



Cummins India Limited Annual Report 2015-16

Making in India for the World



Cummins Technical Center India

Cummins Megacite



Cummins India Office Campus

Table of Content

■ Letter to the Shareholders	1
■ Board of Directors	16
■ Financial Summary - 5 years	18
■ Directors' Report and Financial Statements	20
■ Consolidated Financial Statements	140
■ Business Responsibility Report	189



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

To Our Shareholders

Your Company accomplished a lot in the year 2015-16 despite the slowdown in international markets and the beginning of a revival in the domestic market. In managing yet another difficult year, our employees continued to work together as one strong team, responding with agility to opportunities that emerged domestically, focusing on making our customers win, maximizing cost reduction initiatives and in doing all of these, living Cummins' six Core Values every day. As a result, your Company has delivered a performance well ahead of any of its peers within the industry.

2015-16 Financial Performance

In the fiscal year 2015-16, net sales for your Company were at an all-time high at ₹4,603 crores, representing an increase of 7 percent over the previous year. Net profit before tax (excluding exceptional items) was ₹906 crores, representing a 6 percent increase over the previous year. We feel good about being able to grow our revenues profitably despite the challenges prevailing in the global and domestic markets. The Company generated significant cash, strengthened its balance sheet and financial position and continued to return value to its shareholders. Your Company had disbursed an interim dividend of ₹5 per fully paid-up equity share of ₹2 each (250 percent) in March 2016. The 2015-16 financial year concluded with the Board recommending a final dividend of

₹9 per share of ₹2 fully paid-up (450 percent) aggregating to ₹14 per share of ₹2 each fully paid-up (700 percent), subject to your approval at the Annual General Meeting.

During the year, the four businesses of your Company – Industrial, Automotive, Power Generation and Distribution continued to deliver on our brand promise of Dependability to all our stakeholders.

Strong partnerships with all stakeholders

Our long-standing partnerships with our stakeholders positions both your Company as well as the partnering stakeholders for longer-term success. These partnerships extend to our key OEMs as well as end-users across the



Chugging ahead in the Rail segment: The first ever 50 litre electronic engine (inset) manufactured in India by Cummins, inside the Diesel Electrical Multiple Unit (DEMU) made by Integral Coach Factory in Chennai.

on-highway, construction, marine, railway and mining segments, suppliers and our communities.

As an example, our Industrial Business launched market leading competitive products for the rail segment. Supporting the Indian Railways in realizing its vision of modern technology, your Company built and shipped the first ever 50 litre electronic engine for the Diesel Electrical Multiple Unit (DEMU)

manufactured by the Integral Coach Factory in Chennai. Complying with stringent Euro IIIA emission norms, this product offers us significant inroads and future opportunities in the rail segment.

With increasing demand for power, higher tonnage trucks are making inroads in the mining sector. The sector witnessed the launch of the largest dump-truck to be ever built in India. Manufactured by



Reaching new heights - Inside India's largest Dump Truck is a Cummins engine: The largest dump-truck to ever be built in India by BHEL for Coal India, is being powered by a Cummins engine (60 litre). One of the highlights at the 'Make in India Week', this dump-truck was seen at close quarters by the Cummins Inc. COO and the India leadership (inset).



A hat-trick for Cummins on the race track: For the third consecutive year, the Tata Motors' T1 PRIMA Truck Racing Championship (inset) saw Cummins' continued engagement as the engine technology partner and team sponsor. Seen here is Anant Talaulicar, Chairman and Managing Director, flagging off the race.



BEML for Coal India, this gigantic 205 ton dump-truck is fitted with a 60 litre Cummins engine. The modular design of the engine allows ease in servicing and lesser down time between engine scheduled maintenance. A significant feature includes the built-in pre-filtration fuel system that ensures the right quality of fuel available for the equipment. Offering great fuel economy to price sensitive markets like India, this engine has tremendous potential in the mining industry in the near future.

Your Company continued to bring industry leading technologies for our other major segment, marine. In addition to delivering engines for Landing Craft Utility and Water Jet Fast Attack Craft of the Indian Navy, your Company also partnered with the warship builder, Garden Reach Shipbuilders and Engineers Ltd. in exporting an Offshore Patrol Vessel (OPV) to the National Coast Guard in Mauritius for the first

time. To this project, Cummins rendered its expertise of back-up power with its 250 KWe generator sets. We also partnered with Goa Shipyard Ltd. to build Offshore Patrol Vessels for the Sri Lankan Navy, and with Marine Frontier Shipyard for the first all-aluminium hull vessel for the Nigeria Security Agency. Yet another partnership entailed the commissioning of the very first indigenous torpedo launch and recovery vessel by the Indian Navy which adds a thrust to India's ongoing endeavours in indigenizing the country's ship design and building capabilities and development of underwater weapon systems. Manufactured by Shoft Shipyard, this vessel has been fitted with heavy-duty main propulsion Cummins diesel engines and marine generator sets.

We view our suppliers as strategic partners in bringing high quality, right first time products to the marketplace. We recently launched AMaZe

(Accelerated Move towards Zero defects) across all entities of Cummins in India, to accelerate product quality improvements across the five pillars of product design, manufacturing, supply base, product in-use and service quality. The program saw a total of 380 projects being undertaken during the year. Through this program, our suppliers are now closely engaged with us right from the very initial stages of product development. In addition, we are also significantly more integrated with our suppliers in ensuring quality in all bought out, finished and semi-finished products. In continuing to improve processes we collaborated with our suppliers on 79 Supplier Focussed Six Sigma projects during the year.

Reinforcing our responsibility towards our employees, natural resources and the environment, our commitment to Health, Safety and Environment continued into 2015. Subsequently, we reduced the safety incident rate (IR) for employees as well as contractors to a historical low.

In accelerating our journey to zero defect in safety, we launched the 'Live It Lead It' (LILI) program to bring about a cultural change of having employees take personal ownership over safety and in doing so adopting the necessary behavioral changes. In addition, we are also focussing on slip, trip, fall safety, hoist and crane safety and a machine guarding program.

Given that a large population of our employees commute on two-wheelers, a training on two-wheeler defensive driving has been imparted to sensitize and create awareness on two-wheeler safety.

We also improved our overall environment performance through waste inventorization and mapping, water balancing and energy reduction

programs. High energy consumption areas are being identified on the shop-floor and projects have been undertaken to conserve energy and reduce greenhouse gas (GHG) emissions. Your Company reduced waste disposal and GHG emissions by 15 percent and 20 percent respectively with respect to the 2014 baseline.

Our waste recycling rate is 95 percent. I am extremely pleased to share that all our operational units across India are now water neutral. I am also proud to share that all the plants of your Company comply with the Occupational Health and Safety Assessment Series (OHSAS) 18001 and Environment Management System (EMS) 14001 standards. The Kothrud engine plant in Pune has received the Robert Sonntag Global Cummins Inc. Award and was also recognized for its efforts towards zero garbage. The HHP Rebuild Center in Phaltan has received the Cummins Inc. Chairman's Health and Safety Awards for eliminating ergonomic risks associated with valve and injection time setting operation in the 60 and 45 litre engines.

We are starting to take steps towards substituting non-renewable sources of energy with renewable sources across our plants and offices. Work is in progress for developing a green supply chain with the adoption of environmentally compliant raw materials and returnable packaging.

Along with meeting our health, safety and environmental commitments, we continued to make the lives of the communities around us better. I feel immensely proud that each and every one of our employees including shop floor operators have successfully dedicated a minimum of four fully-paid hours for the third consecutive year in a row to corporate responsibility. These hours were dedicated



A Tale of Transformation: Tom Linebarger, Chairman and CEO, Cummins Inc. along with Anant Talaulicar, CMD, Cummins India Limited, interact with a student from a model village near the Megasite, where Cummins' sustained involvement has transformed lives positively.

towards the many sustained projects under the focus areas of Higher Education, Energy & Environment, Social Justice and Infrastructure.

Our collective commitment in improving our communities is evident from a few of our most significant projects -

The Nandal Model Village transformation project was extended to 12 more villages around Phaltan, Ahmednagar, Ranjangaon, Dewas, Pithampur and Jamshedpur and our employees helped create water bodies, increase awareness of health and hygiene, and develop schools and model farming methods. Through participatory rural appraisal (PRA), the most critical needs of the communities were identified and prioritized, and a road map has been developed for village transformation. Till date, 13 check dams and five ponds have been constructed saving close to 14 million gallons of water in the villages. An additional 300 acres of land has been cultivated and most model villages have become self-sufficient with

respect to water, despite poor monsoons in the last two years.

By de-silting a 1.5 km stretch of the Khadakwasla dam and planting 5,000 trees, we contributed to ensuring that the primary source of water for Pune city continues to have water in abundance.

Leveraging the scale and network of Cummins' distribution business we took the 'Coach Them Young' environmental awareness program to the next level. This year more than 7,10,000 students across the country were made aware about water conservation and reduction of carbon footprint.

Through the Cummins Scholarship Program, we extended support for undergraduate college education to 155 bright, diverse, meritorious, and financially needy students this year. With this, we have supported 744 students till date and plan to further increase the number of scholarships next year.



Empowering through Education: The Cummins College of Engineering for Women (inset) celebrated its silver jubilee this year. Seen here is Smriti Irani, Minister of Human Resource Development, Govt. of India, addressing students from the college.

Our longstanding partnership with the Cummins College of Engineering for Women entered its 25th year and working together with the Government in Delhi as well as Maharashtra we were able to obtain academic autonomy status by the University Grants Commission effective academic year 2016-17. This is a significant milestone in the history of the college, as the college will now be able to improve its curriculum to be more suited for industry and will increase the opportunities for women engineers for even better quality education and careers. We stay committed to making this college one of the top five percentile of privately managed engineering colleges in India, with a three-pronged approach of enhancing the quality of education through improved physical infrastructure, faculty and student development.

Last year I had touched on our Technical Education for Communities (TEC) initiative, which focuses on vocational education through sustained engagement and support to Industrial Training Institutes (ITI). One such institute is the ITI at Phaltan with which we have been associated since 2010 and have been steadily making improvements in infrastructure, labs, equipment, faculty and students. I am proud to state that this is now one of the best ITIs in Maharashtra. Our aim is to channelize the talent of the rural youth and develop a young and diverse talent pipeline for industry. In horizontally deploying this model, we have partnered with our suppliers in Kolhapur in Maharashtra to engage with an ITI there. The deployment will be led by the suppliers with process support from Cummins.

Our work on improving the communities continues to receive recognition, internally and externally:

- Of the 14 projects submitted from India for the Cummins Inc. Environmental Challenge 2015, 11 projects were recognized from amongst the many projects submitted across the globe.
- In the Economic Times survey of the top 200 corporates practicing Corporate Social Responsibility in India, Cummins edged its way up from 29th position in 2014 to 16th in 2015.
- Cummins was awarded the Runners-Up Award in CSR Excellence from Manufacturing Today Publishing House and the Best Project Award for the Model Village project from NITIE Mumbai.

The far-reaching positive impact of our sustainability efforts during the year can be gauged from the following -

- Approximately 6,500 million gallons of water has been harvested for the city
- 35,000 trees were planted and maintained
- Approximately 20,000 MT carbon was prevented from entering the atmosphere

Note – Details of other projects undertaken and the resultant impact on the communities have been published in the Business Responsibility Report.

Technology leadership

Over the years, your Company has built a leadership

Innovating for the World: The largest research and development Center of Cummins worldwide to design technologies on home ground for global markets, is presently under construction at the Kothrud campus in Pune.



position in engine performance, fuel economy and emissions.

In order to sustain our technology leadership in India and across the globe, Cummins is expanding its technological capabilities with the establishment of the Cummins Technical Center India (CTCI), the largest research and development center world-wide. Expected to become operational by end of 2016, CTCI will generate leading edge product and technology development, as well as business specific product development capabilities and global product solutions to all of Cummins businesses world-wide while leveraging the large talent pool of engineers in India. The Center will work on exploring and providing technology insights that will offer your Company a critical competitive advantage in engine, component and generator technology.

As emission norms in India become ever more stringent, the Technical Center will play a significant role in bringing advanced emission technologies at an affordable price to the Indian consumer.

Presently under construction, the four-level building at the Kothrud campus in Pune, will co-locate laboratories, engineering facilities and engineers from across India. Employing over 2,500 engineers, CTCI will eventually have more than 36 engine test cells, engine build and tear down areas and other spaces essential to technology, product development, verification and validation work across various engine, generator and component technologies. The total investment of ₹10 billion is being shared approximately equally by Cummins India Limited and Cummins Technologies India Private Limited. The lean and innovative technologies that will be

Bird's eye view of Phaltan: An aerial view of the Cummins Megasite in Phaltan wherein seven plants and a Parts Distribution Center are presently operational.





Power-packed innings: The Power Generation plant at the Special Economic Zone (SEZ) in Phaltan serving global markets, increased its exports by almost 40 percent over last year.

designed at this Center will benefit both the entities.

To meet the upcoming emission regulations with 'fit for market' solutions, your Company is developing the ISBe 5.9 BSIV engine with selective catalytic reduction aftertreatment, while also incorporating the internally developed high pressure common rail electronic fuel system for far better fuel economy and performance.

Last year, I had spoken about the Global Analytics Center (GAC), a knowledge processing hub set up to support non-engineering business functions and processes across different regions. Catering to the analytical needs of various Cummins businesses globally in an integrated manner, GAC has been supporting processes such as Should Costing, Global Material Planning, Reliability and Warranty, Inventory Management etc. With Cummins' recent focus on Telematics, GAC is gearing to provide data

analytics support required to enable our customers to harness real time information while promoting safety, improving performance, and reducing warranty and maintenance cost of their Cummins products.

Manufacturing scale

The disciplined investments made over the years in increasing manufacturing capacities at high quality levels, positions your Company to respond quickly to the first sign of economic recovery, domestically as well as globally.

On the exports front, I am pleased to share that the Power Generation business increased generator set exports by almost 40 percent over 2014. Our gensets are reaching across the globe in markets in Africa, Middle East, Australia, Latin America and Europe.

As we scale up our capacities, we are also providing



Showcasing manufacturing capabilities at the 'Make in India Week': Cummins' manufacturing prowess and technology capabilities were showcased at the 'Make in India Week' in Mumbai. In the foreground is Prime Minister Narendra Modi (inset) along with key government dignitaries and international guests.



our suppliers with strong opportunities to scale up their volumes. We have a dedicated team in place to support exports of components from Indian suppliers directly to Cummins worldwide locations. This is approximately one third of the value of our direct materials spend and has grown by 47 percent to ₹1,686 crores in the last five years.

Additionally, working with suppliers in improving parts availability, we have expanded the operations of the India Parts Distribution Center (IPDC) at the Megasite. Subsequently, the IPDC that distributes parts to the domestic and exports aftermarket, has seen a four-fold upsurge in exports revenue in the last two years.

Another growth opportunity for our suppliers is our new initiative, "Total Value Performance (TVP) Strategy", which provides visibility of category

suppliers to Cummins worldwide. Our category focussed purchasing organization structure enables common resources across all Business Units to focus on supplier relationship management. This helps right size our supply base and in turn, consolidation of volumes with category suppliers.

As mentioned earlier, in bringing right first time products to the marketplace, we have established platforms that facilitate our suppliers' participation and involvement in the very early stage of product development. As we expand our technical capabilities, with the opening of the Technical Center, growth opportunities for our supplies will increase multi-fold, with the extensive new product development work that the Center will undertake.

The manufacturing prowess and technology capabilities of your Company were showcased at the

'Make in India Week' organized by the Government of India along with Confederation of Indian Industries (CII) and Department of Industrial Policy and Promotion (DIPP), in Mumbai, earlier this year.

With a world-class infrastructure, backed by a dedicated team of employees, your Company is geared to be looked upon as the preferred choice for high quality manufacturing for the world.

Customer Support

Increasing our commitment to making our customer win, we have increased our focus on our Customer Support Excellence (CSE) roadmap.

