current Investments				
At Cost or market value whichever is lower				
Quoted Mutual Funds				
10,000,000	10	SBI DEBT FUND SERIES A - 8 DIRECT - GROWTH	1,000	—
Unquoted Mutual Funds				
Liquid Fund (Dividend)				
—	—	Birla Sun Life Ultra Short Term Fund - Daily Dividend	—	1,006
—	—	Birla Sun Life Short Term Fund- Plan C (Monthly Dividend)	—	4,668
—	—	DWS Ultra Short Term Fund - Inst Plan - Daily Dividend	—	—
—	—	DWS Treasury Fund Investment Plan Regular Dividend option	—	4,189
—	—	DWS Banking and PSU Debt fund - Regular Plan - Monthly Dividend	—	501
—	—	DWS MONEY PLUS FUND - INST DIVIDEND	—	521
—	—	HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Dividend - Daily	—	504
4,725,002	10	HDFC Income Fund - Dividend	538	509
—	—	ICICI Prudential Flexible Income - Regular Plan - Daily Dividend	—	4,565
—	—	IDFC Ultra Short Term Fund -Regular Plan- Daily Dividend	—	1,611
—	—	IDFC-Money Manager Fund-Investment Plan - Regular Plan-Monthly Div.	—	4,652
—	—	IDFC Super Saver Income Fund - Short Term -Regular Plan - Fortnightly Dividend	—	516
Carried forward			17,900	17,629

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	17,900	17,629
—	—	Kotak Floater Long -Term-Daily Dividend	—	1,059
—	—	L&T Ultra Short Term Fund - Daily Dividend	—	2,530
—	—	SBI MAGNUM INSTA CASH FUND - LIQUID FLOATER - DIRECT PLAN - DAILY DIVIDEND	—	3,012
—	—	SBI ULTRA SHORT TERM DEBT FUND - REGULAR PLAN - DAILY DIVIDEND	—	1,096
—	—	SBI SHORT TERM DEBT FUND - REGULAR PLAN - MONTHLY DIVIDEND	—	1,032
—	—	Tata Floater Fund - Plan A - Daily Dividend	—	832
—	—	UTI - FLOATING RATE STP- DAILY DIVIDEND - Direct	—	4,018
—	—	UTI - Treasury Advantage Fund - Institutional- Daily Dividend	—	2,467
50,252	1,000	Axis Banking Debt Fund - Daily Dividend Option	505	—
7,069,169	100	Birla Sun Life Floating Rate - Short Term - Daily Dividend	7,071	—
14,748,209	10	DWS Treasury Fund Investment Plan Regular Dividend option	1,508	—
5,367,780	10	HDFC Liquid Fund -Direct Plan - Daily Dividend Option	547	—
19,634,193	10	HDFC Liquid Fund - Dividend - Daily	2,002	—
4,935,661	10	ICICI Prudential Banking and PSU Debt Fund - Direct Plan - Daily Dividend	507	—
2,000,812	100	ICICI Prudential Liquid - Regular Plan - Daily Dividend	2,002	—
199,963	1,000	IDFC Cash Fund - Regular Plan - Daily Dividend	2,000	—
15,029,723	10	IDFC Banking Debt Fund-Regular Plan - Daily Dividend	1,505	—
54,682	1,000	IDFC Cash Fund - Direct Plan - Daily Dividend	547	—
9,971,678	10	Kotak Banking and PSU Debt - Direct Daily Dividend Reinvestment	1,003	—
187,815	1,000	L&T Cash Fund - Direct Plan- Daily Dividend Option	2,000	—
49,666	1,000	L&T Liquid Fund - Daily Div Reinvnt	502	—
9,883,604	10	L&T Ultra Short Term Fund - Daily Dividend	1,005	—
4,982,754	10	SBI MAGNUM INCOME FUND - FR - LONG TERM - REGULAR PLAN - DAILY DIVIDEND	502	—
49,882	1,000	SBI Premier Liquid Fund - REGULAR PLAN - Daily Dividend	500	—
151,957	1,000	UTI- Liquid Fund-Cash Plan - INST - Income	1,549	—
		Carried forward	17,900	17,629

Notes to Financial Statements for the year ended March 31, 2014

12. Current Investments : (Contd.)

Number	Face value per unit ₹		As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
		Brought forward	17,900	17,629
5,006,035	10	UTI Banking & PSU Debt Fund - Dividend Option - Direct	503	—
		Liquid Fund (Growth)		
—	—	ICICI Prudential Income Opportunities Fund - Regular Plan - Growth	—	500
			<u>26,296</u>	<u>39,788</u>
		Total	<u>44,196</u>	<u>57,417</u>
		Aggregate cost of quoted investments	17,900	17,629
		Aggregate cost of unquoted investments	<u>26,296</u>	<u>39,788</u>
			44,196	57,417
		Aggregate market value of quoted investments	18,581	18,416

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
13. Inventories		
Raw materials and components (includes in transit ₹ 2,883 lacs (previous year ₹ 4,692 lacs))	28,451	26,653
Work-in-progress	8,605	8,119
Finished goods (includes in transit ₹ 528 lacs (previous year NIL))	16,904	16,815
Traded goods (including stock-in-transit ₹ 39 lacs (previous year ₹ 63 lacs))	388	447
Stores and spares	470	497
Loose tools	316	504
Total	55,134	53,035
14. Trade Receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	44	122
Others	2,805	2,800
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	1,944	1,095
Others	73,410	81,482
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	578	530
Others	10	25
Less: Provision for doubtful debts	(588)	(555)
Total	78,203	85,499

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
15. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	3	4
Bank Balances		
In current accounts	<u>5,669</u>	<u>6,615</u>
Sub-Total	5,672	6,619
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	2,520	28,501
Unpaid dividend account (restricted)	<u>457</u>	<u>345</u>
Sub-Total	2,977	28,846
Total	8,649	35,465
16. Short-term Loans and Advances		
Unsecured, Considered good		
Security deposits	430	391
Loan and advances to related parties	2,800	3,097
Other Loans and Advances		
Balances with statutory/government authorities	8,079	7,103
Others	<u>3,941</u>	<u>10,028</u>
Total	15,250	20,619
17. Other Current Assets		
Unsecured, Considered good		
Interest accrued on investments	216	903
Total	216	903

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
18. Revenue from operations		
Sale of products (Note 35)	404,516	464,716
Sale of services (Note 35)	20,238	17,245
Other operating revenue		
Scrap sales	860	1,061
Export Incentives	2,724	2,064
Commission	142	564
Other	4,030	4,349
Revenue from operations (gross)	432,510	489,999
Less: Excise duty	34,843	31,061
Revenue from operations (net)	397,667	458,938
19. Other income		
Income from investments:		
Interest Income		
- On Bonds (Long Term Investments)	141	183
- On Fixed Deposits with Banks	2,103	1,563
	2,244	1,746
Dividend Income		
Other than trade		
- On Current Investments	2,026	3,922
- On Long Term Investments in Associates and Joint Ventures	3,984	2,964
	6,010	6,886
Gain on sale/redemption of investments		
- On Current Investments	1,672	1,307
- On Long Term investments	—	4,908
	1,672	6,215
Interest on income tax refunds, from customers and on deposits, etc.	2,361	14
Provision for earlier years written back	—	—
Exchange gain (net)	1,315	1,645
Net gain on fixed assets sold or discarded	—	1,185
Miscellaneous income	4,169	2,981
Total	17,771	20,672

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
20. Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year		
Work-in-progress	8,605	8,119
Finished goods	16,904	16,815
Traded goods	388	447
	25,897	25,381
Inventories at the beginning of the year		
Work-in-progress	8,119	8,227
Finished goods	16,815	16,583
Traded goods	447	590
	25,381	25,400
Total	(516)	19
21. Employee benefit expense		
Salaries, wages and bonus	28,144	27,905
Contribution to provident and other funds	3,193	3,534
Staff welfare expenses	2,625	2,423
Total	33,962	33,862
22. Finance costs		
Interest	101	122
Bank charges	317	339
Total	418	461

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
23. Other expenses		
Commission on sales	2,494	3,108
Consumption of stores and spare parts	4,989	5,501
Warranty Expenses (Note 33)	7,698	10,770
Tools and gauges	462	681
Repairs to buildings	877	841
Repairs to machinery	644	523
Other repairs	357	348
Power and fuel consumed	3,416	3,809
Rent (Note 31)	931	1,397
Rates and Taxes	745	960
Insurance	698	604
Outside Processing charges	1,804	2,276
Donations and contributions	—	103
Royalties	6,083	6,502
Support Services	5,670	1,574
Payment to Auditors (Refer details below)	114	130
Net loss on fixed assets sold / discarded	20	—
Other expenses (Note 30)	14,619	13,718
Total	51,621	52,845
Payment to Auditors:		
Statutory Audit (including Limited Reviews)	78	88
Other services	34	40
Reimbursement of expenses	2	2
Total	114	130

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
24. Exceptional items		
Profit on Sale of shares *	—	6,159
Total	<u>—</u>	<u>6,159</u>

* 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, 2014	March 31, 2013
(a) Profit for the year after taxation (₹ Lacs)	60,002	76,411
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	21.65	27.57
Face value per share (₹)	2	2

Notes to Financial Statements for the year ended March 31, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
26. Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances)	30,900	33,555
27. Trade payables include:		
Total outstanding dues of micro and small enterprises	6,235	4,037
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1. Principal Amount	6,235	4,037
2. Interest accrued	—	—
3. Payment made to suppliers (other than interest) beyond the appointed day, during the year	2,253	4,022
4. Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	—	—
5. Interest paid to suppliers under MSMED Act, 2006 (Section 16)	6	18
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, 2014

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
28. Contingent liabilities		
a. Bills discounted not matured *	0	17
b. Income Tax matters	10,923	9,385
c. Central excise duty/service tax matters	267	456
d. Duty drawback matters (excludes interests, if any)	2,604	4,816
e. Sales Tax matters	8,650	8,315
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	21	19
Total	22,474	23,017

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

29. Inter corporate deposit includes an amount of ₹ 14,601 lacs (previous year NIL) placed with Cummins Technologies India Limited, a fellow subsidiary. Maximum amount due during the year ₹ 14,601 lacs (previous year NIL).