We added new initiatives; Success Obstacle System and Customer Connect Program. The former enables engagement between businesses and functions to resolve tough and chronic customer success obstacles, and the latter facilitates leadership

interactions with our customers and end-users to better understand their expectations from us, and galvanize the organization to meet these expectations. The latter program is centered on staying closely engaged with our end-users. This involves periodic visits to customer sites by senior management.

A comprehensive training program is also being conducted across application segments to address technical training, service and warranty issues. These sessions are proving to be extremely helpful in gathering data on quality, customer requirements, spare parts availability, etc., all of which are being utilised in bridging the gap towards becoming a truly customer focussed organization.

We view world-class technical training infrastructure as an enabler to providing excellent customer service. We opened two training centers at the

Connecting the dots to the last mile: The Customer Connect Program enables close and direct interactions of senior leaders with end-users to gain insights on product and service quality and performance.



Megasite, one of which is designed to impart training to professionals and the other to service technicians on High Horsepower, Heavy duty and MidRange engines.

Another effective customer and dealer relationship management tool, the Cummins Dealer Operating System (CDOS) launched in 2012, underwent a technical upgrade towards becoming a more 'open user interface', enabling customer support through mobile devices. Going forward, data analytics and business intelligence on generated data will help us further enhance our customers' experience. All this has resulted in the transactional Net Promoter Score (NPS) becoming 71 percent which is a record. NPS is the best measure of our customer loyalty and an indicator of our progress in CSE.

Towards ensuring a consistent customer experience across the distribution channel, we piloted a standardized sales process at five dealer locations. Work is in progress towards instituting a uniform look and feel across field offices and dealership locations,

so as to offer a consistent brand experience to our customers. By the end of this year, nine field offices and ten dealership head offices will align to the common brand standards. This, in addition to our branded service vans will increase our brand recall amongst the masses.

Your Company further strengthened its distribution capabilities in India with the acquisition of Cummins Svam Sales and Service in Noida. Renamed as Cummins Sales and Service Pvt. Ltd., this is the only company owned dealership and will serve as a model dealership to our network by showcasing seamless and consistent service and support to customers in the Delhi area, ultimately, driving more growth in the long run.

We have also been strengthening the Integrated Supply Chain function across the organization. Supported by Planning & Logistics, Purchasing, Manufacturing and Quality functions, we have started work on strengthening hand-offs between these sub-functions, optimizing resources, starting the journey on centralizing material planning, synchronizing material flow, and establishing a reliable, market driven supply chain to support profitable growth.



Up 'skilling' with hands-on training: The newly inaugurated Technical Training Center at the Megasite provides hands-on training to service technicians on High Horsepower, Heavy duty and MidRange engines.



Through Six Sigma which is now in its 12th year, we generated savings of ₹172 crores. This year, 720 projects were completed, of which 119 projects were focussed on customers. At the end of the year, your Company had 1,089 Six Sigma trained belts. Owing to the fourth wave of the 'Accelerated Cost Efficiency' (ACE) program towards reducing the Total Cost of Ownership for direct materials, we generated annualized savings of approximately ₹234 crores. This program has since its launch in 2005, generated total savings worth ₹1,355 crores. The other cost reduction program, TRIMS, to reduce the Total Cost of Ownership for indirect materials and services, generated savings of ₹18 crores for your Company.

Right Environment

For a company to sustain success in the longer term and delight every stakeholder, it is important that the working environment be conducive to high performance that is consistently delivering great results. Over the years significant time and effort has been channelized in building this environment which we call as the 'Right Environment.' Consolidating these efforts further, this year we formulated the 'Right Environment' statement, which emphasizes that, "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently".

In building and fostering this environment, leadership is a key enabler and a foundation. As a result, we have been investing heavily on interventions and training to develop leadership skills across all levels of the organization. Of the five critical leadership skills

identified by the organization, we have cascaded three - Coach and Develop, Fostering Open Communication and Talent Management to 863, 775 and 617 managers respectively. Additionally, 515 managers have undergone Leadership Conversation sessions aimed at helping managers become more effective in managing people. Another training module familiarizing employees with our environment and their role – Cummins Environment and You, has been cascaded to a total of 393 employees.

A second batch of the Global Leadership Development Program (GLDP) with 21 participants from the senior leadership team, was launched in 2015. The participants worked on themes which included Strategy, Global Engineering, Right Environment and Customer Support Excellence. With this batch graduating in November 2016, the program would have so far covered 34 senior managers across two batches.

In reiterating our 'Great Place to Work' strategy at the Megasite, we also opened a state-of-the-art Residential Campus to house our Phaltan based employees in a high quality, safe and clean environment.

Additionally, for our associates at the Megasite in Phaltan, a month-long employee development initiative that focused on building conversational English skills, computer skills and values was launched in partnership with Unnati, an NGO based out of Bangalore. Subsequently, the site has an employee grievance committee, in which 20 selected associates are active members. These associates were identified based on their organizational skills such as conflict management, teamwork and collaboration skills, interpersonal communication, presentation skills, and ability to speak English and

operate the computer. In 2015, we partnered with Tata Institute of Social Sciences in Mumbai to design an Industrial Relations Certification program for senior managers responsible or aspiring for roles at plant locations. 16 of our employees participated in this program and sharpened their capability and knowledge in this area, becoming more efficient in handling industrial relations, while aligning to the right environment philosophy.

We have also partnered with the Confederation of Indian Industry (CII) for a program called Visionary Leadership for Manufacturing. Designed with a vision to take Indian manufacturing to the world, this program is designed to shape senior managers into visionary leaders of the industry. Three of our senior manufacturing leaders have undergone this program.

Continuing to sponsor our employees for higher education in management and technical streams, a total of 103 employees have been sponsored at our partner institutions. The institutions include the Kelley School of Business at the Indiana University in the US, IIM-Ahmedabad and S.P. Jain for management studies and ARAI-Vellore Institute of Technology for technical programs. The ARAI-Vellore M.Tech program is now offering Manufacturing and Industrial Engineering to the existing streams of Power Train Electronics and Engine Technology and 16 employees have enrolled in the program.

Your Company continues to strongly abide by the 'Cummins Code of Business Conduct', 'Treatment of Others' and 'Prevention of Sexual Harassment' policies. These are at the very core of building the right environment. During the year, a training module on the Anti-Bribery policy was also introduced to strengthen the knowledge on the subject and enhance awareness amongst the employees. The

Right Environment Every Time (REET) module has now been incorporated in the induction program that every employee entering the organization has to undergo, in order to sustain the right environment.

Taking forward our 'hire-to-develop' strategy in employing the right talent at the entry level and then developing them for larger roles within the organization, we hired 251 fresh engineers, chartered accountants, MBA and M.Tech graduates. Furthermore, 227 professional employees moved within Cummins, into different roles or functions.

On Diversity at the workplace, we believe in ridding ourselves from inherited and long term unconscious biases and prejudices. While the focus all these years has remained on increasing gender representation at workplace which has resulted in taking the ratio to 30 percent, efforts are now being taken to broaden the scope of diversity beyond gender into stepping into other visible and invisible dimensions, such as region, generation, specially-abled and other minority groups such as lesbian, gay, bisexual and transgender (LGBT).

I am particularly proud of the fact that our employee health in aggregate is improving and more of our employees are taking personal ownership about maintaining zero defect health. We began fanning our health program to employees' families during the year. Initiatives such as the Healthy Living Module and Yoga continued to run across locations gathering further momentum. In last year's update, I had mentioned about the introduction of the Employee Assistance Program (EAP), aligned towards strengthening the emotional wellbeing of our employees. So far, over 470 employees and family members have availed these services. We were able to mitigate a significant number of high-risk cases

through effective counselling.

Yet another initiative was the introduction of the National Pension System (NPS) for our employees. Several studies have highlighted the lack of retirement preparedness and pension adequacy in India. Recognizing this and in a bid to aid our employees to better prepare themselves for life post retirement, your Company has taken the lead and is one of the few organizations to provide guidance in securing the financial wellbeing of its employees.

Programs such as 'Birth and Beyond' and anaemia eradication for women employees and Ideal Weight drive for all employees, which were first introduced at the Megasite, have been horizontally deployed across all other locations.

It is encouraging to see employees across the organization imbibing and demonstrating the expected leadership behaviors which are all about role modelling and championing the six Core Values, five personality traits, five leadership skills, building high performing teams and being authentic self-aware leaders with improved emotional intelligence. We do believe that this more than anything else will help sustain your Company's leadership position into the future.

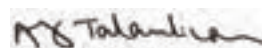
Looking Ahead

We expect the global economy in 2016 to remain challenging. However, in India, with the Government ushering a series of reforms and spending on infrastructure projects, we are starting to see a recovery in the domestic market. This coupled with the factors in our control which are strong partnerships, fit for market technology, scale advantage in manufacturing, soon to open largest technical center, and building the right environment

in the organization that allows each employee to perform to their full potential, positions your Company well to capitalize on every opportunity that comes forth.

I remain confident and excited about the future, and am grateful to our Board of Directors for their valuable direction in helping us grow profitably while returning value to our shareholders and sustaining the respect of all our other stakeholders. I would also like to thank the leadership team and all the employees for their commitment to deliver on our brand promise of dependability. Above all, I remain thankful to you, our shareholders, for your unstinted confidence in our capabilities. I, along with my leadership team recommit to continue working passionately in making people's lives better by unleashing the Power of Cummins.

Sincerely,



Anant J. Talaulicar

BOARD OF DIRECTORS



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



Antonio Leitao
Director



Edward Pence
Director



Mark Smith
Director



Suzanne Wells
Director



Nasser Munjee
Independent Director



P. M. Telang
Independent Director



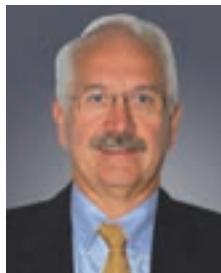
P. S. Dasgupta
Independent Director



Rajeev Bakshi
Independent Director



Venu Srinivasan
Independent Director



J. M. Barrowman
Alternate Director
to Edward Pence



Pradeep Bhargava
Alternate Director
to Mark Smith



Nicole McDonald
Alternate Director
to Suzanne Wells

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

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Financial Summary - 5 Years (Standalone)

₹ Crores

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total income	4,952.16	4,692.38	4,154.38	4,796.10	4,240.55
Raw material	2,959.31	2,706.61	2,424.11	2,887.43	2,645.42
Employee cost	420.95	391.26	339.62	338.62	303.94
Mfg. exps. and overheads	283.37	287.53	287.25	342.12	299.98
Adm.,selling and other exps.	300.25	288.61	232.13	189.72	173.62
Finance Cost	0.86	1.26	1.01	1.22	2.42
Depreciation	81.01	79.72	52.75	47.25	41.98
Net profit before tax	906.42	937.39	817.49	989.74	773.19
Exceptional Item	—	—	—	61.59	51.44
Tax provision on income (Net of Excess/Short provision for prior years)	154.57	151.54	217.49	287.22	233.36
Net profit after tax	751.85	785.85	600.02	764.11	591.27
Dividend	388.08	388.08	360.36	360.36	304.92
Additional Income tax on dividend	79.00	74.34	61.24	60.17	49.47
Earnings in foreign exchange	1,713.57	1,774.22	1,258.31	1,315.97	1,236.16
Dividend % *	700.00	700.00	650.00	650.00	550.00
Earning per share (Face value of ₹ 2) #	27.12	28.35	21.65	27.57	21.33

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 133 of the Companies Act, 2013.

Financial Summary - 2 Years (Consolidated)

₹ Crores

Particulars	2015-16	2014-15
Total income	5,369.43	5,123.75
Raw material	3,226.01	3,021.74
Employee cost	460.20	422.11
Mfg. exps. and overheads	292.73	295.66
Adm.,selling and other exps.	392.42	361.36
Finance Cost	1.67	1.75
Depreciation	88.66	86.46
Net profit before tax	907.74	934.67
Tax provision on income (Net of Excess/Short provision for prior years)	193.79	177.24
Net Profit after Tax and before share in Associate's profit	713.95	757.43
Add: Share in associate's profit after tax (net)	19.36	14.59
Net Profit for the year	733.31	772.02
Dividend	388.08	388.08
Additional Income tax on dividend	100.84	89.24
Dividend %	700.00	700.00
Earning per share (Face value of ₹ 2)	26.45	27.85

DIRECTORS' REPORT

The Directors take pleasure in presenting the Fifty-Fifth Annual Report together with the audited financial statements for the year ended March 31, 2016. With the challenging economic conditions of the previous year continuing into 2015, your Company has focused on improving productivity, eliminating waste, re-aligning the cost structure and increasing market share.

1. FINANCIAL RESULTS :

On a standalone basis: -

During the Financial Year 2015-16, net revenue from operations was ₹ 472,429 Lacs as compared to ₹ 440,580 Lacs during the previous year (7.23% higher). Exports and other foreign exchange earnings stood at ₹ 171,357 Lacs as compared to ₹ 177,422 Lacs during the previous year (3.42% lower). Profit after tax decreased to ₹ 75,185 Lacs from ₹ 78,585 Lacs recorded for the previous year (4.33% lower).

On a consolidated basis: -

During the Financial Year 2015-16, net revenue from operations was ₹ 525,222 Lacs as compared to ₹ 491,608 Lacs during the previous year (6.84% higher). Profit after tax decreased to ₹ 73,331 Lacs from ₹ 77,202 Lacs recorded for the previous year (5.01% lower).

	Standalone		Consolidated	
	2015-16 (₹ in Lacs)	2014-15 (₹ in Lacs)	2015-16 (₹ in Lacs)	2014-15 (₹ in Lacs)
APPROPRIATION OF PROFIT:				
Profit before taxation	90,642	93,739	90,774	93,467
Net Profit for the year after tax but before tax on dividend	75,185	78,585	73,331	77,202
Tax on dividend	7,900	7,434	10,084	8,924
Dividend	38,808	38,808	38,808	38,808

2. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 9/- 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-up share declared on February 2, 2016, aggregating to ₹ 14/- (i.e. 700%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2016 (last year ₹ 14/- per equity share i.e. 700%). The final dividend payout is subject to approval of the Members at the ensuing annual general meeting.

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

3. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associate as on March 31, 2016 : -

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

The Board of Directors of your Company at their meeting held on May 28, 2015 approved the proposal to increase its existing shareholding in Cummins Svam Sales & Service Private Limited (originally incorporated as 'Cummins Svam Sales & Service Limited') from 50% to 100% by way of purchasing 6,000,000 equity shares of ₹ 10/- each held by Svam Power Plants Private Limited and effective October 1, 2015, CSSPL (*now known as*,

Cummins Sales & Service Private Limited) became a wholly-owned subsidiary of the Company further strengthening our distribution capabilities in India. CSSPL focuses on sales and service of Cummins engines and generator sets in parts of Northern India close to NCR. Your Company is benefited with better integrated customer insights received from CSSPL into product planning, supply chain and customer facing processes of your Company. CSSPL generated net revenue of ₹ 7,542 Lacs from its operations for the year ended March 31, 2016, as compared to ₹ 6,940 Lacs during the previous year (8.67% higher).

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

The net revenue from the operations of Cummins Research and Technology India Private Limited (CRTI), a 50:50 joint venture between Cummins Inc., U.S.A. and your Company for the year ended March 31, 2016, was ₹ 3,084 Lacs as compared to ₹ 3,372 Lacs during the previous year (8.53% lower). CRTI was formed in 2003 with an intent to provide Information Technology enabled Mechanical Engineering development services primarily to Cummins Inc., U.S.A., its subsidiaries and joint ventures in all parts of the world. In order to enhance efficiency, optimize the response time, reduce the administrative procedures, and avoid duplication of efforts, your Board of Directors decided that the Company would run the activity which is carried out by CRTI for your Company, in-house by absorbing the appropriate number of employees from CRTI in your Company. This will result in simplicity in running the same activities in a more effective manner. On completion of absorption of appropriate number of employees, your Company would exit from the operations of CRTI and its shareholding.

c) Valvoline Cummins Private Limited (VCPL):

VCPL, a 50:50 joint venture with Valvoline International Inc., U.S.A., a global leader in lubricants and engine oils, generated net revenue of ₹ 102,914 Lacs from its operations for the year ended March 31, 2016, as compared to ₹ 100,614 Lacs during the previous year.

d) Cummins Generator Technologies India Private Limited (CGT):

Your Company owns approx. 48.50% shareholding in the Associate Company namely CGT which is in the business of manufacturing, marketing, sales and service of alternators and related spare parts. CGT generated net revenue of ₹ 49,564 Lacs from its operations for the year ended March 31, 2016, as compared to ₹ 51,565 Lacs during the previous year (3.88% lower).

Your Company announces consolidated financial results on an annual basis. As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Consolidated Financial Statements of the Company, its subsidiary, joint ventures and associates, prepared in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India, form part of the Annual Report and are reflected in the Consolidated Financial Statements of the Company.

Further, a statement containing the salient features of the joint ventures and associate in the prescribed Form AOC-1 is appended as **Annexure '1'** which forms part of this Report.

The Company will make available the said financial statements and related detailed information of CSSPL companies upon the request by any member of the Company. These financial statements will also be kept open for inspection by any Member at the Registered Office of the Company and of CSSPL. Pursuant to the provisions of section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of CSSPL, are available on the website of the Company.

4. INITIATIVES AT PHALTAN:

Currently, the manufacturing plants of your Company operational at the Megasite Phaltan are the HHP Rebuild Center and Phaltan MidRange Upfit Center (PMUC) at the Domestic Tariff Area and the Low Horsepower Generator set plant at the Special Economic Zone (SEZ), along with the India Parts Distribution Center.

Due to economic slowdown, the global demand for B, C, L series engines and gas engines have reduced drastically requiring the existing PMUC factory to operate below 40% utilization. In order to optimize costs and better utilize the existing resources, it is proposed to outsource manufacturing of 'C' series engines and gas engines by way of contract

manufacturing and shift certain activities, resources and operations to other existing factories of Cummins group companies operating at Phaltan which results into closure of PMUC operations by December 2016. After closure, the empty plant will be made available for Cummins Technologies India Private Limited on rental basis at arm's length basis.

While the common facilities like the crèche, administration office and health center have commenced operations since August 2014, the Training Center for employees comprising of an auditorium with a seating capacity of 250 people has become functional since June 2015.

The other training center that commenced operations in December 2015 at the Megasite Phaltan, is the Technical Training Center. With a capacity to train more than 550 engineers and 300 customers annually to service High Horsepower, Heavy duty and MidRange mechanical engines, the training center will further enhance your Company's capability to provide world-class service experience to the end-user.

In addition to manufacturing and related facilities, a residential campus to house Phaltan based employees of your Company in a high quality, safe and clean environment near the Megasite was inaugurated on August 5, 2015. This facility comprises of four buildings with 240 rooms, a cafeteria and a club house.

5. INDIA OFFICE CAMPUS (IOC):

The Company has shifted its Registered Office from Kothrud, Pune 411038, Maharashtra, India to Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045 with effect from July 1, 2015. India Office Campus at Balewadi, Pune – the headquarters for Cummins India, where close to 2,500 employees across all our business units and functions work, has become fully functional.

6. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

Other than the unsecured loan given to Cummins Technologies India Private Limited (a subsidiary of Cummins Inc., USA) in 2011 in compliance with the Companies Act, 1956 and Rules thereunder, no other loan or guarantee is given or investment is made by your Company during the Financial Year 2015-16.

7. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Particulars of contracts or arrangements with related parties referred to in Section 188 (1) of the Companies Act, 2013 in the prescribed Form AOC-2 is appended as **Annexure '2'** which forms part of this Report.

The Policy on materiality of related party transactions and dealings with related party transactions as approved by the Board may be accessed on the Company's website at the link: '<http://www.cumminsindia.com/MAIN/corporate.html>'.

8. 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 Plants (Kothrud):

- Reduction of 68% in power consumption achieved by way of:
 - Replacement of 2x36 watt lamps in the new cylinder head machining section by efficient 2x28 watt lamps (50 nos.);
 - Replacement of 400 watt Metal Halide lamps in the KV Assembly Test Paint Unit section by 100 watt LED Lamps (46 nos.);
 - Replacement of 2x36 watt lamps by 20 watt LED tubes (46 nos.); which also improved lux level and energy efficiency of illumination devices at NH NT Assembly section;
- Reduction of 45% in power consumption achieved by way of upgrading ventilation blowers and water pumps at the unit 4 Power House;

- Reduction of 10% in power consumption each in BU01, BU04 and BU-06 against standard man hours;
- Reduction of 37% in the installed rated energy consumption of EMA Machines (3 nos.) pumping system from 12,319 kWh per month to 7,662 kWh per month; and
- Use of energy review tool & energy balance tool for identifying energy saving projects.

Phaltan Midrange Upfit Center, Phaltan:

- Reduction of 10% in electrical energy consumption for all external utility lights which saves approx. 200 units per month;
- Reduction of 5% in electrical energy consumption for lights and fans at the Plant;
 - Installed the automated day timer for operation (Switching ON/OFF) of street lights on timely basis as per the pre-set timings;
 - Installed the automated timers for operation (Switching ON/OFF) of shop lights & fan on timely basis as per the pre-set timings.

Power Generation Business Unit Plant, Pirangut and Phaltan SEZ:

- Saved 43% energy by way of,
 - using LED tube fittings (saving of 42,345 kWh);
 - setting up timers in office and canteen (saving of 75,029 kWh);
- Reduction of 31% of energy consumption at paint booth by making it to be utilized at full load capacity; and
- Reduction of 21 % of energy consumption at HVAC unit.

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

- Maintaining a unity power factor at the HHP Rebuild Centre;
- Alternate switching off of the street lights after duty hours;
- Use of VRV air conditioners for the administrative building at Phaltan thereby achieving energy savings;
- Use of sky lights on roofs to ensure minimal use of lights on the shop floor during day time; and
- Optimizing use of heater tanks used for cleaning of cylinder blocks and crank-cams through one of initiative from six sigma.

India Parts Distribution Center, Phaltan:

- Regular testing of capacitor bank introduced to ensure power factor remains in range of 0.99 throughout the year;
- Dock levelers electrical circuit modified to control wastage;
- Installation of a solar water heater for dish cleaning at the cafeteria. Quarterly preventive maintenance plan is in place to validate effectiveness;
- Use of motion activated sensors in the racking aisles and the office area and dock station. Quarterly preventive maintenance plan is to check working conditions of all sensors;
- Use of sky lights in the factory premises to reduce need for lighting during daytime; and
- Use of motion sensors in rest rooms to reduce electricity consumption.

Your Company has made an overall capital investment of ₹ 6.32 Lacs on energy conservation equipment at various plants during the year ending March 31, 2016.

IMPACT OF THE ABOVE MEASURES:

The above initiatives resulted in savings of about ₹ 101 Lacs in addition to Greenhouse Gas (GHG) emission reduction by 20% as compared to FY 2014-15. The energy units saved during the year were about 990,085 kWh.

9. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

Your Company is committed to introducing new products and improving existing products to have better performance levels, lower life cycle costs, excellent safety, recyclability characteristics, meet stringent emission norms and specific needs of the Indian customer.

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

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. An example of this is the enhanced use of analysis-led design computer models that help minimize hardware testing and therefore accelerate product development cycle times. Continued implementation of Six Sigma initiatives have 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 on-highway commercial vehicle ratings.
2. Advanced BSIII and BSIV electronic products to enhance competitiveness in the on-highway 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 above 800 kW.
4. Key Industrial engine product families to support the growing 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 emissions.
3. Product and component availability to meet the new emission norms ahead of implementation.
4. More safe, recyclable, reliable, durable and performance-efficient products and critical components.
5. Component indigenization capability was improved through enhanced test capability, rig test, 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.
8. Advanced common rail electronic fuel systems to meet market needs for upcoming BS IV emission norms in Commercial Vehicle market aimed at delivering better performance through globally tested Cummins Fuel Systems technology.

- 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:-

	2015-2016 (₹ in Lacs)	2014-2015 (₹ in Lacs)
Capital	1	1,138
Recurring	2,510	1,639
Total	2,511	2,777
Total R&D expenditure as a percentage of total sales turnover	0.53%	0.63%

10. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 7,015 engines and 10,590 generator sets thereby achieving total export earnings of ₹ 166,939 Lacs.

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

	2015-2016 (₹ in Lacs)	2014-2015 (₹ in Lacs)
(a) Earnings	171,357	177,422
(b) Outgo –	82,640	94,058
- Raw Materials/components	48,038	58,113
- Capital equipment	229	611
- Others	34,373	35,334

11. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT:

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report and the Corporate Governance Report are appended as **Annexure '3'** and **'4'** respectively which form part of this Report.

The Company has obtained a Certificate from the Statutory Auditors confirming compliance with conditions of the Code of Corporate Governance as stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is appended as **Annexure '5'** which forms part of this Report.

12. EXTRACT OF THE ANNUAL RETURN:

Extract of the annual return as prescribed under Section 92 (3) of the Companies Act, 2013 is appended as **Annexure '6'** which forms part of this Report.

13. RISK MANAGEMENT:

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities. As a process, the risk associated with the business are identified and prioritized based on severity, likelihood and effectiveness of current detection. Such risks are reviewed by the senior management on a quarterly basis. Process owners are identified for each risk and metrics are developed for monitoring and reviewing the risk mitigation through Six Sigma Projects.

Audit and Risk Management Committee of the Board of Directors of your Company assists the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. Your Directors would like to disclose pursuant to Section 134 (3) of Act that there was not any matter or decision where the Board had not accepted any recommendation of the Audit and Risk Management Committee.

14. INTERNAL FINANCIAL CONTROL:

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is appended as **Annexure '3'** and which forms part of this Report.

15. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

Your Company is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently.

The Company has a 'Whistle Blower Policy' which *inter alia* provides adequate safeguards against victimization of persons who may blow the whistle. In addition, the Company also has constituted an Internal Complaints Committee (under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013) and an Ethics Committee comprising of senior executives of the Company. Protected disclosures can be made by a whistle blower through an email or dedicated telephone line or letter to the Chairman & Managing Director of the Company or Letter to the Chairman of Audit and Risk Management Committee. Whistle Blower Policy may be accessed on the Company's website at the link: '<http://www.cumminsindia.com/MAIN/corporate.html>'. Details of number of complaints filed and resolved by the Internal Complaints Committee during the year are provided in the Business Responsibility Report of the Company.

16. CODE OF CONDUCT COMPLIANCE:

A declaration signed by the Chairman & Managing Director affirming compliance with the Company's Code of Conduct by the Directors and Senior Management for the Financial Year 2015-16 as required under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

17. DIRECTORS' RESPONSIBILITY STATEMENT:

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2015-16.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed and there was no material departure from the same;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2016 and of the profit for the period April 1, 2015 to March 31, 2016;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

18. DIRECTORS:**a) Changes in the composition of the Board of Directors:**

During the year, Ms. Nicole McDonald (DIN: 07369062) has been appointed as an Alternate Director for Ms. Suzanne Wells (DIN: 06954891) w.e.f. November 15, 2015.

The Board, at its meeting held on May 28, 2015, noted the presence of Mr. Mark Smith (DIN: 06852777) in India during May 26, 2015 to May 28, 2015 and consequent cessation of Mr. Pradeep Bhargava (DIN: 00525234) as an Alternate Director for Mr. Smith effective May 26, 2015. The Board confirmed appointment of Mr. Bhargava as an Alternate Director for Mr. Smith effective May 29, 2015 upon return of Original Director (Mr. Mark Smith) to the U.S.A.

At its meeting held on August 6, 2015, the Board of Directors noted the presence of Mr. Edward Pence (DIN: 06577765) in India during August 3, 2015 to August 6, 2015 and consequent cessation of Mr. J. M. Barrowman (DIN: 00668324) as an Alternate Director for Mr. Pence effective August 3, 2015. The Board, at its meeting dated August 6, 2015 confirmed appointment of Mr. Barrowman, as an Alternate Director for Mr. Pence effective August 7, 2015 upon return of Original Director (Mr. Edward Pence) to the U.S.A.

The Board, at its meeting held on February 2, 2016, noted the presence of Ms. Suzanne Wells (DIN: 06954891) in India during January 30, 2015 to February 3, 2016 and consequent cessation of Ms. Nicole McDonald (DIN: 07369062) as an Alternate director of Ms. Wells effective January 30, 2015. The Board confirmed appointment of Ms. McDonald as an Alternate Director for Ms. Wells effective February 4, 2016 upon return of Original Director (Ms. Wells) to the U.S.A.

There was no cessation of any Director of the Company during the Financial Year 2015-16.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Mark Smith and Mr. Casimiro Antonio Vieira Leitao, Directors of the Company, retire by rotation and are eligible for re-appointment.

The details of number of meetings of the Board etc. are provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

b) Committees of the Board:

The Board of Directors have constituted following committees in order to effectively cater its duties towards diversified role under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: -

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

Details of the constitution, terms of references of each Committee and number of meetings attended by individual director etc. are provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

c) Policy on Director's Appointment and Remuneration:

The Policy of the Company on Director's Appointment and Remuneration, including criteria for determining qualifications, positive attributes, independence of the directors and other matters provided under Section 178 (3) of the Companies Act, 2013, adopted by the Board is appended as **Annexure '7'** which forms part of this Report. Details of the remuneration paid to the Board of Directors are provided in the Corporate Governance Report. We affirm that the remuneration paid to the Directors is as per the terms laid down in the Nomination and Remuneration Policy of the Company.

d) Board Performance Evaluation Mechanism:

Pursuant to the provisions of the Companies Act, 2013 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance and the Directors individually, as well as the evaluation of the working of its Committees. Details of the evaluation mechanism is provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

e) Familiarization Programme for Independent Directors:

The Independent Directors of the Company are associated with the Company for many years and are very familiar with the Company. During the year, the Management provided various documents, background notes etc. to have a better insight of the Company. The Chairman & Managing Director also holds a one-to-one discussion with the newly appointed Directors. Details of initiatives for the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him/ her to effectively fulfil his/ her role as a Director of the Company are available at '<http://www.cumminsindia.com/MAIN/corporate.html>'.

On November 5, 2015, the Management conducted an interactive session for all Directors of your Company on Indian Accounting Standards (Ind ASs) which was facilitated through Mr. Sumit Seth, Head - IFRS India

(M/s Price Waterhouse, Mumbai) at Hotel Taj Mahal Palace, Apollo Bunder, Mumbai 400001 wherein the participants discussed different aspects of applicability and implementation of Ind ASs.

f) Declarations from the Independent Directors:

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

19. PARTICULARS OF EMPLOYEES:

The details in accordance with the provisions of Section 197 (12) of the Companies Act, 2013, read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as **Annexure '8'** which forms part of this Report.

A statement containing the details as prescribed under Rule 5 (2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

20. INDUSTRIAL RELATIONS:

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

21. AUDITORS:

STATUTORY AUDITORS:

The Company's auditors M/s. Price Waterhouse (Firm Registration No. 301112E) have already completed more than ten years as Statutory Auditors of the Company.

In view of the mandatory requirement of rotation of auditor under Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, it is proposed to appoint S R B C & Co. LLP (Firm Registration No. 324982E) ("E&Y") from conclusion of this Annual General Meeting till the conclusion of the Sixtieth Annual General Meeting. E&Y have informed the Company vide letter dated May 2, 2016, that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

S R B C & Co. LLP have confirmed that they have subjected themselves to the peer review process of Institute of Chartered Accountants of India (ICAI) and hold valid certificate issued by the Peer Review Board of the ICAI.

There are no qualifications, reservations or adverse remarks or disclaimers made by the auditors in the Audit Report for the year 2015-16.