30. Other expenses include provision for doubtful debts ₹ 207 lacs (previous year ₹ 147 lacs).

31. 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 3 months and 24 months, which include both renewal and non-renewal leases. These leases also include escalation clauses.

The minimum lease payments recognised in the Statement of Profit and Loss (included under 'Rent' in note no. 23) for the year amount to ₹ 931 lacs (previous year ₹ 1,397 lacs).

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

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Within one year	42	231
After one year but not more than five years	5	14
Total	47	245

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

a. On capital account	790	812
b. On revenue account	4,220	3,959
Total	5,010	4,771

Notes to Financial Statements for the year ended March 31, 2014

33. 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, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Balance as at the beginning of the year	13,125	10,354
Additions	8,231	11,197
Utilisation	7,615	7,999
Reversal	533	427
Balance as at the end of the year	13,208	13,125
Classified as Non-current:	5,590	5,928
Classified as Current:	7,618	7,197

(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, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Balance as at the beginning of the year	1,670	1,649
Additions	—	100
Utilisation	—	79
Reversal	—	—
Balance as at the end of the year	1,670	1,670
Classified as Non-current:	1,670	1,670
Classified as Current:	—	—

Notes to Financial Statements for the year ended March 31, 2014

(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, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Balance as at the beginning of the year	1,774	2,076
Additions	1,167	1,056
Utilisation	570	791
Reversal	629	567
Balance as at the end of the year	1,742	1,774
Classified as Non-current:	562	587
Classified as Current:	1,180	1,187

34. The Company has 50% interest in Joint Ventures namely Cummins Research and Technology India Limited, Cummins Svam Sales & Services Limited and Valvoline Cummins Limited incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2014 and Income and Expenses for the year ended on that date, based on management accounts.

	As at March 31, 2014 ₹ Lacs	As at March 31, 2013 ₹ Lacs
Interest in Joint Ventures:		
Assets	26,197	26,345
Liabilities	8,899	9,773
Income	57,238	56,584
Expenses (including provision for tax)	53,371	50,892
Contingent Liabilities	1,160	998
Capital and other commitments	98	253

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
35. Details of Sales		
Finished goods:		
Internal Combustion Engines	235,985	289,912
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	42,523	44,168
Traded goods:		
Engines	14,280	16,046
Spare parts, accessories and components*	76,884	83,529
Sale of Services:		
Revenue from Service Contract	20,238	17,245
Total	389,910	450,900
* includes sale of traded parts		

36. Details of materials consumed

i) Castings - various	2,346	3,018
ii) Forgings - various	2,286	2,938
iii) Components	168,320	209,807
iv) Engines	31,611	32,282
v) Long Blocks	—	122
vi) Others including semi-finished components	23,521	22,014
Total	228,084	270,181

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.

37. Details of purchase of Traded goods

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
Engines	10,364	12,891
Others	4,479	5,652
Total	14,843	18,543

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
38. Value of imported and indigenous raw materials and components consumed		
Imported	50,894	57,672
%	22%	21%
Indigenously procured	177,189	212,509
%	78%	79%
Total	<u>228,083</u>	<u>270,181</u>
39. Value of imports calculated on CIF basis		
a) Raw materials	5,216	6,588
b) Components	42,473	44,719
c) Machinery spares	92	105
d) Capital goods	1,419	623
e) Tools, stores, etc.	96	78
Total	<u>49,296</u>	<u>52,113</u>
40. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis:		
a) Royalty	6,083	6,502
b) Support Services	5,670	1,574
c) Others (including IT Service charges, Customer Support Charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	1,802	2,745
Total	<u>13,555</u>	<u>10,821</u>
41. 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 ₹ 2 each)	141,372,000	141,372,000
Amount remitted:		
For the year ended 31st March, 2014 (Interim)	7,069	
For the year ended 31st March, 2013 (Final)	11,310	
For the year ended 31st March 2012 (Final)		8,482
For the year ended 31st March, 2013 (Interim)		7,069

Notes to Financial Statements for the year ended March 31, 2014

	Year ended March 31, 2014 ₹ Lacs	Year ended March 31, 2013 ₹ Lacs
42. Earnings in foreign exchange		
Export on FOB basis	121,927	127,035
Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	3,904	4,562
Total	125,831	131,597

43. 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	Total ₹ Lacs
Contribution to Employees Provident Fund	658 (449)
Contribution to Management Superannuation Fund	1081 (1,013)

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	Total ₹ Lacs
	Opening DBO as on 01 st April 2013	6,964 (6,010)	1,447 (1,510)	52 (59)	65 (70)	10,436 (8,911)	18,964 (16,560)
i)	Current Service Cost	829 (494)	59 (54)	2 (2)	2 (3)	2,295 (2,061)	3,187 (2,614)
ii)	Interest Cost	625 (478)	105 (115)	4 (4)	5 (6)	912 (685)	1,651 (1,288)
iii)	Actuarial - Gains / Losses	(298) (863)	(27) (14)	(3) (3)	(13) (-4)	(243) (85)	(584) (961)
iv)	Benefits Paid	(629) (-881)	(296) (-354)	(10) (-16)	(8) (-10)	(1,647) (-1,654)	(2,590) (-2,915)
v)	Past Service Cost	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
vi)	Acquisitions/ Transfer out	1,867 (—)	— (—)	— (—)	— (—)	— (348)	1,867 (348)
vii)	Plan Amendments	— (—)	— (108)	— (—)	— (—)	— (—)	— (108)
	Closing DBO as on 31 st March 2014	9,358 (6,964)	1,288 (1,447)	45 (52)	51 (65)	11,753 (10,436)	22,495 (18,964)

Notes to Financial Statements for the year ended March 31, 2014

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	5,316 (5,392)	1,835 (2,057)	— (—)	— (—)	10,210 (8,719)	17,361 (16,168)
i)	Expected Return on Plan Assets	535 (439)	143 (160)	— (—)	— (—)	894 (780)	1,572 (1,379)
ii)	Actuarial Gains / -Losses	— (-53)	— (-28)	— (—)	— (—)	27 (—)	27 (-81)
iii)	Contribution by the Employer	1,647 (419)	— (—)	— (—)	— (—)	2,245 (2,365)	3,892 (2,784)
iv)	Benefits Paid	(629) (-881)	(296) (-354)	— (—)	— (—)	(1,647) (-1,654)	(2,572) (-2,889)
v)	Acquisition/Transfer out	931 (—)	— (—)	— (—)	— (—)	— (—)	931 (—)
	Closing Fair Value of Plan Assets	7,800 (5,316)	1,682 (1,835)	— (—)	— (—)	11,729 (10,210)	21,211 (17,361)

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 4 years :

							₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF	Total
i)	Present value of Funded Obligations	9,358 (6,962) (6,010) (5,658) (4,442)	1,288 (1,445) (1,510) (1,831) (2,145)	— (—) (—) (—) (—)	— (—) (—) (—) (—)	11,753 (10,436) (8,720) (7,764) (6,757)	22,399 (18,843) (16,240) (15,254) (13,345)
ii)	Fair value of Plan Assets	(7,800) (-5,315) (-5,392) (-3,973) (-3,986)	(1,682) (-1,835) (-2,057) (-2,212) (-2,501)	— (—) (—) (—) (—)	— (—) (—) (—) (—)	(11,729) (-10,210) (-8,719) (-7,764) (-6,757)	(21,211) (-17,360) (-16,168) (-13,949) (-13,244)
iii)	Amount not recognized as an asset, because of the limit in para 59(b)	— (—) (—) (—)	248 (260) (0) (130) (116)	— (—) (—) (—) (—)	— (—) (—) (—) (—)	— (—) (—) (—) (—)	248 (260) (0) (130) (116)
iv)	Present Value of Unfunded Obligations	— (—) (—) (—) (—)	— (—) (—) (—) (—)	45 (55) (60) (73) (84)	46 (65) (70) (55) (58)	(24) (226) (191) (7) (2)	67 (346) (321) (136) (144)
v)	Net Liability/ -Asset recognized in Balance Sheet	245 (1,647) (618) (1,686) (456)	147 (-130) (-547) (-251) (-239)	49 (55) (60) (73) (84)	51 (65) (70) (55) (58)	(24) (226) (191) (7) (2)	468 (1,863) (393) (1,570) (361)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	(379) (-183) (-341) (-516) (94)	(72) (32) (160) (-24) (221)	(0) (-1) (4) (-2) (-4)	8 (6) (-19) (7) (-5)	— (—) (—) (—) (—)	(443) (-146) (-196) (-535) (307)

Notes to Financial Statements for the year ended March 31, 2014

							₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF	Total
vii)	Experience Gain/ -Loss adjustments on plan Assets	—	—	—	—	—	—
		(-53)	(28)	(—)	(—)	(—)	(-81)
		(-80)	(0)	(—)	(—)	(—)	(-80)
		(94)	(35)	(—)	(—)	(—)	(129)
		(-118)	(33)	(—)	(—)	(—)	(-85)
viii)	Actuarial Gain/ -Loss due to Change on assumptions	677	99	3	5	—	784
		(-680)	(-46)	(-1)	(-2)	(—)	(-729)
		(292)	(41)	(2)	(3)	(—)	(338)
		(-529)	(18)	(1)	(-3)	(—)	(-513)
		(-83)	(-6)	(-6)	(-18)	(—)	(-113)

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	829	59	2	2	984	1,876
		(494)	(54)	(2)	(3)	(858)	(1,411)
ii)	Interest Cost	625	105	4	5	912	1,651
		(478)	(115)	(4)	(6)	(685)	(1,288)
iii)	Expected Return on Plan Assets	(535)	(143)	—	—	(894)	(1,572)
		(-439)	(-160)	(—)	(—)	(-668)	(-1,267)
iv)	Actuarial -Gains / Losses	(298)	(27)	(3)	(13)	(269)	(610)
		(916)	(42)	(3)	(-4)	(-26)	(931)
v)	Past Service Cost	—	—	—	—	—	—
		(—)	(108)	(—)	(—)	(—)	(108)
	Total	621	(6)	3	(6)	733	1,345
		(1,449)	(159)	(9)	(5)	(849)	(2,471)

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%	40.66%	30.46%
ii)	Corporate Bonds	0.00%	0.00%	0.00%	0.00%	45.18%	52.60%
iii)	Special Deposit Scheme	0.00%	0.00%	0.00%	0.00%	14.16%	16.94%
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%	0.00%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

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

					₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	PF	Total
i)	Actual return on plan assets	535	143	921	1,598
		(385)	(131)	(780)	(1,296)

Notes to Financial Statements for the year ended March 31, 2014

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

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount Rate	9.20%	9.20%	9.20%	9.20%	9.20%
	8.10%	8.10%	8.10%	8.10%	8.10%
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					
2014-15	NA	NA	NA	NA	8.75%
	NA	NA	NA	NA	8.25%
2015-16	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.50%
2016 and thereafter	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.50%
Salary Escalation Rate - Management Staff	10%	NA	NA	NA	NA
	10%	NA	NA	NA	NA
Salary Escalation Rate - Non-Management Staff	7%	NA	NA	NA	NA
	7%	NA	NA	NA	NA
Annual Increase in Healthcare Costs - 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					
2013-14	NA	NA	NA	NA	8.75%
	NA	NA	NA	NA	8.60%
2014 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	0.59 (0.63)	(0.52) (-0.64)
The accumulated post-employment benefit obligation for medical costs	3.90 (4.15)	(3.47) (-3.72)

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2014

44. 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, 2014

		₹ Lacs
Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	16,782 (18,981)
	Tata Cummins Limited	32,807 (36,758)
	Cummins Limited, UK	8,923 (14,823)
	Others	23,987 (25,059)
Sale of goods	Cummins Limited, UK	61,104 (71,639)
	Others	38,967 (39,609)
Purchase of fixed assets	Cummins Inc.	— (83)
	Cummins Technologies India Limited	— (23)
Sale of fixed assets	Tata Cummins Limited	— (56)
	Others	— (1)
Services Rendered	Cummins Inc.	2,065 (3,832)
	Tata Cummins Limited	1,364 (1,867)
	Valvoline Cummins Limited	944 (931)
	Cummins Technologies India Limited	1,537 (954)
	Others	667 (911)

Notes to Financial Statements for the year ended March 31, 2014

		₹ Lacs
Transaction	Name of the Party	Total
Remuneration Paid (Refer note (iii) below)	Anant Talaulicar	25 (23)
	Mahesh Narang	163 (161)
	Raj Menon	— (79)
Services Received	Cummins Technologies India Limited	8,339 (8,775)
	Cummins Inc.	5,700 (1,922)
	Others	911 (1,173)
Royalty	Cummins Inc.	6,046 (6,502)
	Cummins Westport Inc.	37 (—)
Inter Corporate Deposits Given	Cummins Technologies India Limited	15,866 (—)
Inter Corporate Deposits Recovered	Cummins Technologies India Limited	1,500 (—)
Interest on Inter Corporate Deposit	Cummins Technologies India Limited	934 (—)
Dividend Received	Cummins Generator Technologies India Limited	859 (1,014)
	Cummins Research and Technology India Limited	750 (1,000)
	Valvoline Cummins Limited	2,375 (950)
Dividend paid	Cummins Inc.	18,378 (15,551)

Notes to Financial Statements for the year ended March 31, 2014

c) Amounts outstanding as at March 31, 2014.

		₹ Lacs
Particulars	Name of the Party	Total
Trade Payables	Cummins Inc.	3,572 (6,090)
	Cummins Asia Pacific Pte. Ltd.	1,737 (690)
	Cummins Limited, UK	1,859 (2,938)
	Cummins Technologies India Limited	1,534 (2,502)
	Tata Cummins Limited	1,483 (1,755)
	Others	1,877 (2,474)
	Other Current Liabilities	Cummins Inc.
	Others	778 (307)
Trade Receivables	Cummins Limited, UK	12,933 (11,773)
	Others	11,358 (10,690)
Advances recoverable	Tata Cummins Limited	1,609 (1,994)
	Valvoline Cummins Limited	454 (8)
	Others	737 (1,095)
Inter Corporate Deposit	Cummins Technologies India Limited	14,601 (-)

Notes to Financial Statements for the year ended March 31, 2014

Notes:

- i) The names of the related parties under the appropriate relationship included in notes 44(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 (China) Investment Co. Ltd. Cummins Asia Pacific Pte. Ltd. Cummins Brazil Limited Cummins Comercializadora S. de R.L. de C.V. Cummins Deutschland GmbH Cummins Diesel Italia S.P.A. Cummins Diesel N. V. Cummins DKSH (Singapore) Pte. Ltd. Cummins DKSH (Thailand) Limited Cummins Filtration, Inc. Cummins Fuel Systems (Wuhan) Co. Ltd. Cummins Generator Technologies India Limited Cummins Generator Technologies Limited, UK Cummins Generator Technologies Mexico S De RI De CV Cummins Ghana Limited Cummins Japan Limited Cummins Limited, UK Cummins Makina Sanayi Ve Ticar Cummins Middle East Fze Cummins Natural Gas Engines, Inc. Cummins Power Generation (China) Co., Ltd. Cummins Power Generation (S) Pte. Ltd. Cummins Power Generation Inc. Cummins Power Generation Limited, Kent Cummins Qatar LLC Cummins Romania S.R.L. Cummins S De R L De CV Cummins Sales & Service Philippines, Inc. Cummins Sales and Service Korea Co., Ltd. Cummins Sales and Service Singapore Pte. Ltd. Cummins South Africa Pty. Ltd. Cummins South Pacific Pty. Limited Cummins Spain S.L. Cummins Technologies India Limited Cummins Turbo Technologies Limited, UK Cummins West Africa Limited

Notes to Financial Statements for the year ended March 31, 2014

Nature of Relationship	Name of the Party
	Cummins Westport Inc. Cummins, Belgium Distribuidora Cummins Centroamerica Costa Rica, S. de R.L. Distribuidora Cummins Centroamerica El Salvador, S. de R.L. Distribuidora Cummins Centroamerica Honduras, S. de R.L. Distribuidora Cummins DE Panama S.DE R. L Distribuidora Cummins S A Distribuidora Cummins S.A. - Sucursal Bolivia Komatsu Cummins Chile, Ltda. 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 Services Limited Cummins Reseach and Technology India Limited
Enterprise with common Key Management Personnel Tata Cummins Limited (Anant Talaulicar)	

- 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, 2014

45. Segment Information

a. Primary Segment

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 and its related services, the Company is of the view that it operates in a single segment viz. ‘Engine Business Segment’. This is in accordance with Accounting Standard 17, ‘Segment Reporting’ issued under Companies (Accounting Standards) Rules, 2006.

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	267,982 (323,865)	121,927 (127,035)	389,909 (450,900)

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, 2014

46. Derivatives - Forward Contracts

a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency

(Amount in Lacs)

March 31, 2014				March 31, 2013			
Currency	Amount	Sell/Buy	Cross Currency	Currency	Amount	Sell/Buy	Cross Currency
USD	406	Sell	₹	USD	308	Sell	₹
EURO	11	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:

(Amount in Lacs)

As at March 31, 2014				As at March 31, 2013	
	Foreign Currency	₹		Foreign Currency	₹
Receivables					
USD	135	8,067		175	9,489
Euro	5	396		10	714
GBP	2	174		4	367
Payables					
USD	130	7,776		168	9,111
Euro	1	72		1	92
GBP	1	149		8	658
JPY	12	7		—	—

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

Signatures to the notes 1 to 47

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership Number 48125

Palermo, Italy
Date: May 22, 2014

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Trivikram Guda
General Manager Legal & Company Secretary

Mumbai
Date: May 22, 2014

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. The Company will continue to focus on ROE/ROANA and Earnings growth (not revenue growth) as the principal drivers of shareholder value.

■ Become the Low Cost Producer

Cummins will pursue an operational strategy of cost leadership.

■ Lead in Critical Technologies

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

■ Seek Profitable Growth

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

■ 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 : 2013 – 2014

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:

A. Industrial Engine Business:

The Industrial Business Unit caters to almost the entire gamut of diesel engine requirement for the industrial sector. Starting from 65 HP spanning up to 3500 HP, the offerings are meant to power the following markets segments – Construction, Mining, Compressors, Marine, Rail, Pumps, Gas Compression, Oilfield, Defence and Re-power. The Industrial Engine Business Unit has the unique advantage of an in-house facility to design value package systems for various applications. The high quality and inspection standards, Six Sigma, Kaizen, ERP processes to name a few, demonstrate its commitment to continuously deliver best-in-class products to all its customers.

B. Power Generation Business:

The Power Generation Business Unit is the leading manufacturer and market leader of diesel, natural gas, producer gas and bio-gas generator sets. It provides a single window for power solutions, offering top-of-the-line products and services, right from design to

execution and operations to service support.

The Power Generation Business caters to the power requirements of a wide range of individual and institutional customers viz. Telecom, Construction, IT/ITES, Realty, Hospitality, Textiles, Auto and Auto Ancillaries, Food Processing, Data Centre, Infrastructure, Pharma and Manufacturing sector.

The Company also manufactures and exports the open and enclosed low kilowatt generator sets from its unit located at the Special Economic Zone at Cummins Megastore, Phaltan.

The Company specializes in the design and manufacture of pre-integrated generator sets, transfer switches, paralleling equipment and controls for use in standby, prime and continuous rated systems. All major components viz. the engine, alternator and control systems are manufactured by Cummins entities which ensure that each element of the generator set is designed to work in harmony right from the start.

The Power of One™: Cummins Power Generation brings the Power of One™, which guarantees simple installation and minimal problems during commissioning and maintenance of generator sets. The Power of One™ ensures that the Customer gets the added benefit of components created to work together viz. designed, built, pre-integrated and serviced by Cummins Power Generation for reliability, optimum performance and minimum cost.

C. Automotive Business Unit:

The Automotive Business Unit caters to the commercial vehicle segment in India with its range of engine platforms and related technologies alongside parts, services and components.

The Automotive Business, partnering with key customers, is developing dependable engine technology for medium and heavy duty automotive markets, meeting norms and demonstrating superior performance and lower emissions.

D. Distribution Business Unit:

The Distribution Business, operating under the brand name Cummins Sales and Service India (CSS) provides products, packages, services and solutions for uptime of Cummins equipments. The Distribution Business is engaged in the business of sale of engines, and providing after-market support to customers in India, Nepal and Bhutan. Over the years, the business has grown from strength to strength, and has successfully established itself as a 'Dependable' after-sales service support arm of Cummins. At present, it supports more than 2,50,000 engines out in the field covering more than 60,000 customers.