SECRETARIAL AUDITOR:

Dr. K. R. Chandratre, Company Secretary in practice, was appointed to conduct the secretarial audit of the Company for the Financial Year 2015-16, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 for Financial Year 2015-16 is appended as **Annexure '9'** which forms part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS:

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its manufacturing activity is required to be audited. Your Directors had, on the recommendation of the Audit and Risk Management Committee, appointed Messrs. Ajay Joshi and Associates, Pune to audit the cost accounts of the Company for the Financial Year 2016-17 on a remuneration of ₹ 9 Lacs plus service tax as applicable and re-imbursment of out of pocket expenses. As

required under the Companies Act, 2013, the Member's determination for the remuneration payable to Messrs. Ajay Joshi and Associates, Cost Auditors is being sought at the ensuing annual general meeting.

22. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

Your Company is an early adopter of the corporate social responsibility (CSR) initiatives. Corporate Responsibility is one of the six core values of your Company, which focuses on 'serving and improving the communities in which we live'. Your Company works with 'Cummins India Foundation' towards three broad focus areas viz. Higher Education, Energy and Environment, and Social Justice and Infrastructure.

Details about the CSR Policy and initiatives taken by the Company during the year are available on our website '[http://www.cumminsindia.com/CIF/about us.html](http://www.cumminsindia.com/CIF/about%20us.html)'. The Annual Report on our CSR Activities, is appended as **Annexure '10'** which forms part of this Report.

23. BUSINESS RESPONSIBILITY REPORT:

As stipulated under the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Business Responsibility Report describing the initiatives taken by the Company from environmental, social and governance perspective is attached as part of the Annual Report.

24. GENERAL:

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a. Change in Key Managerial Personnel during the year;
- b. Details relating to deposits covered under Chapter V of the Companies Act, 2013;
- c. Issue of equity shares with differential rights as to dividend, voting or otherwise;
- d. Issue of shares (including sweat equity shares) to employees of the Company under any scheme;
- e. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;
- f. No frauds reported by auditors under Section 143 (12) of the Companies Act, 2013;
- g. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations (However, Members' attention is drawn to the Statement on Contingent Liabilities, commitments in the notes forming part of the Financial Statement); and
- h. No material changes and commitments occurred during April 1, 2016 till the date of this Report which would affect the financial position of your Company.

ACKNOWLEDGEMENT:

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

On behalf of the Board of Directors,

Anant J. Talaulicar
Chairman & Managing Director
DIN: 00031051

Pune : June 20, 2016

Annexures to the Directors' Report

Annexure 1 – STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ ASSOCIATE COMPANIES/ JOINT VENTURES

[Pursuant to first proviso to Section 129 (3) of the Act read with Rule 5 of Companies (Accounts) Rules, 2014 – Form AOC 1]

Part “A”: Subsidiaries: -

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to the wholly-owned subsidiary

Sr. No.	Particulars	
1.	Name of the subsidiary :	Cummins Sales & Service Private Limited (earlier known as, Cummins Svam Sales & Service Private Limited and originally incorporated as 'Cummins Svam Sales & Service Limited')
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period :	Financial Year 2015-16
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Indian Rupees (₹)
4.	Share capital :	₹ 1,200
5.	Reserves & surplus :	₹ -115 Lacs
6.	Total assets :	₹ 2,292 Lacs
7.	Total Liabilities :	₹ 1,207 Lacs
8.	Investments :	Nil
9.	Turnover :	₹ 7,514 Lacs
10.	Profit before taxation :	₹ 109 Lacs
11.	Provision for taxation :	₹ 52 Lacs
12.	Profit after taxation :	₹ 57 Lacs
13.	Proposed Dividend :	Not Applicable
14.	% of shareholding	100

Note: Your Company does not have any subsidiary which is yet to commence operations or which has been liquidated or sold during the year.

Annexures to the Directors Report

Part "B": Associates and Joint Ventures: -

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Company and Joint Ventures

Name of Associate/ Joint Ventures	Cummins Research and Technology India Private Limited	Valvoline Cummins Private Limited	Cummins Generator Technologies India Private Limited
1. Date of the latest audited Balance Sheet	March 31, 2016	March 31, 2016	March 31, 2016
2. Shares of Associate/ Joint Ventures held by the Company on the year end			
No.	1,14,600 equity shares of ₹ 10/- each	95,00,000 equity shares of ₹ 10/- each	7,79,997 equity shares of ₹ 10/- each
Amount of Investment in Associates/ Joint Venture	₹ 11 Lacs	₹ 804 Lacs (Please refer note no. 1)	₹ 1,720 Lacs (Please refer note no. 2)
Extend of Holding %	50%	50%	48.50%
3. Description of how there is significant influence	Joint Venture	Joint Venture	Associate Company with control of more than 20% of total share capital
4. Reason why the associate/joint venture is not consolidated	NA	NA	NA
5. Net worth attributable to Shareholding as per latest audited Balance Sheet	₹ 1,600 Lacs	₹ 20,280 Lacs	₹ 1,5365 Lacs
6. Profit/ Loss for the year			
i. Considered in Consolidation	₹ -88 Lacs	₹ 7,271 Lacs	₹ 1,936 Lacs
ii. Not Considered in Consolidation	₹ -88 Lacs	₹ 7,271 Lacs	₹ 2,053 Lacs

Notes: -

1. The Company has invested ₹ 8.46/- per share in Valvoline Cummins Private Limited.
2. The Company has invested ₹ 220.50/- per share in Cummins Generator Technologies India Private Limited.
3. There is neither any associate company/ joint venture which is yet to commence operations nor any associate/ joint venture which has been liquidated or sold during the year.

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN: 00031051

Nasser Munjee
Director
DIN: 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN: AEJPR9444L

Rajiv Batra
Chief Financial Officer
PAN: AAFPB4485K

Mumbai
May 25, 2016

Annexures to the Directors' Report

Annexure 2 – PARTICULARS OF CONTRACTS/ARRANGEMENTS ENTERED INTO BY THE COMPANY WITH RELATED PARTIES

[Pursuant to clause (h) of Section 134 (3) of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014 – Form AOC 2]

This Form pertains to the disclosure of particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188 (1) of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

No contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis.

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

Nature and Particulars of transactions	Name of the Related Party/s	Nature of Relationship	Salient Terms	Amount of the proposed transaction (₹ in Lacs)
Sale of internal combustion engines, their parts and accessories by the Company for the Financial Year 2015-16	Cummins Limited, UK	Cummins Limited, UK and Cummins India Limited both are subsidiaries of Cummins Inc. USA	Exports in the ordinary course of business based on the Purchase Orders raised from time to time	58,294
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2015-16	Tata Cummins Private Limited, Jamshedpur (TCPL)	<ul style="list-style-type: none"> - 50-50% joint venture company between Cummins Inc. USA and Tata Motors Limited. Cummins Inc. USA is the parent company of Cummins India Limited. - Mr. Anant J. Talaulicar, Chairman and Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also the Managing Director of TCPL. - Mr. Rajiv Batra, Chief Financial Officer (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL. 	Purchase of B & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	56,839

* Material related party transactions (RPTs), i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements are provided in the above table. As a part of its regular business, the Company transacts with various companies owned or managed under Cummins Group for sale and/ or purchase of

different series of internal combustion engines along with parts and accessories. Out of such companies, the transactions with Cummins Limited, UK and Tata Cummins Private Limited, Jamshedpur are Material RPTs. It may be noted that during the Financial Year 2015-16, the total turnover of the Company was ₹ 472,429 Lacs and that the Company had transactions with Cummins Limited, UK of ₹ 58,294 Lacs (that is, of 12.34 %) and that with Tata Cummins Private Limited of ₹ 56,839 Lacs (that is, of 12.03 %). Similar trend of transactions with Cummins Limited, UK and Tata Cummins Private Limited is expected in the current year. Therefore, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit and Risk Management Committee and the Board of Directors have approved these transactions on May 25, 2016 and have presented the same for approval by the shareholders at the ensuing annual general meeting.

On behalf of the Board of Directors,

Pune
June 20, 2016

Anant J. Talaulicar
Chairman & Managing Director
DIN: 00031051

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- According to the Economic Survey 2016, the Indian economic growth rate is in the range of ~7.6%¹⁾ in Financial Year 2015–16.
- The economy is set to gather strength in Financial Year 2016–17 if supported by a normal monsoon, the likely boost to consumption demand, and continuing favourable monetary policy changes.
- The increase in government spend on numerous sectors such as roads (up by 52% in Financial Year 2015–16 from previous year), railways (up by 27% in Financial Year 2015–16 from previous year) etc. has fueled economic growth. Additionally, changes in the bank rates in Financial Year 2016–17 will aid in realizing various government initiatives.
- The government is propagating 'Make-in-India' campaign to promote local manufacturing. The government's commitment and efforts to improve the manufacturing scenario in India should help manufacturing companies in the medium to long term.
- In the long term, India's growth story remains intact, supported by an increase in spend by the Government, monetary policy changes, rapid urbanization and increasing domestic consumption driven by a growing middle class.

Note:

- 1) At constant market prices as per the Advance Estimates of National income 2015-16 Central Statistics Office (CSO) - Ministry of Statistics & Programme Implementation (released in Feb 2016)

2. Opportunities and Threats*

Key Opportunities

Power Generation

- Although the power deficit has reduced over last few years, thrust on infrastructure will boost the genset business, driven by increasing power demand and requirement of uninterrupted power supply in the domestic market.
- New global products have resulted in additional export opportunities for diesel and gas business. With products from India gaining confidence in global markets, your Company is receiving repeat orders from its global customers.

Off-Highway & High Horsepower

- Increase in government expenditure on infrastructure, road building and smart cities over the coming year is likely to help in the overall infrastructure development in the medium term.
- Government's push for affordable housing, sanitation, urban and rural development will have positive implications for the construction market.
- The railway budget indicated an investment of ₹ 12,100,000 Lacs. This increase has been assigned for commissioning 2,800 kms of railway lines as well as increase in focus on gauge conversion. This is expected to boost the demand for track maintenance machines. Additionally, the focus on increasing last mile connectivity will provide growth in the Diesel Electric Multiple Unit (DEMU) segment.

- Increased privatization in coal mining and impetus towards higher production of coal by government would result in movement towards higher tonnage dump trucks.
- Fleet expansion and modernization by the Indian Navy and Coast Guard is leading to increased demand in the marine segment in Financial Year 2016–17.
- With Government focus on Oil & Gas providing clarity in gas pricing, the market will see an upsurge in demand in gas compression market.

* The Members are requested to refer the Business Responsibility Report which forms part of the Annual Report for Financial Year 2015-16, as the business units of the Company have been restructured effective April 18, 2016.

On-Highway

- The M&HCV market production (Medium and Heavy Commercial Vehicles - GVW >7.5 Ton) grew by 27% in Financial Year 2015–16 over Financial Year 2014–15 after two years of sharp declines. The increase was driven by GDP growth, higher replacement demands, positive market sentiments and lower interest rates.
- BS IV emission norms implementation has begun in a phased manner across India from October 2015 onwards, and is expected to be completed by April 2017. Your Company is ready with a range of BS IV products to cater to all the needs of current segments.
- The Umbrella program was launched in 2015 with a focus on enhancing customer value with our ISBe5.9 BSIV SCR (Selective Catalytic Reduction) engine, also incorporating the globally successful Cummins Fuel System to enhance customer satisfaction.
- There is focus on developing 'fit for market' solutions to meet upcoming emission regulations and market needs. Your Company is developing an EGR (Exhaust Gas Recirculation) solution to provide a simple yet lower cost solution.

Distribution

- Your Company continues to focus on improving customer support & engagement through the formation of key account management structure and prioritizing critical customer segments.
- Introduction of the CRM system called Cummins Dealer Operating System (CDOS) was completed in all dealerships across India last year and underwent a technical upgrade this year to 'open user interface', which enables us to work towards improving customer support through mobile devices. This year, we are also focusing on employing data analytics and business intelligence on the generated data for enhancing our customer's experience and delight.
- Development of technical training infrastructure is a key enabler for your Company's plans to deliver customer support excellence. The state of the art Cummins Technical Training Center at Phaltan was commissioned this year. This will enable your Company to further bolster its technical capability in small, medium and high horse power engines.

Exports

- Working with Cummins Inc., your Company explored opportunities for quantum series engines in new geographies such as South Africa. Your Company looks forward to adding new geographies and increase exports of the quantum products.

Key Threats

On-Highway

- The M&HCV space is witnessing intense competition both from Indian and global OEMs, expanding their presence in multiple segments.

Power Generation

- The power deficit in India has been hovering around 1-2% levels during Financial Year 2015–16. Your Company is expecting further power deficit reduction leading to gensets being used for standby applications. This could impact service and parts revenue. Customers tend to postpone their repair work due to low utilization.
- In the genset business, international players are establishing their footprint in India, thus intensifying competition across segments and leveraging local manufacturing.
- The market has shown limited willingness to absorb price increases since the implementation of CPCB-II norms (effective July 1, 2014), resulting in price discounting in the domestic market.

Distribution

- The power deficit in India has been hovering around 1-2% levels during Financial Year 2015–16. Reduced power deficit levels leading to increased stand-by use of diesel gensets could impact demand for after-market products & services in genset applications.

3. Product-wise Performance

Power Generation

- Post CPCB-II implementation which led to a challenging Financial Year 2014–15 for the domestic business, your Company has been focused on sales initiatives, cost reduction projects and quality improvements which has resulted in growing market share & revenue.

Off-Highway & High Horsepower

- Revenue in the Industrial Engine Business Unit experienced a 10% growth in Financial Year 2015–16 over Financial Year 2014–15, mainly due to the increased sales in segments such as construction, compressor and rail.
- The Compressor business grew by 33% and the Railway business grew by 23% in Financial Year 2015–16 over Financial Year 2014–15.
- The Construction segment grew 11% in Financial Year 2015–16 over Financial Year 2014–15, mainly due to increase in domestic orders.
- The Oil & Gas segment experienced growth in revenue in Financial Year 2015–16 over Financial Year 2014–15 owing to timely and effective execution of orders.
- Other segments, which contributed to the revenue growth, were Mining, Pumps and Defense.

On-Highway

- Your Company is leveraging relationships with existing customers for new products in order to enable their growth in the M&HCV market.

Distribution

- The Distribution Business grew by around 10% over last financial year. Maintaining consistent focus on growth segments of mining, railways and construction helped our spare parts business grow in spite of lower diesel generator utilization for power generation applications. The Service Solutions Business grew double digits on account of long term mining and railway AMC contracts. Cyclical demand from Railway, Mining and DBU managed OEM's helped bolster engine sales. Growth in Rebuild engines and Batteries was impacted due to muted sales from the power generation segment.

Exports

- Your Company developed the 14 Litres engine for the Marine application which is expected to bring volumes from North American region. The new product has also brought demand from European region.

New Business initiatives for Financial Year 2015–16

Off-Highway & High Horsepower

- Your Company started exporting 6 cylinder engines to countries such as Russia and China for excavator applications in the construction segment.
- Your Company successfully executed orders for Offshore Patrol Vessels for the Indian Coast Guard and Sri Lankan Navy with the 28 Litres engine.
- Your Company successfully commissioned the first rake with the QSK50 engine for a DEMU application in the railway segment.
- Your Company continued to focus on customer satisfaction and engagement by strongly directed initiatives towards integrated account management and end user management.
- Your Company executed major orders for the Indian Defense segment for new applications. This will provide an opportunity to further grow the defense business.

On-Highway

- Your Company is also exploring business opportunities with new customers in both existing and new segments.

Distribution

- Your Company has undertaken a pan-India technology driven 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 14 Litre engines to Canada.
- In an initiative to leverage the available capacities, your Company started export of machined components to various Cummins engine manufacturing facilities with increased focus to become the preferred supplier of components.

Achievements

Power Generation

- Your Company made significant inroads in gaining market share post CPCB-II.

On-Highway

- Cummins participated in the 3rd edition of T1 Truck Racing event organized by Tata Motors Limited – the leading market player in Medium and Heavy Commercial Vehicle segment. All the trucks used in the event were powered by Cummins engines. The event showcased latest technologies and received excellent spectator turnout and media coverage.
- The event came to a euphoric conclusion with a resounding victory for 'Team Cummins' bagging the 2nd and 3rd spots at the race!