The Distribution Business has a country-wide network of 31 authorized dealerships over 200 locations that cater to the service needs, which have necessary infrastructure and adequate technical capability to meet the standards of Cummins Service and are constantly upgraded as per the changing product and customer needs.

Key Products of the Company as per Balance Sheet

The Company's primary products are Compression ignition internal combustion engines 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 corporate office at

Pune. Additionally, the Company has four zonal offices at Mumbai, Gurgaon, Kolkata and Bangalore and has area offices at 19 locations across India. The manufacturing operations are carried out from 7 different plants that are situated at Pune, Pirangut and the Megasite in Phaltan.

The Company has recently inaugurated its new corporate office in Pune, also called, 'Cummins India Office Campus'. The new corporate office, located at Baner-Balewadi, co-locates all Professional employees in one Campus, who were up until now working from multiple locations scattered across the city. The India Office Campus is designed to house close to 6,000 employees, allowing greater synergies between the corporate functions and the many closely integrated product businesses of the Cummins Group in India. The Campus introduces a unique working concept based on the Collaborative Workplace model. The infrastructure offers a variety of workplace options such as shared workspaces, collaborative areas, social hubs, quiet zones and function-specific workplaces. With continued commitment to sustainability, Cummins not only fulfils the criteria for minimum energy consumption in buildings, but also qualifies for LEED (Leadership in Energy and Environmental Design) Gold certification. The new Campus has implemented several best practices such as energy-efficient lighting fixtures, double glazed unit and glass fins on the façade to reduce solar radiation, and use of fly-ash bricks instead of burnt bricks and excavated rocks in concrete used for the construction of the building. In addition, it also has an effluent treatment plant for recycling up to 40% of the consumed water, rain-water harvesting pits, and a waste compactor to convert organic waste into compost, all of which reinforce the Company's concentrated focus on sustainability.

Apart from these, the Company's Group entities have

its administrative offices at Pune, Gurgaon, Delhi, Rudrapur, Noida, Bareilly and Ghaziabad and manufacturing plants at Ahmednagar, Ranjangaon, Dewas, Jamshedpur, Rudrapur, and the Megasite at Phaltan.

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. 3,89,911 Lacs

Total Profit after Taxes: Rs. 60,002 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

Corporate Responsibility is one of the six core values of the Company, which focuses on 'serving and improving the communities in which we live'.

A form of enlightened self-interest as noted by former CEO J. Irwin Miller, who understood the importance of Corporate Responsibility decades ago. In the words of Mr. J. Irwin Miller, *"Business has a very large stake in the quality of the society within which it operates. We flourish only as we are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises"*.

Founded in 1990, Cummins India Foundation (CIF) carries on the motive of bringing together the efforts of all the Cummins India group entities and benefitting the society at large. Various projects were initiated in Financial Year 2013-14 and the existing ones have been

taken to a much higher level, reflecting the values of the Company and commitment towards the society (as detailed in this Report). All of the initiatives, for strengthening the communities where the Company operates fall under three key focus areas of: -

■ Higher Education

Providing opportunities for higher education to empower and enhance employability

■ Energy and Environment

Channelizing technical expertise and knowledge in driving sustainable solutions leading to a cleaner, healthier and safer environment

■ Local Community Infrastructure Development

Bringing grass root level improvements in infrastructure

At Cummins, Corporate Responsibility is not philanthropy but about playing the rightful role as a responsible citizen of society in a way that is also beneficial to the Company. Far more than money, Cummins involves the passion, time, expertise, talents and active involvement of its employees on a consistent basis through various meaningful, sustainable initiatives in the three focus areas of Higher Education, Energy and Environment and Local Infrastructure Development.

During FY 2013 – 14, CIF has spent the following amount in form of donation and otherwise towards the various projects in India:-

- a. Educational Projects – Rs. 221 Lacs,
- b. Energy and Environment Projects – Rs. 135 Lacs,
- c. Infrastructure and Social Justice – Rs. 37 Lacs.

In their Meeting held on May 22, 2014, the Board of Directors have constituted the Corporate Social Responsibility Committee under the provisions of Section 135 of the Companies Act, 2013 and Rules framed thereunder which consists of the following

Directors :**Mr. Prakash Telang**

Independent Director holding DIN 12562

Mr. Nasser Munjee

Independent Director holding DIN 10180

Mr. P. S. Dasgupta

Independent Director holding DIN 12552

Mr. Anant J. Talaulicar – Member

Chairman and Managing Director holding DIN 31051

The Company is committed towards the key focus areas in the future in pursuance of its Business Responsibility Policy.

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 and Services Limited, and approximately 48% 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 various entities outside Cummins, viz., suppliers, distributors etc., are not included in the BR initiatives of the Company and generally do not participate in the same.

For 2013 – 14, the Company has initiated one of the most successful project 'Catch Them Young' in which the Company and the Dealership employees have conducted sessions at various schools in order to improve awareness, responsibility and ownership towards the environment amongst the students. The total number of hours contributed in this Project is around 2,400 hours. The Dealer's contribution was approximately 35%.

Section D**BR Information****1. Details of Director responsible for BR:**

a. Details of Director responsible for implementation of the BR policy:

DIN Number : 31051

Name : Mr. Anant J. Talaulicar

Designation : Chairman and Managing Director

b. Details of the BR Head:

Name : Mr. Sameer Chugh

Designation : Vice President – Legal & Secretarial

Telephone : 020 6706 7254

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 NGVs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability.

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

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

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

Principle 5: Businesses should respect and promote human rights.

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

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

Principle 8: Businesses should support inclusive growth and equitable development.

provide value to their customers and consumers in a responsible manner.

Principle 9: Businesses should engage with and

Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N):

Replies to the questions on above principles are stated in this matrix	Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 Do you have a policy / policies for...	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2 Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3 Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	-	Y	Y	-	Y	-	-	-
4 Has the policy 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 relate to safe and sustainable products, Human Rights and Customer relations and are embedded in the Company's Vision, Mission, Values, Strategic Principles, the Cummins Operating System and the Company's Code of Conduct.

** : Policies are communicated to internal stakeholders and the same are available on the Company's intranet. Wherever required, the Policies are also communicated to the external stakeholders.

: Ethics Helpline

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

- Online : ethics.cummins.com
- Ethics Hotline : 000-117-800 100 1071, after the prompt dial the number 8001001071

(Anonymous report is possible and the report can be filed in Hindi as well).

- Contact Ethics & Compliance: Email to ethicsandcompliance@cummins.com
- Whistle-blower Policy: You can record a voice message for 3 minutes at the India whistle-blower number – 1800-23334575 & also, anonymous reports are possible.

Wherever the answer to Sr. No. 1 against any principle, is 'No', explanation is given below:

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

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

3. Governance Related to BR

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

Section E

Principle-wise Performance

Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability.

Cummins has designed and implemented a well-defined Ethics Policy which covers its employees as

well as employees of its joint ventures, associate companies, and distributors. Not only this, in their Meeting held on January 28, 2005, the Board of Directors have adopted the Code of Conduct which is devised in order to enable the Directors to strive to perform their duties according to the highest standards of honesty, integrity, accountability, confidentiality and independence.

The Company's view on ethics is reflected in the statements from Tom Linebarger, Chief Executive Officer, Cummins Inc. and Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited.

According to Tom Linebarger, "Standing by our Code can be a challenge. It may mean surrendering a competitive advantage and telling potential customers that we can't do business with them. It will undoubtedly mean working in teams of people who have different

backgrounds and viewpoints and resolving disagreements with openness and honesty to arrive at innovative solutions for our customers.”

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

The Cummins Code of Conduct applies to all its employees, customers and business associates. In addition, the Cummins Code of Conduct is also applicable to the joint ventures and its employees, customers and business associates. All employees are expected to follow the Code of Conduct on or off company property when they are on Cummins business or acting as an agent or on behalf of Cummins.

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

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

Cummins' commitment to fair treatment also extends to its joint ventures, suppliers and other partners. At Cummins, it is made sure that the suppliers and partners treat their stakeholders in a way that is consistent with Cummins values through the Cummins Supplier Code of Conduct.

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 or not the Company directly manages these alliances and joint ventures.

Cummins has adopted the following competition guidelines: -

- We do not bribe anyone for any reason.
- We get business because our products, services and people are the best.
- We do not use the confidential information of others to gain an improper advantage.
- We do not mislead others or compromise our integrity to gain an advantage.
- We do not disparage our competitors or their products and we truthfully talk about the advantages of Cummins.

Cummins is committed to transparency in its financial reports. Cummins cooperates fully with its auditors and under no circumstances withholds information from them. At Cummins, a robust system of financial controls and processes is maintained to ensure the accuracy and timeliness of its financial reporting. The accuracy of Cummins financial reports is critical to its credibility and no fraud, false or misleading financial entries or statements are tolerated.

Cummins ensures that each of its employees has a stake in living the Code of Business Conduct and

enforcing the rules and principles enshrined in the same. These principles are intended to guide Cummins employees' treatment of one another, as well as their interaction with customers, suppliers, partners, public officials and other stakeholders.

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

- New Hire and On-going Training and Compliance Certification.
- Ethics Help-line, Organizational Support and Whistle Blower policy.
- Regular updates to Senior Management.

New Hire and On-going Training and Compliance Certification

Cummins puts its ethics and compliance principles into practice through a comprehensive compliance training program targeted at appropriate employee groups in order to promote ethical behaviour. All employees are required to attend the 'Treatment of Each Other at Work Policy' Training course and complete refresher courses, as needed from time to time.

Cummins has a policy describing how we are supposed to treat each other at work. It applies to all employees, customers and suppliers. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy. It also applies to employees away from the company property when they are on Company business or acting as an agent of Cummins.

All employees are expected to have been through the Treatment of Each Other at Work Policy Training course and refreshers as needed. New employees are explained this course at New Hire Orientation and are required to complete the course within their first three

months of employment.

Ethics Help-line, Organizational Support and Whistle Blower Policy

All Cummins employees worldwide, regardless of position, are expected to observe high ethical standards. Employees whose actions can bind the Company or set the tone for others have a particular responsibility. Therefore, each employee is expected to follow the Cummins Code of Business Conduct, and officers and others in key positions are also required to complete the Annual Ethics Certification form.

The Annual Ethics Certification process reinforces commitment to Cummins' ethical policies and the Code of Business Conduct, promoting an ethical culture.

Considering violations of Cummins' ethical policies could lead to corporate or personal liability, it is of utmost importance that each of us understands, adheres to and remains familiar with these policies.

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

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

Internal Complaints Committee: Cummins has also constituted an Internal Complaints Committee with effect from April 1, 2013 which consists of Sudha Dhar (Chief Information Officer as the Presiding Officer), Sameer Chugh (Vice President – Legal and Secretarial), Nagarajan Balanaga (Vice President – HR), Qureish Shipchandler (Internal Auditor), Anjali Pandey (India

Business Country Leader for Cummins Turbo Technologies), Pallavi Keluskar (Corporate Responsibility Manager) and Adv. Vaishali Bhagwat (External Member).

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

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

Statistics*

Under the Ethics, Bribery and Corruption category, Cummins received 22 complaints during the year out of which 19 complaints were resolved and the balance 3 complaints were under investigation.

Under the Treatment of Each Other at Work Policy, Cummins received 74 complaints during the year out of which 64 complaints were resolved and the balance 10 complaints were under investigation.

The Internal Complaints Committee received 14 complaints during the year and all of them were resolved.

* Note: Data as on March 31, 2014.

Regular updates to Senior Management

The Senior Management is highly involved in all matters related to Ethics at Workplace. They are responsible for closely monitoring the implementation of the Policies. Each quarter, the Senior Management receives an update on issues reported in their region or business, and the action taken thereafter. Additionally, the same is also placed before Finance and Audit Committee of the Board of Directors on a quarterly basis.

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

One out of our three principles for Corporate Responsibility is on supporting Environmental sustainability and to work on clean development mechanism.

Cummins continued to initiate waste reduction efforts during the year through several initiatives like training on prevention of pollution, waste reduction/ recycling specific environment management programs, 'Just do it' projects and Six Sigma projects by adopting corporate strategy to identify more opportunities on waste reduction.

As a result of the continual efforts, the Company has shown a remarkable improvement of 41% reduction in hazardous waste in terms of per million man hours worked in 2013 as against the 2012 baseline.

The Company understands that it is our responsibility as a good corporate citizen to also be a good steward of air, land and water and during the year, the Company got the opportunity to work on projects addressing social or environmental concerns. Some of the Projects are as listed below:

1. Development of 40 kVA Bio-gas genset: To address Social or Environmental Concern of the Municipal solid waste management, the Company has developed a 40 kVA biogas genset which generated electrical power, based on biogas generated from waste treatment plant.
2. Development of 15 kVA genset working on Straight Vegetable Oil, Pongamia (SVO): To address remote rural electrification requirements, the Company has

developed the 15 kVA genset working on SVO, which will facilitate the use of locally available bio-fuel (renewable) for meeting remote rural electrification requirements.

3. Development of 25/ 40 kWe genset with rice husk (Biomass) gasification: To address remote rural electrification requirements, which will facilitate the use of locally available agro waste viz. rice husk (renewable) for meeting remote rural electrification requirements.

Compliance with CPCB II Norms

Subsequent to the recent amendment of the Environment (Protection) Rules, 1986 by the Central Government published in the Gazette of India vide number G.S.R. 771 (E); the Company unveiled a series of generator sets that are compliant with the new environmental norms (CPCB II). Working ahead of the lowered emissions implementation dates, the Company is at the forefront of releasing fuel-efficient and smartly-designed auxiliary power solutions.

The amended rules mandate all manufacturers, importers or assemblers of diesel generator sets in India to comply with the cleaner emission standards, for products up to 800 kilowatt.

Recognizing the importance of adhering to cleaner standards and the necessity of upgrading the emission norms for the betterment of the environment, the Company has already commenced production of the new series of generator sets at its plant in Pirangut in Maharashtra. So far, nearly 80 units have been field tested, successfully operating for more than 6,000 hours at customer sites across India. The new series of generator sets feature best-in-class in-cylinder emission solutions and have the most advanced exhaust emission-reduction technologies



Environment comes first: In keeping with efforts at producing environmentally-sustainable engines, the Company unveiled a series of generators that are compliant with new emission norms.

available today, not only exceeding the mandated emission standards, but also offering improved energy efficiencies. In addition, technological innovation has eliminated the need for diesel particulate filters by deploying a high-pressure fuel injection system that significantly optimizes fuel efficiency.

Product safety is a top priority at Cummins. Certain substances such as asbestos, cadmium and mercury can never be used in Cummins products. These rules apply to all Cummins entities and all direct or indirect suppliers around the world. Cummins has been working on Supply Chain Transformation that focuses on eliminating wastes in supply chain operations. This includes exhaustive work on introducing returnable packaging, reducing transit lead time to procure parts and bundling shipment through milk run. Further, there has been a continuous effort in reducing premium freight.

Sustainable risk management is more than just protecting the critical assets of the Company. It is

actively managing risks to protect the company's business, its people and its reputation. Risk management is also about taking acceptable risks to pursue opportunities that allow a company to deliver business objectives and strategies, and increase stakeholder value. Business Continuity Planning allow site leaders to recognize key risks in advance and prepare for major events that could impact their sites, employees, and ultimately their ability to serve the customers. The goal of Business Continuity Planning is to limit business exposure to risks and speed recovery to normal operation. Cummins Security is chartered to protect employees, facilities and information assets by implementing risk reduction strategies across the globe. Achieving this requires a sustainable security program that is collaborative in nature and delivers services that are aligned with the Company's strategic growth objectives.

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 and Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management and 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 requires that the supplier follows key ethical principles set forth by Cummins including the Supplier being required to protect the environment.

Support to NGO for sustainable processes

Deepgriha Society, an NGO formed in 1975, is addressing several social problems in the slums. Through a range of family welfare programmes

encompassing education, health, awareness building and self-help projects, Deepgriha Society helps thousands of beneficiaries within Pune and many villages located in the vicinity. While addressing the multiple issues, this NGO did not have a road map for upcoming activities, extension and execution of current projects. Cummins experts worked with this NGO and helped them in developing current administration and legal compliance procedures, creating a roadmap for execution and planning of their projects. This support helped the NGO in becoming more sustainable for serving the community in a better way.

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.

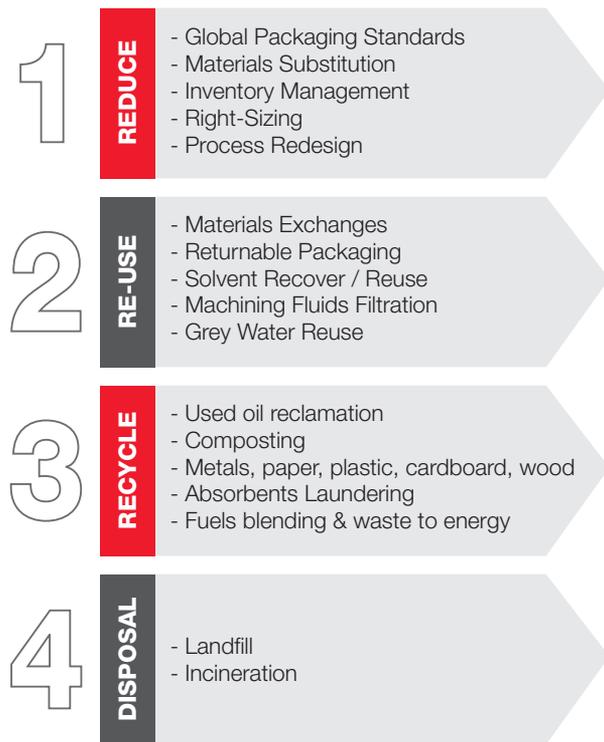
The Company continued to initiate waste reduction efforts during the year through several initiatives like training on prevention of pollution, Six Sigma projects specifically on waste management and a proposed waste management strategy at a global and regional level.

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



Cummins Water Conservation critical to Environment and business sustainability

Cummins has focused on water conservation, as India is one of the most water stressed country.

“The severe water scarcity and lack of water harvesting or conservation was destroying the lives and good health of the villagers of Nandal, which neighbors the Cummins Megasite in Phaltan, India,” said Anant J. Talaulicar, Chairman and Managing Director. “This was a real wake up call for me, and I committed that not only will Cummins bring our talents to help alleviate this crisis, but that we would embark aggressively on comprehensive water conservation initiatives across all of our operations in India. Today, I feel very proud of the good work our employees have done in Nandal from

rain-water harvesting to drip irrigation to modern toilets to planting crops that minimize water requirements. Mr. Talaulicar continues, “This work has dramatically improved the quality of people’s lives and their livelihood. Simultaneously, the Health, Safety and Environmental team in India has drawn up a comprehensive long term plan to improve water utilization across all our facilities.”

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

Cummins Health and Wellness Program

Cummins’ vision is to make health and wellbeing part of everything we do. By improving and maintaining employee health and wellbeing, Cummins enables its employees to be more productive and more satisfied in all aspects of their lives. The investment reinforces a sense of shared accountability for personal health and workplace health and safety. The purpose of this Program is to create a sustainable culture of health and wellbeing with its employees, their families, and the communities in which Cummins operates.

While sporadic initiatives have been undertaken by Cummins in this area in the past, Cummins has embarked on a more holistic journey encompassing a structured approach to health and wellness. This journey has a focused approach aligned to the following pillars of health – Physical Health, Emotional Health, Financial Health and Workplace Health. Through these, Cummins aims at offering programs appropriately designed to support four critical aspects of wellness – assessment of physical condition, counseling and support to enhance emotional wellbeing, guidance on one’s financial health and adoption of safer practices at workplace; thus creating a culture of complete wellness on a sustained basis.

This strategy rests on three components; Education,

Self-Awareness, and Improvement & Maintenance.

These form the basis for designing initiatives which will ultimately ensure that employees experience good health and feel capable of maximizing productivity for themselves and the organization. This initiative has reached out to more than 7000 employees and dependents of these employees, through various programs rolled out under the pillars of health.