Off-Highway & High Horsepower

- FY 2015-16 saw an increase in Construction segment sales with increased demand for 6 Cylinder and 4 Cylinder engines due to government's focus on improving road and infrastructure.
- Localization of 23 Litres engine in India for the excavator application in the construction segment.
- Revival in the demand for Water Well drill rigs in Financial Year 2015–16 as compared to Financial Year 2014–15 - due to the cyclical nature of the segment.
- Strong increase in demand for 19 Litres engine for the Power Car application in the Rail segment.
- Your Company successfully entered the Emergency Diesel Genset segment for an offshore application. This will provide an opportunity for further success in this application in FY 2015–16.

Distribution

- Distribution Business improved its Net Promoter Score leadership in 2015-16. The Net Promoter Score, a measure of customer loyalty, strengthened to 71% and the Distribution business in India stood second in the DBU Global NPS scores.
- The Distribution Business of your Company further strengthened the nation-wide environmental campaign- 'Coach Them Young' which it had started in 2014. The program content was completely revamped this year and focused on improving impact on community and increasing reach. The program was aimed at reinforcing awareness amongst the future citizens of our country about how important it is to protect the environment in a sustainable manner, covered 730,000 students this year across the country, a whopping 70% improvement over last year.
- The Distribution Business has achieved savings worth ₹ 18 Crores against targeted ₹ 11 Crores from Six Sigma cost savings/ revenue generation projects and also executed 34 Customer Focused Six Sigma Projects. Most projects were aligned to key business initiatives such as Customer Support Excellence, Supply Chain Transformation, Profitable Growth, Business Process Improvements and Partnering with Channel partners to make them succeed. This year, the Six Sigma program was also extended to community development via execution "Community Impact Six Sigma" projects.

4. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

- While the domestic market sentiments remained stagnant last year, the domestic power generation business is likely to see volume increase in the forthcoming financial year on account of gaining market share across segments.
- Global markets are expected to remain soft. However, our extended product range offering will support growth in exports business.
- Your Company expects the power deficit to remain low leading to a shift towards standby usage pattern. With the renewed push on infrastructure & industry development your Company is optimistic about the future of the power generation business.
- In the long term, with greater focus on more stringent environmental norms in the future, your Company is positioned favorably as pioneers in producing engines with higher fuel-efficiency and cleaner technology.

Off-Highway & High Horsepower

- Your Company is expected to sustain leadership in the Water Well Compressors and Portable Compressors segment.
- Coal India production is expected to grow to nearly 1 billion ton by FY 2019-20 (from 494 tons in FY 2014-15) by ramping up output and productivity. This paves way for new business opportunities for higher tonnage equipment in the mining segment.

- A strong Indian Navy order board and new tenders from the Coast Guard are expected in FY 2015-16 fueled by the drive to modernize the Indian fleet.
- New opportunities are expected to be created in the defense sector with impetus on 'Make in India' by the Central Government.

On-Highway

- The Medium and Heavy Commercial Vehicles market is expected to continue the growth trajectory in the upcoming year due to positive factors such as stronger economic growth, rise in freight rates and decrease in diesel prices and thereby improving the profitability of transporters. Govt. policies are expected to boost infrastructure development.
- Though the mining bans have been lifted in some regions, its full impact is yet to be seen.
- Your Company will continue to support its key customers through its range of products in a highly competitive market.
- For the upcoming BS VI norms applicable from 2020, your Company is prepared with the required product portfolio. Globally, your Company has an engine product portfolio from 2.8 to 15 liters, which conforms to the BS VI requirements. Your Company has started optimizing the products to better suit the Indian market requirements and duty cycles.

Distribution

- The Distribution Business has seen double digit growth in Financial Year 2015–16 in spite of the reducing utilization of diesel generators in the country.
- The outlook for Financial Year 2016–17 is positive and your Company is expecting to carry on this positive growth trajectory on account of a healthy order board for spare parts, continued demand for replacement engines from key accounts and improving penetration in solutions contracts.
- One of the key initiatives of the Distribution Business Unit is to improve pan-India customer reach through its dealerships for the Power Generation segment.
- Your Company bolstered its presence in Distribution by fully acquiring its joint venture dealership within its DBU portfolio in order to get direct customer access and also to improve our understanding of last mile operations.

Exports

- Your Company is focused on increasing the exports 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. Your Company has identified profitable opportunities to supply parts to various Cummins engine plants.

5. Risks and Concerns perceived by the Management

- Inflationary pressures are likely to continue. Industrial activity continues to be a drag on the economy, with retrenchment in investment demand.
- Export growth hinges on growth in demand in partner countries which is soft and uncertain.
- 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 such as '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. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. The Company has continued its efforts to align all its processes and controls with global best practices.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, the Management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by the Internal Audit department and supported by the Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit and Risk Management Committee. An ongoing program, for the reinforcement of the Cummins Code of Conduct is prevalent across the organization. The Code covers transparency in financial reports, ethical conduct, regulatory compliance, conflicts of interests review and reporting of concerns. Anti-fraud programs including whistle blower mechanisms are operative across the Company.

The Board takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management program, the Company's business units and corporate functions address opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. The Business risk is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the senior management. The Audit and Risk Management Committee reviews business risk areas covering Product Planning, Value Package Introduction, Customer Support Excellence, Quality and Talent Management.

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, 2013 (Revised Schedule III) 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

On a standalone basis:-

Your Company's net revenue from operations increased by 7.23% to ₹ 472,429 Lacs and profit before tax decreased by 3.30 % to ₹ 90,642 Lacs.

Total employee cost was ₹ 42,095 Lacs as compared to ₹ 39,126 Lacs during the previous year. The depreciation charge increased from ₹ 7,972 Lacs during the previous year to ₹ 8,101 Lacs during the year under review. Finance Cost decreased to ₹ 86 Lacs as compared to ₹ 126 Lacs in the previous year.

On a consolidated basis:-

Your Group's net revenue from operations increased by 6.84% to ₹ 525,222 Lacs and profit before tax decreased by 2.88 % to ₹ 90,774 Lacs.

Total employee cost was ₹ 46,020 Lacs as compared to ₹ 42,211 Lacs during the previous year. The depreciation charge increased from ₹ 8,646 Lacs during the previous year to ₹ 8,866 Lacs during the year under review. Finance Cost decreased to ₹ 167 Lacs as compared to ₹ 175 Lacs in the previous year.

Fixed Assets

On a standalone basis:-

Additions to the Fixed Assets block during the year ended March 31, 2016 were ₹ 13,829 Lacs (₹ 39,869 Lacs in the previous year). The addition of ₹ 13,829 Lacs consists mainly of Buildings amounting to ₹ 10,161 Lacs, Plant and machinery worth ₹ 3,129 Lacs and Freehold land worth ₹ 117 Lacs. The depreciation block as of March 31, 2016 was ₹ 70,229 Lacs as compared to ₹ 64,905 Lacs as at March 31, 2015. The deductions/ disposals during the year amounted to ₹ 2,963 Lacs as compared to ₹ 623 Lacs in the previous year. Consequently, the net fixed asset block increased to ₹ 128,938 Lacs as of March 31, 2016, as compared to ₹ 123,396 Lacs as at March 31, 2015.

The estimated amount of contracts remaining to be executed on capital account and not provided for, as of March 31, 2016, was ₹ 16,633 Lacs, and your Company believes that it will be able to fund them internally.

On a consolidated basis:-

Additions to the Fixed Assets block during the year ended March 31, 2016 were ₹ 14,438 Lacs (₹ 43,941 Lacs in the previous year). The addition of ₹ 14,438 Lacs consists mainly of buildings amounting to ₹ 10,288 Lacs, plant and machinery worth ₹ 3,388 Lacs and freehold land worth ₹ 117 Lacs. The depreciation block as of March 31, 2016, was ₹ 72,690 Lacs as compared to ₹ 66,573 Lacs as at March 31, 2015. The deductions/ disposals during the year amounted to ₹ 3,077 Lacs as compared to ₹ 804 Lacs in the previous year. Consequently, the net fixed asset block increased to ₹ 135,972 Lacs as of March 31, 2016, as compared to ₹ 130,728 Lacs as at March 31, 2015.

Investments

On a standalone basis:-

Investments decreased to ₹ 33,544 Lacs in March 31, 2016 from ₹ 46,504 Lacs as on March 31, 2015. We maintained a dividend distribution to our shareholders at 700% which absorbed ₹ 46,708 Lacs after dividend distribution tax.

On a consolidated basis:-

Investments decreased to ₹ 39,701 Lacs in March 31, 2016 from ₹ 53,553 Lacs as on March 31, 2015.

8. Human Resources Development and Industrial Relations

The total number of employees stands at 3,669 as on March 31, 2016.

Leadership Excellence

In building Leadership Excellence across the organization, your Company has continued to cascade the five critical Leadership Skills (Coaching, Fostering Open Communications, Managing Diversity, Managing Talent and Strategic Thinking), covering 863 managers in the Coach and Develop session, and 775 managers in the session on Fostering Open Communications and 617 managers in Talent Management sessions. In addition, 515 managers underwent the 'Leadership Conversations – Building Success in Others' program. This year, 103 employees are continuing sponsorship for higher education, at your Company's partner institutions such as the Kelley School of Business at the Indiana University in the US, IIM-Ahmedabad as well as the S. P. Jain post graduate management programs and the Masters level program in Engineering at the ARAI-Vellore Institute of Technology.

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 IT system. 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 227 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 251 employees from Engineering, CA, MBA and MTech fields. Over 90 engineers went through the Young Managers Development Program (YMDP). Around 182 women were hired in 2015 (which is 72% of total hires in 2015), thus showcasing the commitment towards gender equality. Your Company also continued to hire diverse workforce from other regions of India (East, South and North) thus endorsing your Company's inclusive culture.

Your Company also strengthened partnerships with distinguished MBA and Engineering colleges. These includes institutes such as Indian Institute of Management, Ahmedabad, Indore, Udaipur (IIM – Udaipur), 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), 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 ensured consistent engagement programs to strengthen its relationship 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.

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, versus 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 within India.
- To further improve the engagement levels of your Company's employees, your Company has taken up two projects for the professional employee segment and various key employee development initiatives for the shop employee segment to drive improvements and to create the right environment.

Diversity

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 extensive work was carried out with a group of leaders to prepare a comprehensive roadmap for Improving Women Leadership Representation. Your Company is careful not to encourage any entitlement system and all selections are made on the basis of merit. The efforts of the past nine years in increasing representation and greater inclusion of talented, hard-working women at the workplace at all levels of the organization are more visible with representation at professional levels at ~30%.

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 helps 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 24% percent 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, contraception, 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. TBWS Benchmarking visits are being conducted in alignment with creating an agile workforce. Infrastructure facilities such as the Learning Center, Creche and Health Center are already in place. To retain talent and provide safe and harmonious living conditions to employees based at Phaltan, your Company initiated enrolment at Cummins Residential Campus, with state of the art facilities like club house, recreational zone, emergency medical services, 24/7 security, cafeteria and other amenities to provide a safe and comfortable living environment. Cummins Residential campus currently houses 213 employees with 37% female residents.

Right Environment

During the course of the year, your Company honored instances of exemplary allegiance to the six Core Values - 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 felicitated at the CMD (Chairman and Managing Director) Awards Function, an annual event that is now in its eleventh year. 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.

9. Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in government regulations, tax laws and other statutes and incidental factors.

Annexures to the Directors' Report

Annexure 4 – CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Corporate Governance is a set of principles, processes and systems to be followed by the Directors, Management and all employees of the Company for enhancement of shareholder value, keeping in view interests of other stakeholders. Integrity, transparency and compliance with regulations in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency and accountability at all levels in the organisation.

Your Company believes that good governance is the foundation for a truly sustainable company. The commitment to do what is right and to do what we will say we will do. This long-standing commitment to integrity provides the framework for all our business activities, and serves as the foundation for the Company's governance policies and procedures. Your Board of Directors represents and protects the interests of the Company's stakeholders, with the legal responsibility for overseeing the affairs of the Company.

2. BOARD OF DIRECTORS:

a) Composition of the Board of Directors:

The Board of Directors of the Company has an optimum combination of executive and non-executive directors, and comprises of 10 directors, with 1 Promoter (executive) Director, 4 Promoter (non-executive) Directors, including one woman director and 5 Independent (non-executive) Directors.

Mr. Anant J. Talaulicar (DIN 00031051), Managing Director is the Chairman of Board of Directors of the Company effective April 25, 2003.

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

Appointments:

During the year, Ms. Nicole McDonald (DIN 07369062) has been appointed as an Alternate Director for Ms. Suzanne Wells (DIN 06954891) w.e.f. November 15, 2015.

The Board, at its meeting held on May 28, 2015, noted the presence of Mr. Mark Smith (DIN 06852777) in India during May 26, 2015 to May 28, 2015 and consequent cessation of Mr. Pradeep Bhargava (DIN 00525234) as an Alternate Director for Mr. Smith effective May 26, 2015. The Board confirmed appointment of Mr. Bhargava as an Alternate Director for Mr. Smith effective May 29, 2015 upon return of Original Director (Mr. Mark Smith) to the U.S.A. In its meeting held on August 6, 2015, the Board of Directors noted the presence of Mr. Edward Pence (DIN 06577765) in India during August 3, 2015 to August 6, 2015 and consequent cessation of Mr. J. M. Barrowman (DIN 00668324) as an Alternate Director for Mr. Pence effective August 3, 2015. The Board, at its meeting dated August 6, 2015 confirmed appointment of Mr. Barrowman, as an Alternate Director for Mr. Pence effective August 7, 2015 upon return of Original Director (Mr. Edward Pence) to the U.S.A. The Board, at its meeting held on February 2, 2016, noted the presence of Ms. Suzanne Wells (DIN 06954891) in India during January 30, 2016 to February 3, 2016 and consequent cessation of Ms. Nicole McDonald (DIN 07369062) as an Alternate director for Ms. Wells effective January 30, 2016. The Board confirmed appointment of Ms. McDonald as an Alternate Director for Ms. Wells effective February 4, 2016 upon return of Original Director (Ms. Wells) to the U.S.A.

Cessations:

There was no cessation of any Director of the Company during the Financial Year 2015-2016.

b) Board Meetings:

- i. During the Financial Year, the Board of Directors met four times on May 28, 2015, August 6, 2015, November 5, 2015 and February 2, 2016.

The Independent Directors held their separate meeting on February 2, 2016 without the attendance of non-independent directors and members of management.

ii. **Attendance at the Board Meetings and Annual General Meeting ('AGM'):**

Name of Directors	Dates of Meeting				Date of AGM
	May. 28, 2015	Aug. 6, 2015	Nov. 5, 2015	Feb. 2, 2016	Aug. 6, 2015
Mr. Anant J. Talaulicar	✓	✓	✓	✓	✓
Mr. Antonio Leitao	✓	X	✓	✓	X
Mr. Edward Pence	X	✓	X	X	✓
Mr. Mark Smith	✓	X	X	X	X
Ms. Suzanne Wells	✓	✓	X	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	X	✓
Mr. P. M. Telang	✓	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓
Mr. Venu Srinivasan	X	✓	X	✓	X
Mr. J. M. Barrowman	X	NA	✓	✓	NA
Mr. Pradeep Bhargava	NA	X	✓	X	X
Ms. Nicole McDonald	NA	NA	NA	NA	NA

Notes :-

- Mr. Nasser Munjee, Mr. Venu Srinivasan, Mr. P. M. Telang and Mr. Rajeev Bakshi attended the separate meeting of Independent Directors' held on February 2, 2016 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. P. S. Dasgupta could not attend the meeting due to personal reasons.
- Mr. P. M. Telang, Independent Director attended the Annual General Meeting in capacity as the Chairman of Nomination and Remuneration Committee, and Stakeholders Relationship Committee of the Board of Directors of the Company.
- Mr. J. M. Barrowman, Vice President - HHP Operations attended the Annual General Meeting by special invitation.