Communication sessions were held as a pre-launch of the initiative across India in all entities and locations. The purpose of these sessions was to explain to the employees, the importance of taking responsibility of their own health while outlining the entire journey of this initiative and how it would help them. Cummins' well geared team included the Wellbeing Council, Core Team and Health Champions. This was followed by the Biometric and Health risk assessment study at the workplace. Biometric profile included basic blood investigations and the health risk assessment which covered the basic information of the health, lifestyle and the family history of an individual.

More than 98% of employees across India voluntarily participated in this initiative. As we continue to move ahead on this journey, we continue strengthening the quality and quantity of the initiative under the four pillars of health consistently over the period of time. This would re-emphasize the message that everyone is accountable for his/her own health as it impacts the family and the organization.

Cummins has a long-standing and well embedded value of non-discrimination. The Company hires and promotes employees, strictly on qualification and merit, irrespective of caste, creed, gender, race, religion, disability or sexual orientation. The Company has a robust hiring and performance management system, to support this value.

All developmental opportunities – whether through internal job postings, projects or training – are open to all. The Company has 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. The Company has a well-designed leadership development intervention, which all the managers have to go through. The Company also has 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 employees with sessions targeted at shop floor employees on prevention of pollution.

The Company has a structured process to identify potential in order to confer rewards and recognition. The Company organizes sports activities for its employees to promote employee morale and career development through enlightened human resource interventions.

Child or forced labor is not tolerated at Cummins and Cummins does not do business with any company which engages in child or forced labor.

The Company employs around 3,400 persons out of whom, around 560 are women employees and three permanent employees with partial disabilities. Apart from this, the Company also employs around 1,180 temporary/ contractual/ casual basis employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the Financial Year. Safety and skill up-gradation training to various categories of employees are 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

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

- Flexi-work hour Policy – flexibility to come in and 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, the Company continues to provide crèche facilities at all its plants and Corporate Office to support working mothers.

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.

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

WAG, in collaboration with the Megasite Leadership continues to work ensuring 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 – Five 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 on personal issues, for women.

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



Senior management builds affinity: Anant Talaulicar addresses women employees at the Megasite, as part of the many Women's Affinity Group (WAG) initiatives planned regularly. These sessions are aimed towards enhancing communication, and ensuring better implementation of women-centric initiatives.

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

Cummins' Code of Conduct protects and promotes the ethical behavior that makes Cummins a special place to work.

Cummins believes good governance is the foundation for a truly sustainable company. That's why the Company constantly updates the policies and procedures, guiding not only employee conduct, but the conduct of the companies that supply to Cummins. In keeping with that approach, the Company updated its Supplier Code of Conduct in 2013 which focuses on following key principles:

- Suppliers must follow the law.
- Suppliers must treat all people humanely and with dignity and respect.
- Suppliers must do business fairly and honestly and avoid conflicts of interest.

- Suppliers must protect the environment.
- Suppliers must provide a safe and healthy working environment.
- Suppliers must protect Cummins technology, information and intellectual property.
- Suppliers must assist Cummins in enforcing this Code.

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under principle No. 2 regarding treating people with dignity and respect, the Code states: "Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees."

It also states suppliers must respect employees' right to bargain collectively and bans forced or child labor.

Under principle No. 4 dealing with protecting the environment, the Code states: "Suppliers should establish means by which they understand the identity



Nurturing healthier communities:

As part of the Model Village Program, Cummins devised a holistic approach with multiple initiatives for better healthcare and sanitation in Nandal. Ten-year old Dhyaneshwar Kolekar, successfully treated for cataract discovered at a health check-up camp, reads a book.

and quantity of the chemicals and compounds used in their operations and products.” It also states that “Suppliers should develop robust means by which they monitor measure and validate their use of materials and resources, discharges and emissions to understand and reduce their impact on the environment.”

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 – A Model village;
- Employment for locals at Phaltan;
- Providing water-harvesting solution to Manjarsumbha Village;
- Providing food and other ration for Disaster relief;
- Supporting Poona School and Home for Blind Trust for Boys and Girls in Pune;
- Use of assistive technology for differently-abled; and
- Create safe and healthy environment for the elderly.

1. Developing Nandal Village – A Model Village

Cummins initiated a holistic sustainable project for the growth and development of Nandal village, a village in

close proximity to the Cummins Megasite, Phaltan. With a focus on building stronger communities, this project described as the Model Village Program began in 2011 to identify the many fundamental needs that were almost non-existent in Nandal, such as water, livelihood opportunities, access to improved resources for agriculture and basic infrastructure for sanitation, healthcare and education. After identifying this village as the most “needy”, Cummins started devising and executing a holistic transformational program. The initiatives planned and designed under this program, would improve the living conditions of those in this village by improving their access to water, agricultural resources, improved sanitation and healthcare.

Different programs were implemented under various initiatives including improvement in sanitation and health, soil and water conservation, creating model farmers, implement best agricultural practices, donation of educational software to schools, few of them are detailed as follows:

- Social Engineering, wherein the employees worked closely with the villagers and established above initiatives which helped the villagers to become an active team member instead of being an onlooker.
- Sanitation and Health, which involved the construction of toilets for households in the village, setting up of medical camp for health check-up and tie up with the hospitals for treatment.
- Education, wherein there was installation of e-learning software- making learning fun and more effective with audio-visual aids and also sponsorship to the students pursuing ITI / Engineering Degree.
- Agriculture, which witnessed organising of agricultural training for the farmers and soil testing through Krishi Vigyan Kendra, Baramati. Also, extended help to model farmers to adopt modern agricultural practices like drip irrigation, soil testing, organic composting, inter-cropping and such other methods which would

benefit them.

- Water conservation, which consisted of the construction of cement check dams for water storage which helped recharge ground water level and clean-up of percolation tank resulting in increasing water storage capacity.

In the last three years, the collective efforts of Cummins employees towards the villagers are evident from the multi-fold benefits and the sustained positive impact of the Model Village Program. Over time, Nandal has been transformed into a sustainable, largely self-sufficient village, setting a ‘model’ example for many other villages to follow suit. This project has won the Environment Challenge 2013 Award, instituted by Cummins Inc.

2. Employment for Locals at Phaltan

The Company believes in enriching the society where it belongs and one major step towards this initiative was to provide employment to the local people at Megasite in Phaltan. The Company helped the locals in education and skill-development training for enhancing employability.

3. Providing Water-harvesting solution to Manjarsumbha Village

Although much progress had been made in 2012-13 to resolve water scarcity in the village, Cummins and the villagers examined what else could be done to strengthen the watershed management system at the village Manjarsumbha. The Company established a solution which will ensure sustained availability of drinking water as well as irrigation water under average / below average rainfall. They set to work to build two dams, which was then lifted to a retention pond that was created downstream. Success of the water conservation work strengthened the Company’s relationship with the community.



Conservation of life-giving water:

In order to override average or below average rainfall at Manjarsumbha Village, Cummins ensured sustained availability of drinking as well as irrigation water by building two dams and connecting them to a retention pond downstream.

Besides reinforcing a sustainable water supply, the Company addressed the villager's health and environmental concerns of using wood-fuelled cook stoves by installing biogas plants which generate onsite renewable energy. So far, 40 biogas units have been installed with many more planned in the near future. Each unit takes in animal waste, vegetable biomass and household food waste and converts it into fuel supply for a household. The plant also generates bio-manure which the family can either reuse on their land saving them the cost of buying manmade fertilizer, or allow them to sell that for a profit.

4. Providing food and other ration for Disaster relief

Cummins extended support for Uttarakhand Flood relief work in June 2013. Cummins partnered with a renowned NGO – Save the Children, which was intensively working for the victims in Uttarakhand. An amount of Rs.11 Lacs was donated by Cummins India

Foundation towards this cause.

5. Supporting Poona School and Home for Blind Trust for Boys and Girls in Pune

Cummins' association with Poona School and Home for the Blind Trust goes back to 1976. The Blind School for Girls and Boys is situated in close proximity to Cummins locations. The Poona Blind School is Pune's first school for visually impaired girls who are mainly from low income strata of the society.

Cummins volunteers started helping the Blind School with their basic needs and infrastructure improvements like water supply, construction of dormitory, painting, repairing of the playground etc.

Cummins identified their educational needs and donated computers, Braille printer and Java software for computer learning.

Working towards providing local infrastructure development, Cummins has been engaging with the School for various Corporate Responsibility initiatives around the year. One such initiative has been the setting up of a sustainable kitchen garden, one that ensures daily availability of vegetables to the school children.

Working closely with its group Companies, Cummins took a step beyond analysis led design towards replicating the success of Kitchen garden project at the School for visually impaired boys at Koregaon Park, Pune. The Engine Business team provided support and expertise, right from planning and developing to overall execution along with agricultural training to employees. An area was identified at the School to create the kitchen garden. This was followed by training for agricultural excellence wherein the employees planned the layout of the kitchen garden. The soil was prepared for planting saplings of eggplant, tomato and chillies were sown in addition to planting seeds of coriander, fenugreek and spinach. The garden was also fenced with the help of bamboo and green cotton net.

Cummins India Foundation extended support to Poona Blind School for Boys and Girls in Pune. Several initiatives were implemented to help the School to serve the visually challenged. Projects are as below: -

Initiatives at Blind School for Girls at Kothrud, Pune

- Biogas Plant – Cummins extended help to renovate and make operational the biogas plant. This resulted in monetary savings.
- Bore well – Water scarcity was one of the main problem faced by the School. Cummins indentified and helped to dig out a bore well. This helped to resolve the water scarcity issue once and for all.
- Drip Irrigation and Sprinklers – Cummins helped to install drip irrigation and sprinklers system, which

resulted in saving water.

- Safety – Cummins expertise ran a safety audit and helped the School officials in identifying and eliminating the safety hazards like electrical wiring etc.
- Recreation – Cummins employees volunteered to remove the wild grass and create a playground for the School. A recreation gym has also been developed for them.

Initiatives at the Blind School for Boys at Koregaon Park, Pune

- Wooden Benches for the School were provided by Cummins. These benches were made out of scrap wood and created by physically-challenged people.
- Cummins donated laptops to the School. The School has installed screen reader software. The school teaches Microsoft Word and Microsoft Excel to visually impaired students.