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

Name	Category	No. of other Directorships		No. of other committee memberships	
		Chairman	Member	Chairman	Member
Mr. Anant J. Talaulicar	Promoter Executive	—	1	—	1
Mr. Antonio Leitao	Promoter Non-executive	—	—	—	—
Mr. Edward Pence	Promoter Non-executive	—	—	—	—
Mr. Mark Smith	Promoter Non-executive	—	—	—	—
Ms. Suzanne Wells	Promoter Non-executive	—	—	—	—
Mr. Nasser Munjee	Independent Non-executive	2	7	4	1
Mr. P. S. Dasgupta	Independent Non-executive	—	8	2	4
Mr. P. M. Telang	Independent Non-executive	2	7	4	3
Mr. Rajeev Bakshi	Independent Non-executive	—	2	—	1
Mr. Venu Srinivasan	Independent Non-executive	4	4	—	1
Mr. J. M. Barrowman	Alternate Director to Mr. Edward Pence	—	—	—	—
Mr. Pradeep Bhargava	Alternate Director to Mr. Mark Smith	—	4	2	3
Ms. Nicole McDonald	Alternate Director to Ms. Suzanne Wells	—	—	—	—

Notes :-

- As on March 31, 2016, Mr. P. M. Telang jointly with Mrs. Anjali Telang held 1,400 fully paid shares of ₹ 2/- each in the equity share capital of the Company.
- Directorships in Foreign Companies, Private Limited Companies and companies under Section 8 of the Companies Act, 2013 are excluded in the above table.
- For the purpose of reckoning the limit, membership of Audit Committee and Stakeholders Relationship Committee has been considered.
- As per the records available with the Company, none of the directors holds the office of Independent Director in more than seven listed companies.
- The details of the familiarisation programmes imparted to the Independent Directors can be viewed at <http://www.cumminsindia.com/MAIN/corporate.html>

3. COMMITTEES OF THE BOARD:

a) AUDIT AND RISK MANAGEMENT COMMITTEE:

The Audit and Risk Management Committee consists of 5 Independent Directors – Mr. Nasser Munjee (Chairman), Mr. P. M. Telang, Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Venu Srinivasan; 1 Promoter (Executive) Director – Mr. Anant J. Talaulicar and 1 Promoter (Non-Executive) Director – Mr. Mark Smith.

Name of Directors	Date of Audit and Risk Management Committee Meeting			
	May 28, 2015	Aug. 6, 2015	Nov. 4, 2015	Feb. 2, 2016
Mr. Anant J. Talaulicar	✓	✓	✓	✓
Mr. Mark Smith	✓	X	X	X
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	X
Mr. P. M. Telang	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Venu Srinivasan	X	✓	X	✓

The Committee reviewed the audited financial statement for the year ended March 31, 2016 and un-audited financial results for the quarters ended June 30, 2015, September 30, 2015 and December 31, 2015. The Committee also reviewed (i) appointment of Statutory, Internal 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 2014-15; (v) acquisition/ sale of assets; (vi) Directors' Responsibility Statement; (vii) Related Party Transactions; (viii) performance of Statutory and Internal Auditors; (ix) Legal Compliance Reports; (x) major litigations; (xi) Monitoring of the Code of Conduct; (xii) Forex Management Policy and (xiii) Ethics and related matters.

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

Recommendations of the Committee are accepted by the Board of Directors from time to time.

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

The Committee primarily act in line with the Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee oversees the Company's financial reporting process and internal control system and, ensures that the financial statements are correct, sufficient and credible. The Committee reviews the annual and quarterly financial statements before submission to the Board for approval. The Committee also reviews Related Party Transactions of the Company and approves the transactions which are in line with the Related Party Transactions Policy of the Company. The Related Party Transaction Policy of the Company is available at '<http://www.cumminsindia.com/MAIN/corporate.html>'.

The Committee has been entrusted with the responsibility of reviewing Internal Audit findings and ensuring adequacy of internal control systems. The Committee recommends to the Board, appointment of external auditors and payment of fees. The Committee holds regular discussions with the Internal, Statutory and Cost Auditors about their scope of audit and holds post audit discussions with the Auditors. The Statutory and Cost Auditors, Internal Auditor, the Chief Operating Officer, the Chief Financial Officer and the Business Unit Heads of the Company are invited for the meetings of the Committee.

b) NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee consists of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Nasser Munjee and 1 Promoter (Executive Director) – Mr. Anant J. Talaulicar.

Name of Directors	Date of Nomination and Remuneration Committee Meeting			
	May 28, 2015	Aug. 6, 2015	Nov 4., 2015	Feb. 1, 2016
Mr. Prakash Telang	✓	✓	✓	✓
Mr. P.S. Dasgupta	✓	✓	✓	X
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. Anant J. Talaulicar	✓	✓	✓	✓

The Committee reviews appointment of directors and key managerial persons. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of a director. The Board upon recommendation from the Committee have formulated a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination and Remuneration Policy of the Company is available at '<http://www.cumminsindia.com/MAIN/corporate.html>'.

The Committee oversees the following self-evaluation process, used by the Directors, by the Board and by each committee of the Board to determine their effectiveness and opportunities for improvement. Each Board member is requested to evaluate the effectiveness of the Board dynamics and relationships, information flow, value addition, governance, and the effectiveness of the whole Board and its various committees in descriptive manner. Feedback on each Director is encouraged to be provided as a part of survey. Independent Directors have three key roles – governance, control and guidance. Some of the performance indicators based on which the Independent Directors are evaluated include: -

- Ability to contribute to and monitor corporate governance practices at the Company;
- Active monitoring of the strategic direction and operational performance of the Company; and
- Facilitating open and interactive discussion by encouraging diverse perspectives.

At least annually, the Head - HR contacts each director soliciting comments with respect to performance of the directors, Board and its committees on which the director serves as well as director performance and board dynamics. These comments will relate to the large question of how the Board can improve its key functions of overseeing financials, other major issues of strategy, risk, integrity and governance.

The Head – HR then works with the Chairman & Managing Director to organise the comments received around options for changes at either director, board or committee level. At a subsequent board and committee meeting, time is allocated to a discussion of and decisions relating to the actionable items.

REMUNERATION OF DIRECTORS:

The non-executive Independent Directors are paid sitting fees and annual commission. Annual commission is paid on equal basis to all non-executive Independent Directors. The Chairman & Managing Director is paid remuneration as approved by the Shareholders. There is no pecuniary relationship or transactions of any of the non-executive directors, except Mr. P. S. Dasgupta, vis-à-vis the Company, apart from the remuneration as detailed in this Report.

Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 1, 2015 to March 31, 2016:

₹ in Lacs

Name of the Director	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	5.50	15.00	20.50
Mr. P. S. Dasgupta	3.75	15.00	18.75
Mr. Prakash Telang	5.50	15.00	20.50
Mr. Rajeev Bakshi	5.50	15.00	20.50
Mr. Venu Srinivasan	2.75	15.00	17.75

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman & Managing Director for the year April 1, 2015 to March 31, 2016:

₹ in Lacs

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	0.12	—	17.57	0.17	0	12.34	30.20

Remuneration paid to Mr. Pradeep Bhargava, Alternate Director for Mr. Mark Smith, for rendering professional services on a retainership basis for the year April 1, 2015 to March 31, 2016 is ₹ 18,00,000/-.

Notes : -

- The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
- There is no notice period for severance of the Managing Director.
- The Company paid ₹ 76,250/- towards fees for professional services rendered by New Delhi Law Offices, a law firm of which Mr. P. S. Dasgupta is the Managing Partner, during the Financial Year 2015-2016. (Nil during the Financial Year 2014-2015) after obtaining prior approval by the Audit and Risk Management Committee of the Board of Directors of the Company. The same are not material in nature.
- 'Other Benefits' in the remuneration details provided for Mr. Anant J. Talaulicar consists of expenses related to the car and Communication facilities.

c) STAKEHOLDERS RELATIONSHIP COMMITTEE:

The Stakeholders Relationship Committee consists of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Venu Srinivasan and 1 Promoter (Executive) Director – Mr. Anant J. Talaulicar.

Name of Directors	Date of Stakeholders Relationship Committee Meeting			
	May 28, 2015	Aug. 6, 2015	Nov. 4, 2015	Feb. 1, 2016
Mr. Anant J. Talaulicar	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	X
Mr. Venu Srinivasan	X	✓	X	✓

The 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. K Venkata Ramana, Group Vice President – Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 1, 2015 to March 31, 2016:

Sr. No.	Nature of Complaint	No. of Complaints
1.	Non-receipt of Annual Reports	2
2.	Non- receipt of Dividend Warrants	0
3.	Non-receipt of Share Certificates	0
4.	SEBI – Scores/NSE/BSE	4
	Total	6

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, 2015. The said Code is applicable to all Directors and Connected Persons, as defined under the said Regulations. The Code governs sale and purchase of shares of the Company by Directors and Connected Persons. In terms of this Code, Directors and Connected Persons 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. ANNUAL GENERAL MEETINGS ('AGMs'):

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

Particulars	FY 2012 – 2013	FY 2013 – 2014	FY 2014 – 2015
Date and Time	01.08.2013 At 12 noon	01.08.2014 At 12 noon	06.08.2015 At 12 noon
Venue	Yashada, MDC Auditorium, Baner Road, Pune 411007	Yashada, MDC Auditorium, Baner Road, Pune 411007	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411045

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

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 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 ₹ 40,00,000/- (Rupees Forty Lacs only) for a period starting from April 1, 2013 to April 30, 2014.

At its Annual General Meeting held on August 1, 2014, the members of the Company passed the Special Resolutions for following matters:

- Appointment of Mr. Pradeep Bhargava, Alternate Director for Mr. Mark Smith, for rendering professional services on a retainership basis for a period of 27 months starting from May 1, 2014 until July 31, 2016 for an honorarium of ₹ 1,50,000/- per month pursuant to Section 188 of the Companies Act, 2013;
- Approval for material related party transaction(s) for sale of internal combustion engines, their parts and accessories by the Company to Cummins Limited, UK on arm's length basis for a consideration estimated at ₹ 76,381 Lacs for the Financial Year 2014-2015 pursuant to Clause 49 (VII) of the Equity Listing Agreement;
- Approval for the Related Party Transactions not in ordinary course of business (which is letting out or giving on rent, lease, leave and license or any other similar arrangement basis, the premises of the Company to

Cummins Technologies India Limited, Cummins Generator Technologies India Limited, Cummins Research and Technology India Limited and Tata Cummins Limited) on arm's length basis, pursuant to the applicable provisions of Section 188 and any other provisions of the Companies Act, 2013 and Rules framed thereunder;

- d) Approval for payment of sum, in addition to the sitting fee for attending the meetings of the Board of Directors or Committees thereof, not exceeding in aggregate one percent of the net profits of the Company in accordance with Section 198 of the Companies Act, 2013 for each of Three (3) financial years commencing from April 1, 2014.

At its Annual General Meeting held on August 6, 2015, the Members of the Company passed the Special Resolutions for following matters:

- a) Appointment of Messrs. Ajay Joshi and Associates, Pune, Cost Accountants to conduct the audit of the cost records of the Company for the Financial Year 2015-16 for ₹ 9,00,000/- (Rupees Nine Lacs only) as the remuneration plus service tax as applicable and re-imbursement of out of pocket expenses pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and Rules thereunder;
- b) Approval for material related party transaction(s) for sale of internal combustion engines, their parts and accessories by the Company to Cummins Limited, UK on arm's length basis for a consideration estimated at ₹ 124,600 Lacs for the Financial Year 2015-2016 pursuant to Clause 49 (VII) of the Equity Listing Agreement;
- c) Approval for material related party transaction(s) for purchase of B and L series internal combustion engines, parts and accessories thereof by the Company from Tata Cummins Private Limited on arm's length basis for a consideration estimated at ₹ 101,000 Lacs for the Financial Year 2015-16.

Postal Ballot: No resolution was passed through Postal Ballot during the Financial Year 2015-16 or is being proposed at the ensuing Annual General Meeting.

5. DISCLOSURES:

- a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at <http://www.cumminsindia.com/MAIN/corporate.html>
- b) 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.
- c) None of the Directors of the Company are related to each other.
- d) The Company has complied with the mandatory Corporate Governance requirements of Clause 49 of the Listing Agreements with BSE Limited and National Stock Exchange of India Limited up to November 30, 2015, and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- e) The Company follows a Whistle Blower Policy since Financial Year 2003-2004 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the then, Clause 49 of the Listing Agreements with BSE Limited and National Stock Exchange of India Limited). No person has been denied access to the Audit and Risk Management Committee under the Whistle Blower Policy.
- f) The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge, there are no deviations in the accounting treatments that require specific disclosure.

6. MEANS OF COMMUNICATION:

- a) The quarterly shareholding pattern and quarterly/ half-yearly/ yearly unaudited/ audited financial results were posted on the Company's website www.cumminsindia.com.
- b) The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.
- c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2016 and quarters ended June, September and December 2015 were published in Business Standard (All editions) and Maharashtra Times (Pune Edition).
- d) Transcript of Conference calls with the Analysts held on May 29, 2015, August 7, 2015, November 6, 2015 and February 3, 2016 and the Chairman's Presentation to the Shareholders made at the AGM held on August 6, 2015 were displayed on the Company's website www.cumminsindia.com.

7. GENERAL SHAREHOLDER INFORMATION:

Registered Office	Cummins India Office Campus, Tower A, 5 th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra, India Phone No. : (020) 67067000 Fax No. : (020) 67067015 Website : www.cumminsindia.com	
Annual General Meeting	Date and Time : August 4, 2016 at 12:00 noon Venue : The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411045	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2016 – By first week of August, 2016 ■ Results for quarter and half year ending September 30, 2016 – By second week of November, 2016 ■ Results for quarter and nine months ending December 31, 2016 – By first week of February, 2017 ■ Results for the year ending March 31, 2017 – By second week of May, 2017 	
Dates of Book Closure	July 30, 2016 to August 4, 2016 (both days inclusive).	
Interim dividend payment date	March 1, 2016	
Final Dividend payment date	September 1, 2016 (subject to approval of shareholders)	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai : 400051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2016 - 2017.	

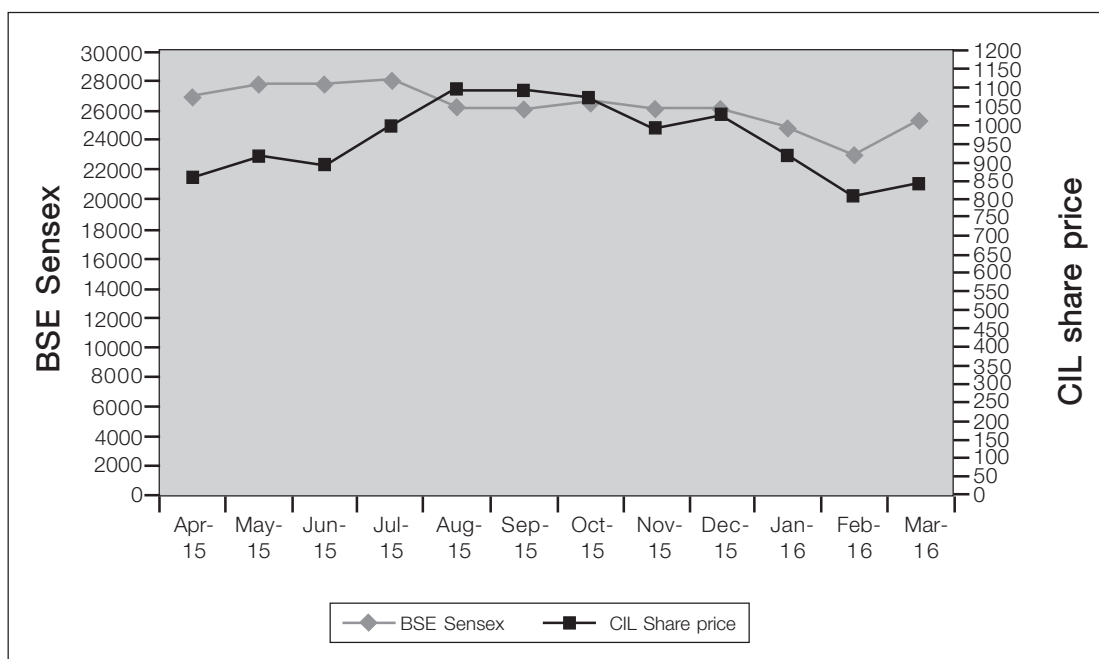
Market price data: High, Low during each month in the Financial Year 2015 – 16

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2015	898.95	834.50	April 2015	900.95	833.00
May 2015	927.05	835.00	May 2015	935.00	835.00
June 2015	932.00	864.50	June 2015	932.20	816.90
July 2015	1,012.00	892.00	July 2015	1,013.50	891.00
August 2015	1,246.70	990.65	August 2015	1,247.65	988.40
September 2015	1,156.90	1,035.00	September 2015	1,159.50	1,032.35
October 2015	1,132.25	1,027.65	October 2015	1,123.60	1,026.05
November 2015	1,099.50	958.05	November 2015	1,102.75	956.00
December 2015	1,055.70	971.00	December 2015	1,057.45	968.50
January 2016	1,051.00	878.00	January 2016	1,055.00	876.00
February 2016	975.00	790.30	February 2016	980.15	790.00
March 2016	900.00	805.25	March 2016	899.85	802.35

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, 2016.

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2015-16



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 400078 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, 2016	Category	No. of shares of ₹ 2/- each	% of shareholding
	Promoters	141,372,683	51.00%
	Mutual Funds	34,158,043	12.32%
	Banks/ Financial Institutions/ Insurance Companies	16,536,410	5.96%
	Foreign Institutional Investors (FII)	45,675,123	16.48%
	Corporate Bodies	10,888,972	3.93%
	Indian Public	27,472,308	9.91%
	NRIs	1,096,461	0.40%
	TOTAL	277,200,000	100.00

Distribution of shareholding within various categories (as on March 31, 2016)

Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1 - 500	48,093	4,417,578	1.59
501 -1,000	3,030	2,137,340	0.77
1,001 - 5,000	3,691	8,190,889	2.96
5,001 -10,000	863	6,456,669	2.33
10,001 - 50,000	502	10,384,607	3.75
50,001 - 100,000	88	6,193,931	2.23
100,001 and above	164	239,418,986	86.37
Total	56,431	277,200,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2016).	98.82% 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 in the past sent reminders to those Shareholders who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each.
Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs/ ADRs/ Warrants or any Convertible instruments.
Plant locations	<ol style="list-style-type: none"> 1. Kothrud, Pune 411038 2. Plot No. 206/2, Off. Nagar Road, Haveli, Pune 411014 3. Gat No. 311/B & 1B, Kasar Amboli 412111 Dist. Pune, Maharashtra. 4. 35A/1/2, Erandwane, Pune 411038 5. MIDC Phaltan, Village Survadi, Dist. Satara, Maharashtra 6. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai 600060
Address for correspondence	<p>Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune 411045 Maharashtra, India</p> <p>Tel: +91 20 67067000 Fax : +91 20 67067011</p> <p>1) Ms. Priyanka Shetye, Exe. Manager – Legal & Assistant Company Secretary E-mail - priyanka.p.shetye@cummins.com</p> <p>2) Mr. K. Venkata Ramana, Group Vice President - Legal & Company Secretary E-mail – venkat.ramana@cummins.com</p> <p>Registrar and Transfer Agent :</p> <p>Link Intime India Private Limited Please refer details above for address/ contact details etc.</p>

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Company has obtained a Certificate from the Statutory Auditors confirming compliance with conditions of the Code of Corporate Governance as stipulated in Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is appended as **Annexure '5'** to the Directors' Report.

Declaration – Code of Conduct

As per Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the Financial Year 2015-16.

For Cummins India Limited

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Pune : June 16, 2016

Annexures to the Directors' Report

Annexure 5 – AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

[Pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

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, 2016 as stipulated in Regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as "SEBI Listing Regulations, 2015").

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, 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 SEBI Listing Regulations, 2015.

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

Mumbai
May 25, 2016

Sharmila A. Karve
Partner
Membership Number : 43229

Annexures to the Directors' Report

Annexure 6 – EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014– Form MGT 9]

I. Registration and other details

- | | |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i) CIN: | L29112PN1962PLC012276 |
| ii) Registration Date: | 17.02.1962 |
| iii) Name of the Company: | Cummins India Limited |
| iv) Category / Sub-Category of the Company:
(Company Limited by shares/
Indian Non-Government Company) | Company Limited by shares |
| v) Address of the Registered office and
contact details | Cummins India Office Campus, Tower A, 5th Floor,
Survey no. 21, Balewadi, Pune 411 045
Maharashtra India
Tel: +91 20 67067000
Fax: +91 20 67067011 |
| vi) Whether listed company (Yes / No): | Yes |
| vii) Name, Address and Contact details of
Registrar and Transfer Agent, if any: | Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai 400 078
Phone: (022) 25946970 Fax: (022) 25946969 |

II. Principal business activities of the Company

All the business activities contributing 10 % or more of the total turnover of the Company are :-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Engines	281	82%
2.	Generator Sets	271	18%

III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1.	Cummins Inc. 500 Jackson Street, Columbus, State of Indiana, IN 47201 United States of America	Foreign Company	Holding	51%	2(46)
2.	Cummins Sales & Service Private Limited D-165, Okhla Industrial Area, Phase – I New Delhi 110020 India	U29190DL2012PTC230162	Subsidiary	100%	2(87)
3.	Valvoline Cummins Private Limited 50/8, 1st Floor, Tolstoy Lane, Janpath, New Delhi 110001 India	U74899DL1994PTC062425	Associate	50%	2(6)

Sr. No.	Name and Address of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
4.	Cummins Research and Technology India Private Limited Cummins India Office Campus, Tower B, 4 th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra India	U73100PN2003PTC018025	Associate	50%	2(6)
5.	Cummins Generator Technologies India Private Limited Cummins India Office Campus, Tower A, 5 th Floor, Survey No. 21, Balewadi, Pune 411045 Maharashtra India	U31101PN1991PTC061456	Associate	48.5%	2(6)

IV. Share holding pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt(s).	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	683	0	683	0.00	683	0	683	0.00	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (1):-	683	0	683	0.00	683	0	683	0.00	0.00
(2) Foreign									
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	141,372,000	0	141,372,000	51.00	141,372,000	0	141,372,000	51.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (2):-	141,372,000	0	141,372,000	51.00	141,372,000	0	141,372,000	51.00	0.00
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	141,372,683	0	141,372,683	51.00	141,372,683	0	141,372,683	51.00	0.00
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	29,463,845	0	29,463,845	10.63	34,151,093	6,950	34,158,043	12.32	1.69
b) Banks / FI	221,810	12,895	234,705	0.08	189,845	10,795	200,640	0.07	-0.01
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s).	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	18,267,492	0	18,267,492	6.59	16,335,770	0	16,335,770	5.89	-0.70
g) FIs	49,924,692	5,635	49,930,327	18.01	45,669,488	5,635	45,675,123	16.48	-1.53
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	97,870,889	25,480	97,896,369	35.31	96,346,196	23,380	96,369,576	34.76	-0.55

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0.00	0	0	0	0.00	0.00
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
a) Bodies Corp.	9,802,429	234,635	10,037,064	3.62	10,719,297	169,675	10,888,972	3.93	0.31
b) i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	21,008,481	3,070,789	24,079,270	8.68	21,212,446	2,890,832	24,128,884	8.69	0.01
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	2,164,958	142,590	2,307,548	0.83	1,951,308	142,590	2,093,898	0.76	-0.07
c) Others(specify)									
i. Clearing Member	262,580	0	262,580	0.10	541,288	0	541,288	0.20	0.10
ii. Market Maker	4,556	0	4,556	0.00	2,173	0	2,173	0.00	0.00
iii. NRI- Repatriable	288,040	0	288,040	0.10	357,451	0	357,451	0.13	0.03
iv. NRI- Non-Repatriable	621,914	0	621,914	0.22	695,845	43,165	739,010	0.27	0.05
v. HUF	284,752	0	284,752	0.10	693,909	0	693,909	0.25	0.23
vi. Trusts	45,224	0	45,224	0.02	37,762	0	37,762	0.01	0.00
Sub-total (B)(2):-	34,439,769	3,491,179	37,930,948	13.68	36,211,479	3,246,262	39,457,741	14.24	0.33
Total Public Shareholding (B)=(B)(1)+(B)(2)	132,310,658	3,516,659	135,827,317	49.00	132,557,675	3,269,642	135,827,317	49.00	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	273,683,341	3,516,659	277,200,000	100.00	273,930,358	3,269,642	277,200,000	100.00	0.00

ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change In share holding During the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / Encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / Encumbered to total shares	
1.	Kirloskar Industries Limited	683	0.00	0.00	683	0.00	0.00	0.00
2.	Cummins Inc.	141,372,000	51.00	0.00	141,372,000	51.00	0.00	0.00
	Total	141,372,683	51.00	0.00	141,372,683	51.00	0.00	0.00

iii) Change in Promoters' Shareholding (please specify, if there is no change) –

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	No change during the year		No change during the year	
2.	Date wise Increase/ Decrease in Promoters, Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year		No change during the year	
3.	At the end of the year	No change during the year		No change during the year	

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
1.	Life Insurance Corporation of India	15,128,435	5.46	01-Apr-15	NA	NA	NA	NA
				05-Jun-15	-9,557	Market Sale	15,118,878	6.47
				12-Jun-15	-56,542	Market Sale	15,062,336	5.43
				19-Jun-15	-54,658	Market Sale	15,007,678	5.41
				26-Jun-15	-38,646	Market Sale	14,969,032	5.40
				30-Jun-15	-35,933	Market Sale	14,933,099	5.39
				17-Jul-15	-84,991	Market Sale	14,848,108	5.36
				24-Jul-15	-171,156	Market Sale	14,676,952	5.29
				31-Jul-15	-165,522	Market Sale	14,511,430	5.24
				07-Aug-15	-370,251	Market Sale	14,141,179	5.10
				14-Aug-15	-43,427	Market Sale	14,097,752	5.09
				30-Sep-15	-27,555	Market Sale	14,070,197	5.08
				09-Oct-15	-152,402	Market Sale	13,917,795	5.02
				16-Oct-15	-99,669	Market Sale	13,818,126	4.98
				23-Oct-15	-402,583	Market Sale	13,415,543	4.84
				30-Oct-15	-5,478	Market Sale	13,410,065	4.84
		13,410,065	4.84					
2.	Reliance Capital Trustee Company Limited	9,548,136	3.44	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	13,348	Market Purchase	9,561,484	3.45
				17-Apr-15	-223	Market Sale	9,561,261	3.45
				24-Apr-15	170	Market Purchase	9,561,431	3.45
				01-May-15	117	Market Purchase	9,561,548	3.45

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				08-May-15	-2,015	Market Sale	9,559,533	3.45
				15-May-15	-3,264	Market Sale	9,556,269	3.45
				22-May-15	-12	Market Sale	9,556,257	3.45
				05-Jun-15	1	Market Purchase	9,556,258	3.45
				19-Jun-15	-50,000	Market Sale	9,506,258	3.43
				26-Jun-15	32,000	Market Purchase	9,538,258	3.44
				30-Jun-15	22,000	Market Purchase	9,560,258	3.45
				03-Jul-15	20,000	Market Purchase	9,580,258	3.46
				10-Jul-15	7,888	Market Purchase	9,588,146	3.46
				24-Jul-15	-7,902	Market Sale	9,580,244	3.46
				07-Aug-15	-24,996	Market Sale	9,555,248	3.45
				14-Aug-15	-89,978	Market Sale	9,465,270	3.41
				21-Aug-15	-36,750	Market Sale	9,428,520	3.40
				28-Aug-15	20,000	Market Purchase	9,448,520	3.41
				04-Sep-15	6,352	Market Purchase	9,454,872	3.41
				11-Sep-15	122,031	Market Purchase	9,576,903	3.45
				18-Sep-15	4,000	Market Purchase	9,580,903	3.46
				25-Sep-15	7,923	Market Purchase	9,588,826	3.46
				30-Sep-15	136,054	Market Purchase	9,724,880	3.51
				09-Oct-15	90	Market Purchase	9,724,970	3.51
				23-Oct-15	14	Market Purchase	9,724,984	3.51
				30-Oct-15	-98,655	Market Sale	9,626,329	3.47
				06-Nov-15	-102,475	Market Sale	9,523,854	3.44
				13-Nov-15	9	Market Purchase	9,523,863	3.44
				27-Nov-15	-123,600	Market Sale	9,400,263	3.39
				04-Dec-15	8,504	Market Purchase	9,408,767	3.39
				11-Dec-15	99,384	Market Purchase	9,508,151	3.43
				18-Dec-15	-179,840	Market Sale	9,328,311	3.37
				25-Dec-15	-200,000	Market Sale	9,128,311	3.29
				31-Dec-15	-20,022	Market Sale	9,108,289	3.29
				08-Jan-16	-50,000	Market Sale	9,058,289	3.27

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				15-Jan-16	-49,991	Market Sale	90,08,298	3.25
				22-Jan-16	-163,000	Market Sale	88,45,298	3.19
				29-Jan-16	57,995	Market Purchase	89,03,293	3.21
				05-Feb-16	-30,000	Market Sale	88,73,293	3.20
				12-Feb-16	-375,752	Market Sale	84,97,541	3.07
				19-Feb-16	-30,000	Market Sale	84,67,541	3.05
				26-Feb-16	-52,566	Market Sale	84,14,975	3.04
				04-Mar-16	55,029	Market Purchase	84,70,004	3.06
				11-Mar-16	-18	Market Sale	84,69,986	3.06
				18-Mar-16	33,484	Market Purchase	85,03,470	3.07
				25-Mar-16	40,000	Market Purchase	85,43,470	3.08
				31-Mar-16	123,700	Market Purchase	86,67,170	3.13
		86,67,170	3.13					
3.	Franklin Templeton Investment Funds	5,872,545	2.12	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	128,900	Market Purchase	6,001,445	2.17
				17-Apr-15	31,100	Market Purchase	6,032,545	2.18
				24-Apr-15	762,000	Market Purchase	6,794,545	2.45
				22-May-15	-350,000	Market Sale	6,444,545	2.32
				28-Aug-15	-37,534	Market Sale	6,407,011	2.31
				04-Sep-15	-212,466	Market Sale	6,194,545	2.23
				11-Sep-15	-81,433	Market Sale	6,113,112	2.21
				18-Sep-15	-54,752	Market Sale	6,058,360	2.19
				09-Oct-15	-151,066	Market Sale	5,907,294	2.13
				23-Oct-15	-371,300	Market Sale	5,535,994	2.00
				30-Oct-15	-141,449	Market Sale	5,394,545	1.95
				25-Dec-15	-200,000	Market Sale	5,194,545	1.87
				31-Mar-16	38,481	Market Purchase	5,233,026	1.89
		5,233,026	1.89					
4.	Birla Sun Life Trustee Company Private Limited	5,377,651	1.65	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	95,456	Market Purchase	5,473,107	1.97
				24-Apr-15	124,100	Market Purchase	5,597,207	2.02
				01-May-15	22,117	Market Purchase	5,619,324	2.03