6. Use of Assistive Technology for Differently abled

People with disabilities represent 15% of the world's population. People with disabilities tend to face poor health, higher rate of poverty, less economic participation and isolation from others. Only 5-15% of people in low or middle income countries who need assistive technology, have access to them.

After a detailed search, Cummins zeroed in on a research institution called 'The Society for the Welfare of the Differently Abled Persons Education and Research Centre'. The institution was established with an aim to rehabilitate the orthopedically challenged children of age group 6–18 years from below the poverty line strata of society, through provision of assistive aids, free residential education and vocational training for their self-sustenance.

After interacting with the officials and students of the

institute, Cummins employees identified the following needs.

- Insufficient floor space for housing resident students.
- Difficulty in boarding the conventional bunker bed.
- Difficulty for a student on a wheel chair while boarding the School bus.
- Broken callipers and non-operational equipments.

On analysing the above needs, Cummins engineers decided to make students lives better by unleashing the power of Cummins. Cummins engineers embarked on a journey to design and develop bunker beds and safe bus boarding devices, using the technical expertise of the employees, Six Sigma methodology and analysis led design approach. This ensured that the equipments are safe and reliable for the students.

The project involved following methodology:

- ALD (Analysis Led Design) validated design and associated documents.
- Identification of vendor for prototyping.
- Manufacture and testing of prototype (low-cost and low maintenance, easy to operate).

In addition to the above, Cummins engineers repaired the physiotherapy lab instruments like parallel bar, wrist exerciser, quadriceps exercise table and elbow C.P.M. All non-operational callipers and crutches were repaired and made available for the students.

All of the above resulted in a positive impact on the lives of the specially-abled people by enhancing their level of confidence and making them independent. This enhanced their way of living by infusing a sense of inclusiveness and reinforcing a sense of acceptance by society. It also increased the level of awareness in the society. The ALD validated low-cost, low maintenance device design is now available for entrepreneurs to manufacture, thus ensuring scalability.

7. Create Safe and Healthy Environment for Elderly

The employees of the Company conducted sessions on personal safety, water management and waste segregation for the residents to help increase self-awareness and physical safety. Reduction in water consumption achieved by fixing leaking pipelines, fixtures, installation of flow restrictors and use of renewable fuel was promoted by installing the biogas plant. The place was made safer by conducting a safety audit and removal of weeds.

An approximate of Rs. 3.5 Lacs was spent by Cummins India Foundation to create a better and safer environment at the Matoshree Old Age Home for dependent elder citizens.

Principle 5: Businesses should respect and promote human rights

At Cummins, efforts continue to be inclusive and ensure that employees and other stakeholders are always treated with dignity and respect. Cummins believes that the organization gets stronger because of the diversity of its employees and as a global company, it needs a work environment that is welcoming and allows employees to best use their unique talents and diverse perspectives so ideas and innovation can flourish.

Cummins strictly forbids discrimination, harassment and retaliation and strives to provide equal opportunity and fair treatment for all. Cummins prohibits discrimination or harassment based on an individual's race, color, religion, gender, gender identity and/or expression, national origin, disability, union affiliation, sexual orientation, age, veteran status, citizenship or other status protected by applicable law.

The Company supports human rights around the world and complies with all applicable laws regarding

treatment of the employees and other stakeholders. The Company does not tolerate child or forced labour anywhere and does not do business with any company that does. The Company respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

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 Cummins values through the Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

Cummins Inc. was awarded a perfect score for the ninth consecutive year in the 2014 Corporate Equality Index by the Human Rights Campaign, the largest U.S. civil rights organization for lesbian, gay, bisexual and transgender employees. The Company was recognized for offering equivalency in spouse and partner benefits, health coverage for transgender individuals and more.

Cummins Inc. was named one of the Top 50 companies for Diversity by DiversityInc. magazine for the eighth consecutive year, in 2014. Cummins ranked 15th on the magazine's list for a second year in a row.

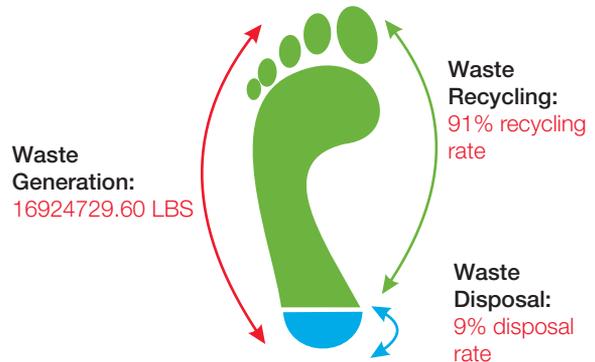
The Internal Complaints Committee (ICC):

The Internal Complaints Committee (ICC) was established in Cummins around April 2013. The ICC structure is as follows:
 Sudha Dhar, Chief Information Officer is the Presiding Officer. The Members are Sameer Chugh – Vice President (Legal & Secretarial), Nagarajan Balanaga – Vice President (HR), Qureish Shipchandler – Vice President (Internal Audit), Anjali Pandey – India Country Head for Cummins Turbo Technologies, Pallavi Keluskar

(Corporate Responsibility Manager) and Advocate Vaishali Bhagwat – an External member.

The Committee received 14 complaints on Sexual Harassment at Workplace, of which all the complaints have been resolved.

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



At Cummins, the 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.”

1. Policy relating to Health, Safety and Environment

The Company meticulously abides by all the Health, Safety and Environmental (HSE) laws of the land and has developed common HSE policies, applicable to all group companies and communicated to all suppliers and vendors, as well. The Company has comprehensive policies and procedures governed by the dedicated HSE department, which covers the Company, Contractors, Dealerships, Joint Ventures, and Suppliers etc. to implement and monitor the same.

The Company understands the importance of adopting proactive approach to address issues like climate change and global warming. Green House Gas emission, water consumption and waste generation were set as the Company's leading environment indicators, which provide a representative picture of environmental conditions and pressures on the environment. Every plant has now developed Energy Champions and taken up many projects on carbon footprint reduction.

The Company identifies and assesses potential environmental risks. Since all of its 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 impact studies. The identification of the environmental aspects is an on-going process that determines the past, current and potential impact (positive or negative) of an organization's activities on the environment. This study is carried out for procuring the equipment introduced in the plants. The environmental impact study is a dynamic document which captures all the management changes while conducting this study.

The Company powers 100 percent of new natural gas

urban transit buses in the U.S. as well as more than 3,000 buses in Beijing, China and 4,200 in New Delhi, India.

2. Project related to Clean Development Mechanism

Cummins focused to promote environment sustainability through Green Buildings. Cummins existing construction standards provide mandate and guidance to build an eco-efficient building, with pollution prevention measures included as well. The Power Generation plant located at the Special Economic Zone at Phaltan was also constructed on the Green design concept which displayed commitment to environmental stewardship with a triple-bottom-line (people, planet, profit) approach.

3. The initiatives of the Company related to Clean Technology, Energy Efficiency and Renewable Energy

On the operations front, the Company continued energy conservation programs with more projects observed this year, for reducing GHG footprint of the site and promoting energy efficiency. These initiatives are driven through Six Sigma project on energy conservation, unplugged challenge, energy audits and training of Energy Champions. The Kothrud plant of your Company had achieved annual energy savings of 17% in terms of KWH in 2013 as against that of the 2012 baseline. ISO 50001 is the new international energy management standard released in 2011, based on ISO 14001. The Kothrud plant is now working for its ISO 50001 Certification in 2014–15. After getting the Certification, the energy efficiency will be converted in to standard practice. The main focus is on power management and lighting system. For better power management, the Company's main focus is to identify high energy consuming equipment and to work on heating and cooling system to reduce power losses.

The Emissions/ Waste generated by the Company are within the permissible limits given by CPCB/ SPCB for the Financial Year being reported. Though the Company has received few show causes from the Pollution Control Board in the previous Financial Year, all these were closed at a satisfactory level.

The Kothrud plant has achieved annual energy savings of 17% in terms of KWH in 2013 as against that of the 2012 baseline. Also, the said plant adhered to the progressive targets of 5% reduction in total emissions on year-to-year basis.

As a result of continual efforts, the Company had achieved approximately 29% reduction in greenhouse gases in terms of per million man hours worked in 2013, as against that of the 2012 baseline.

Through Rain water harvesting project, the Cummins plant at Kothrud recovered 870 KL water.

At Cummins, there was 27.5% reduction in water consumption in terms of per million man hours worked in 2013 as against that of the 2012 baseline.

Cummins is driving environment awareness all across its global plants. Under this drive, the Company is focusing on Environment Day/ Earth Day and celebrating Environment Week. Cummins focuses on developing people on environment aspects identifying improvement opportunities undertaking GHG reduction project and training people on pollution prevention, water conservation etc. All the environmental performances are tracked in an environment software where data on GHG, waste water is tracked and every year targets are set on the baseline.

4. “Say No To Plastic Bags”

Under the Energy and Environment priority area, the



A Simple Change: In a bid to reduce the use of plastic bags inside Cummins, the ‘Say No to Plastic Bags’ campaign was launched which entailed replacing the in-house plastic bags with newspaper bags, wherever feasible. Engine catalogues are being packed in paper bags instead of plastic, and these are also being used during celebrations within the plant.

Company initiated several projects on reducing use of plastic bags.

To address this issue, the Company initiated the “Say No To Plastic Bags” campaign, which ensured no plastic usage inside Cummins. The Company has started the replacement of in-house plastic bags with newspaper bags, wherever feasible. The Company has also started packing the engine catalogues in paper bags instead of plastic bags. The Company even utilized the paper bags internally for different festivals, which is a yearly activity.

As the demand for paper bags saw a drastic increase, the focus shifted on improving the productivity and cost-effectiveness. Following initiatives were undertaken to address the same:

- Cost reduction and increased productivity by improving production process efficiency and mechanize the operations and substituting cheaper ingredients.
- The Company partnered with NGO - Swayamsiddha

Apang and Samaj Vikas Kendra and extended financial support to purchase a paper bag manufacturing machine. Experts from Cummins Plant Engineering provided training to the physically-challenged people of this NGO to enable them to make paper bags in an easy way. The key deliverable was to create employment for the differently-abled.

- The Company also partnered with an NGO named Sevadham Trust to create awareness amongst school students and converged approximately 15,000 students. Students were encouraged to talk to their parents and reduce use of plastic bags. Students were also asked to bring the unused plastic items from their house. These plastic items were recycled by a plastic vendor and the school got revenue out of this activity. In 2013, more than 500 kg of plastic was prevented from entering the river.
- Created awareness in the local market on use of paper bags. Two self-help groups were created and trained on making paper bags from newspapers.

5. Catch Them Young 2013

Today's children are tomorrow's torch bearers and they can help us make a huge difference. Children are known to be very persuasive and an influencing factor in their homes. Cummins, therefore, ran a program called 'Catch them Young' to sensitize them to some of the environmental challenges faced in India and empower them to be torch bearers.

The program entailed screening of videos of two projects undertaken successfully in India by Cummins, which have been sustained over the years and are now being replicated across India - the Nirmalya project towards preserving water bodies during festive seasons and the Zero-garbage project on waste-segregation and its positive impact to communities. Videos were shown to school children, the perfect audience for this initiative, to inculcate in them, a sense of responsibility and ownership towards the environment.

Educate them today for a better tomorrow:

The program 'Catch Them Young' started in 2012, further reached out to more than 2 lac children to sensitize them on various environmental challenges faced in India today. This knowledge empowers them to be responsible citizens in the future.



Using PAN India presence of the Distribution Business network of Cummins, environmental awareness was created through 405 employees of Cummins group dedicating approximately 2400 EEEEC hours across 75 cities.

Leveraging the nationwide presence of Cummins in India, the program touched schools in all corners of the nation and over 2,00,000 students were covered.

6. Green Harvesting at the Megasite

Cummins volunteers observed that farmers burnt all the trash which remains after harvesting the crop. This leads to an increase in air pollution. Cummins identified the solution for converting this agricultural waste into organic manure.

Cummins officials worked with an NGO working on agricultural research, named Appropriate Rural Technology Initiative (ARTI). Cummins volunteers identified the model farmers to adopt this technique. A shredding machine was required to extend this practice to other farmers in the village, which was donated by Cummins. After shredding, trash is easily converted in an organic fertilizer.

This project helped the farmers to save substantial amount of expenditure on fertilisers per acre. This also helped to reduce the air pollution caused by burning of trash. Use of this organic fertiliser helps reduce water pollution caused by use of chemical fertilizers and help to regain the fertility. Many other farmers are adopting this technique.

7. Towards Water Neutrality around Cummins India Limited, Kothrud, Pune Plant

Close to 350 employees of the Company, spent around 1200 hours in these water management practices and successfully made available, over 35,000- kilo litres per

month of water for the community, against the consumption of 16,000 kilo litres per month of water within the Company.

Along with this initiative, the Company also partnered with an NGO – Green Thumb, who is executing a very ambitious project of ‘Desiltation’ of the Khadakwasla Dam.

The employees of the Company also conducted a clean-up drive at Torna and Tikona forts, which are in the vicinity of Pune.

With the help of an NGO – Ecoexist, the employees also promoted sale and use of eco-friendly colours during festive season, instead of toxic chemical colours, which results into water pollution and health hazards.

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 industry. 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 powergen sector as well as Auto sector. We had a major success this year on the



Encouraging merit and ability: Every year, the Cummins Scholarship Program awards scholarships for college level technical education to meritorious students, with a special focus in supporting girls, from economically weaker sections of the society.

powergen advocacy side with CPCB II. Every year 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 always propound that better technology is always the best route for cleaner air.

We also encourage fuel economy as that not only conserves precious fossil fuels but also lowers consumption and provides a lower carbon footprint on the environment. All these efforts are done under the aegis of one or more Industry associations.

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

Principle 8: Businesses should support inclusive growth and equitable development

Two out of the Company's three principles of Corporate Responsibility guide 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: Every year, the Company awards scholarships to meritorious students from economically weaker sections of the society for college level technical education. Preference is given to girl students. The scholarship also entails mentorship of the selected students by employees of Cummins.
- Cummins College of Engineering for Women in Pune: The Company also continues its partnership with the Cummins College of Engineering for Women in Pune and Nagpur, India, which imparts technical education to women, who have long been under-represented in the field of engineering.

Towards Environment Protection, the Company

implemented several projects as follows:

1. Zero Garbage Replication

The city of Pune is an educational center, slowly becoming an industrial hub, with a population of over 40 Lacs. With the growing population, the city is currently facing a huge problem, that of garbage disposal. Over 1250 tons of solid waste gets generated every day in the city. A majority of this goes to the local landfills where it is burnt, which leads to toxic fumes and water-pollution, thus affecting the neighbouring villages with several health problems.

The reasons leading to this problem were:

- Wet and dry waste was received without segregation;
- Lack of adequate infrastructure for solid-waste processing;
- Availability of manpower; and
- Unreliable waste-handling equipments and civic waste collection centres.

The Zero-garbage project undertaken by Cummins in collaboration with various NGOs during 2011 addressed most of these problems and provided a solution to an identified ward within the city- Katraj Ward. Owing to the success of the Zero-garbage project in the Katraj ward, the project was planned to be replicated in 20 other wards through horizontal deployment of resources by the Civic Authorities - Pune Municipal Corporation. However, the employees soon realized that this approach could not be replicated as is in the Balewadi-Baner ward, where the new corporate office for the Cummins Group in India has recently been inaugurated, due to stark differences in the demography of both the wards.

Cummins in partnership with Janwani (NGO), SWaCH (NGO) and the Pune Municipal Corporation (PMC) developed an innovative approach towards Solid Waste

Management, which in combination with the Katraj Ward model could be deployed across the city of Pune.

The project commenced with organized rallies and door-to-door campaigns by the employees to create basic awareness on waste segregation. Meetings were conducted with various housing societies. Households were encouraged to restart the compost pits present within the society for decomposing wet waste. Adequate training was provided to the society staff on operating compost pits. PMC issued notices to societies to activate their compost pits. A 40 kVA genset is functional to run on biogas generated from wet waste. Our employees understood that the weakest link in Solid Waste Management is the unreliable 'Pushcart'. The Company also redesigned the rag picker push carts for better ride and durability, at an affordable cost. The prototype for this push cart has been developed by Cummins. The drawing along with the prototype has been shared with the PMC to be replicated across the various wards in the city for better waste collection.

The Employees of the Company created awareness amongst 20,575 households in Baner, Pune on segregation of wet and dry garbage. As a result, the percentage of houses, segregating the waste at source has increased by 66 %.

The people in the Balewadi-Baner Ward have now started seeing the results of this project and are living in a much healthier and cleaner area. With the success of the Katraj and Balewadi-Baner models, Cummins is now ready with a holistically developed model which can be replicated across the city with different demographics.

Globally, this Project achieved the Community Focused Six Sigma Project Award in the Cummins Group.

All these initiatives reached out to maximum households and led to an increase in the waste segregation (into wet and dry waste) at the source. The treatment of wet-waste in local composting pits increased many folds to over few tons per day, in addition to existing garbage being processed at the local biogas plant in a neighbouring area. Consequently, the numbers of roadside garbage containers have reduced significantly.

2. Cleaning up Drive

With regards to public water bodies, Cummins tackled many different problems in an innovative and responsible manner. The employees of the Company observed that during the festival of Holi (festival of colours), people would douse each other with colours and jump into the nearby water bodies and dams, like the Khadakwasla dam (Pune's primary dam), to wash off their colours. This in turn, would pollute the water. The employees formed a human chain around the dam and with the help of local authorities, NGO – Green Thumb and villagers, prevented water deterioration at the dam during the festive season.

The Company also adopted the Ram River, an over-polluted tributary of Mula River. A clean-up drive of the river was initiated along with awareness campaigns carried out in 10 local schools. More than 400 kilograms of plastic, which would have found its way into the river, were submitted by students to the NGO Jalbiradari, who partnered with Cummins for this initiative.

The Company also partnered with the NGO - Green Thumb in executing a project for desiltation of the Khadakwasla Dam. The employees helped in pitching the banks with stones to avoid the erosion of soil on the banks. The Company identified historical places in Pune for a clean-up drive, given the deteriorated state of the water in the tanks of the forts. The clean water could help the flora and fauna in the fort, to thrive. The tanks, once cleaned, were filled with fresh water during the

monsoon, which helped to achieve the desired results.

The Company partnered with NGO - Green Hills to build an artificial pond on Warje hill and covered it with a flex lining so as to minimize the seepage. This was done to ensure availability of water for saplings. The Company also partnered with PMC and NGO SWACH to create awareness during Ganesh Festival on water pollution by appealing to people to immerse the Ganesh idol into artificial tanks built by local authorities, instead of the river.

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

Cummins serves with care. The Distribution Business unit of Cummins is dedicated to service the customers in the best possible way. For Cummins, it is top priority to take care of all the customers' after market needs related to Cummins products. Every single person in the organization is committed to ensuring that Cummins customer needs are fulfilled. The Company provides after-market service for its parts to the end-users through 31 dealers established across the country. The dealers are provided with trained manpower through Training Centers, set up by the Company 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 the Company is able to improve the quality of its products and reduce the issues faced by its end users.

Cummins Quick Serve launched in 2011 is similar to the customer's own maintenance department available on demand! This initiative builds key skills and establishes a common business process designed to improve customer satisfaction and service business performance. It stands as the foundation for creating a reputation of legendary service for the customers.

The Company 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. The Company works closely with OEMs. It supplies its products to understand customer requirements and makes appropriate product modifications to further support their needs. Further, the Company 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, the Company has started supplying reconditioned parts to its end-users to reduce their total cost of operation.

The Company's customers / consumers lodge their complaints / provide feedback to the Company through the Company portal, dealerships and regional offices. The Company 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

Customer assistance cell is a single point information and assistance source for the customer. The Company's aim is to provide a single access point to provide expert advice, technology information, technical guide, queries, process and feedback.

To Standardize Dealer-front facing processes to have – 'One face to Customer' with a view to improve customer experience by aiming at 'Best in class service', Distribution Business Unit undertook the Common Dealer Operating System (CDOS) Project in 2012-13 and has now successfully implemented CDOS at all Dealerships covering over 212 locations.

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 2013 – 14, a total of 35 number of consumer cases are pending before various forums and the same are sub-judice.



*For BSNL / MTNL lines



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