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
			08-May-15	73,000	Market Purchase	5,692,324	2.05	
			22-May-15	-559	Market Sale	5,691,765	2.05	
			29-May-15	559	Market Purchase	5,692,324	2.05	
			05-Jun-15	-48,240	Market Sale	5,644,084	2.04	
			19-Jun-15	8,000	Market Purchase	5,652,084	2.04	
			03-Jul-15	2,781	Market Purchase	5,654,865	2.04	
			10-Jul-15	1,257	Market Purchase	5,656,122	2.04	
			17-Jul-15	30,250	Market Purchase	5,686,372	2.05	
			24-Jul-15	51,700	Market Purchase	5,738,072	2.07	
			14-Aug-15	40,000	Market Purchase	5,778,072	2.08	
			04-Sep-15	-280	Market Sale	5,777,792	2.08	
			11-Sep-15	70,000	Market Purchase	5,847,792	2.11	
			25-Sep-15	-7,900	Market Sale	5,839,892	2.11	
			09-Oct-15	127,500	Market Purchase	5,967,392	2.15	
			16-Oct-15	-31,713	Market Sale	5,935,679	2.14	
			23-Oct-15	41,514	Market Purchase	5,977,193	2.16	
			30-Oct-15	150	Market Purchase	5,977,343	2.16	
			06-Nov-15	-800	Market Sale	5,976,543	2.16	
			13-Nov-15	10,000	Market Purchase	5,986,543	2.16	
			20-Nov-15	122,370	Market Purchase	6,108,913	2.20	
			27-Nov-15	9,100	Market Purchase	6,118,013	2.21	
			04-Dec-15	20,000	Market Purchase	6,138,013	2.21	
			11-Dec-15	-52,100	Market Sale	6,085,913	2.20	
			18-Dec-15	-52,612	Market Sale	6,033,301	2.18	
			31-Dec-15	-11,686	Market Sale	6,021,615	2.17	
			08-Jan-16	-5,500	Market Sale	6,016,115	2.17	
			15-Jan-16	-25,000	Market Sale	5,991,115	2.16	
			29-Jan-16	-164,000	Market Sale	5,827,115	2.10	
			12-Feb-16	-52,200	Market Sale	5,774,915	2.08	
			19-Feb-16	3,776	Market Purchase	5,778,691	2.08	

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				11-Mar-16	-5,000	Market Sale	5,773,691	2.08
				25-Mar-16	-10,434	Market Sale	5,763,257	2.08
		5,763,257	2.08					
5.	Pinebridge Investments Asia Limited A/c Pinebridge Investments GF Mauritius Ltd.	3,349,509	1.21	01-Apr-15	NA	NA	NA	NA
				17-Apr-15	59,415	Market Purchase	3,408,924	1.23
				24-Apr-15	72,832	Market Purchase	3,481,756	1.26
				08-May-15	84,312	Market Purchase	3,566,068	1.29
				15-May-15	191,914	Market Purchase	3,757,982	1.36
				26-Jun-15	150,000	Market Purchase	3,907,982	1.41
				03-Jul-15	30,000	Market Purchase	3,937,982	1.42
				14-Aug-15	60,276	Market Purchase	3,998,258	1.44
				11-Sep-15	-72,187	Market Sale	3,926,071	1.42
				19-Feb-16	60,000	Market Purchase	3,986,071	1.44
		3,986,071	1.44					
6.	UTI Mutual Fund	2,908,403	1.05	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	-371	Market Sale	2,908,032	1.05
				17-Apr-15	-1,066	Market Sale	2,906,966	1.05
				24-Apr-15	1,000	Market Purchase	2,907,966	1.05
				08-May-15	54,000	Market Purchase	2,961,966	1.07
				15-May-15	-449	Market Sale	2,961,517	1.07
				05-Jun-15	27,000	Market Purchase	2,988,517	1.08
				19-Jun-15	27,000	Market Purchase	3,015,517	1.09
				03-Jul-15	18,000	Market Purchase	3,033,517	1.09
				24-Jul-15	9,000	Market Purchase	3,042,517	1.10
				31-Jul-15	17,280	Market Purchase	3,059,797	1.10
				07-Aug-15	-39,000	Market Sale	3,020,797	1.09
				14-Aug-15	-15,353	Market Sale	3,005,444	1.08
				21-Aug-15	-9,000	Market Sale	2,996,444	1.08
				28-Aug-15	42,595	Market Purchase	3,039,039	1.10

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				04-Sep-15	-28,095	Market Sale	3,010,944	1.09
				11-Sep-15	23,000	Market Purchase	3,033,944	1.09
				18-Sep-15	-9,000	Market Sale	3,024,944	1.09
				25-Sep-15	21,000	Market Purchase	3,045,944	1.10
				30-Sep-15	26,098	Market Purchase	3,072,042	1.11
				09-Oct-15	9,902	Market Purchase	3,081,944	1.11
				16-Oct-15	18,000	Market Purchase	3,099,944	1.12
				30-Oct-15	199,801	Market Purchase	3,299,745	1.19
				06-Nov-15	168,000	Market Purchase	3,467,745	1.25
				13-Nov-15	7,200	Market Purchase	3,474,945	1.25
				20-Nov-15	-100,504	Market Sale	3,374,441	1.22
				27-Nov-15	-1,862	Market Sale	3,372,579	1.22
				04-Dec-15	52,062	Market Purchase	3,424,641	1.24
				11-Dec-15	21,498	Market Purchase	3,446,139	1.24
				18-Dec-15	21,000	Market Purchase	3,467,139	1.25
				31-Dec-15	3,255	Market Purchase	3,470,394	1.25
				22-Jan-16	120,343	Market Purchase	3,590,737	1.30
				29-Jan-16	530,000	Market Purchase	4,120,737	1.49
				05-Feb-16	138,000	Market Purchase	4,258,737	1.54
				19-Feb-16	2,561	Market Purchase	4,261,298	1.54
				26-Feb-16	193,439	Market Purchase	4,454,737	1.61
				04-Mar-16	76,000	Market Purchase	4,530,737	1.63
				18-Mar-16	7,770	Market Purchase	4,538,507	1.64
				25-Mar-16	27,000	Market Purchase	4,565,507	1.65
				31-Mar-16	35,000	Market Purchase	4,600,507	1.66
		4,600,507	1.66					

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
7.	General Insurance Corporation of India	2,900,000	1.05	01-Apr-15	NA	NA	NA	NA
				08-Sep-15	-18,739	Market Sale	2,881,261	1.04
		2,850,000	1.03	25-Sep-15	-31,261	Market Sale	2,850,000	1.03
8.	Blackrock Global Allocation Fund, Inc.	2,523,783	0.91	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	-167,786	Market Sale	2,355,997	0.85
				17-Apr-15	-462,290	Market Sale	1,893,707	0.68
				24-Apr-15	-437,168	Market Sale	1,456,539	0.53
				01-May-15	-31,949	Market Sale	1,424,590	0.51
				08-May-15	-41,606	Market Sale	1,382,984	0.50
				15-May-15	-113,094	Market Sale	1,269,890	0.46
				22-May-15	-239,332	Market Sale	1,030,558	0.37
				29-May-15	-174,264	Market Sale	856,294	0.31
				05-Jun-15	-189,872	Market Sale	666,422	0.24
				12-Jun-15	-63,676	Market Sale	602,746	0.22
				29-Jun-15	-99,767	Market Sale	502,979	0.18
				26-Jun-15	-356,849	Market Sale	146,130	0.05
				30-Jun-15	-75,021	Market Sale	71,109	0.03
				07-Jul-15	-71,109	Market Sale	0	0.00
		0	0.00					
9.	Franklin Templeton Mutual Fund	2,468,765	0.89	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	-31,300	Market Sale	2,437,465	0.88
				03-Jul-15	-20,000	Market Sale	2,417,465	0.87
				17-Jul-15	-30,000	Market Sale	2,387,465	0.86
				16-Oct-15	-30,000	Market Sale	2,357,465	0.85
				23-Oct-15	-5,750	Market Sale	2,351,715	0.85
				13-Nov-15	21,653	Market Purchase	2,373,368	0.86
				20-Nov-15	28,347	Market Purchase	2,401,715	0.87
				27-Nov-15	30,000	Market Purchase	2,431,715	0.88
				04-Dec-15	82,400	Market Purchase	2,514,115	0.91
				15-Jan-16	100,000	Market Purchase	2,614,115	0.94
				19-Feb-16	30,000	Market Purchase	2,644,115	0.95
				26-Feb-16	125,000	Market Purchase	2,769,115	1.00
		04-Mar-16	30,000	Market Purchase	2,799,115	1.01		
		2,799,115	1.01					

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
10.	Axis Mutual Fund Trustee Limited	2,105,215	0.76	01-Apr-15	NA	NA	NA	NA
				17-Apr-15	60,000	Market Purchase	2,165,215	0.78
				29-May-15	30,000	Market Purchase	2,195,215	0.79
				05-Jun-15	40,000	Market Purchase	2,235,215	0.81
				12-Jun-15	40,000	Market Purchase	2,275,215	0.82
				19-Jun-15	50,000	Market Purchase	2,325,215	0.84
				30-Jun-15	50,000	Market Purchase	2,375,215	0.86
				03-Jul-15	20,000	Market Purchase	2,395,215	0.86
				17-Jul-15	30,000	Market Purchase	2,425,215	0.87
				07-Aug-15	-53,800	Market Sale	2,371,415	0.86
				14-Aug-15	-6,725	Market Sale	2,364,690	0.85
				21-Aug-15	-6,850	Market Sale	2,357,840	0.85
				28-Aug-15	-13,300	Market Sale	2,344,540	0.85
				11-Sep-15	30,000	Market Purchase	2,374,540	0.86
				18-Sep-15	12,250	Market Purchase	2,386,790	0.86
				30-Sep-15	20,000	Market Purchase	2,406,790	0.87
				09-Oct-15	100,000	Market Purchase	2,506,790	0.90
				13-Nov-15	134,860	Market Purchase	2,641,650	0.95
				27-Nov-15	25,000	Market Purchase	2,666,650	0.96
				04-Dec-15	-7,303	Market Sale	2,659,347	0.96
				18-Dec-15	-20,000	Market Sale	2,639,347	0.95
				15-Jan-16	20,000	Market Purchase	2,659,347	0.96
				22-Jan-16	30,000	Market Purchase	2,689,347	0.97
				05-Feb-16	193,000	Market Purchase	2,882,347	1.04
				12-Feb-16	10,000	Market Purchase	2,892,347	1.04

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				26-Feb-16	40,000	Market Purchase	2,932,347	1.06
				04-Mar-16	72,100	Market Purchase	3,004,447	1.08
				25-Mar-16	15,000	Market Purchase	3,019,447	1.09
		3,019,447	1.09					
11.	T. Rowe Price New Asia Fund	1,736,003	0.63	01-Apr-15	NA	NA	NA	NA
				01-May-15	-24,241	Market Sale	1,711,762	0.62
				12-Jun-15	-19,058	Market Sale	1,692,704	0.61
				19-Jun-15	-27,957	Market Sale	1,664,747	0.60
				26-Jun-15	-246,723	Market Sale	1,418,024	0.51
				31-Jul-15	-27,371	Market Sale	1,390,653	0.50
				07-Aug-15	-67,825	Market Sale	1,322,828	0.48
				14-Aug-15	-67,595	Market Sale	1,255,233	0.45
				21-Aug-15	-146,518	Market Sale	1,108,715	0.40
				28-Aug-15	-156,836	Market Sale	951,879	0.34
				04-Sep-15	-129,748	Market Sale	822,131	0.30
				11-Sep-15	-55,180	Market Sale	766,951	0.28
				06-Nov-15	-12,236	Market Sale	754,715	0.27
		748,074		22-Jan-16	-6,641	Market Sale	748,074	0.27
		748,074	0.27					
12.	Reliance Life Insurance Company Limited	1,559,460	0.56	01-Apr-15	NA	NA	NA	NA
				10-Apr-15	4,761	Market Purchase	1,564,221	0.56
				17-Apr-15	254	Market Purchase	1,564,475	0.56
				24-Apr-15	-2,341	Market Sale	1,562,134	0.56
				01-May-15	-315	Market Sale	1,561,819	0.56
				08-May-15	1,739	Market Purchase	1,563,558	0.56
				15-May-15	-710	Market Sale	1,562,848	0.56
				22-May-15	-683	Market Sale	1,562,165	0.56
				29-May-15	-343	Market Sale	1,561,822	0.56
				05-Jun-15	-40,194	Market Sale	1,521,628	0.55
				12-Jun-15	-7,712	Market Sale	1,513,916	0.55
				19-Jun-15	-9,922	Market Sale	1,503,994	0.54
				26-Jun-15	-2,175	Market Sale	1,501,819	0.54
				30-Jun-15	-990	Market Sale	1,500,829	0.54
				03-Jul-15	17	Market Purchase	1,500,846	0.54

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				10-Jul-15	-2,508	Market Sale	1,498,338	0.54
				17-Jul-15	866	Market Purchase	1,499,204	0.54
				24-Jul-15	-55,816	Market Sale	1,443,388	0.52
				31-Jul-15	-24,735	Market Sale	1,418,653	0.51
				07-Aug-15	-81,435	Market Sale	1,337,218	0.48
				14-Aug-15	-36,122	Market Sale	1,301,096	0.47
				21-Aug-15	-33,817	Market Sale	1,267,279	0.46
				28-Aug-15	9,304	Market Purchase	1,276,583	0.46
				04-Sep-15	-135	Market Sale	1,276,448	0.46
				11-Sep-15	-298	Market Sale	1,276,150	0.46
				18-Sep-15	-504	Market Sale	1,275,646	0.46
				25-Sep-15	-1,358	Market Sale	1,274,288	0.46
				30-Sep-15	4	Market Purchase	1,274,292	0.46
				09-Oct-15	-597	Market Sale	1,273,695	0.46
				16-Oct-15	-6	Market Sale	1,273,689	0.46
				23-Oct-15	-129	Market Sale	1,273,560	0.46
				30-Oct-15	-5,619	Market Sale	1,267,941	0.46
				13-Nov-15	921	Market Purchase	1,268,862	0.46
				20-Nov-15	38,281	Market Purchase	1,307,143	0.47
				27-Nov-15	157	Market Purchase	1,307,300	0.47
				04-Dec-15	12,952	Market Purchase	1,320,252	0.48
				11-Dec-15	12,892	Market Purchase	1,333,144	0.48
				18-Dec-15	-525	Market Sale	1,332,619	0.48
				25-Dec-15	13	Market Purchase	1,332,632	0.48
				31-Dec-15	-3,144	Market Sale	1,329,488	0.48
				15-Jan-16	19,130	Market Purchase	1,348,618	0.49
				22-Jan-16	14,923	Market Purchase	1,363,541	0.49
				29-Jan-16	1,999	Market Purchase	1,365,540	0.49
				05-Feb-16	643	Market Purchase	1,366,183	0.49

Sr. No.	Name	Shareholding		Dates	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at 01.04.2015 or 31.03.2016	% of total shares of the company				No. of Shares	% of total shares of the company
				12-Feb-16	15,587	Market Purchase	1,381,770	0.50
				19-Feb-16	8,092	Market Purchase	1,389,862	0.50
				26-Feb-16	509	Market Purchase	1,390,371	0.50
				04-Mar-16	94,398	Market Purchase	1,484,769	0.54
				11-Mar-16	284	Market Purchase	1,485,053	0.54
				18-Mar-16	-8,455	Market Sale	1,476,598	0.53
				25-Mar-16	-457	Market Sale	1,476,141	0.53
				31-Mar-16	-1,630	Market Sale	1,474,511	0.53
		1,474,511	0.53					

v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	For Each of the Directors and KMP*	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Prakash Telang	1,400	0.0005	1,400	0.0005

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

V. Indebtedness -

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

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	Not Applicable	Not Applicable	Not Applicable	Not Applicable
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
• Addition				
• Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				

VI. Remuneration of Directors and Key Managerial Personnel -

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

Sr. No.	Particulars of Remuneration	Mr. Anant J. Talaulicar Chairman & Managing Director (₹ in Lacs)	Total amount (₹ in Lacs)
1.	Gross salary		30.20
	(a) Salary as per Provisions contained in section 17(1) of the Income Tax Act, 1961	0.12	
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	30.08	
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	—	
2.	Stock Option	—	
3.	Sweat Equity	—	
4.	Commission - as % of profit -others, specify	—	
5.	Others, please specify	—	—
	Total (A)		30.20
	Ceiling as per the Act		4,542

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in Lacs)
		Mr. Nasser Munjee	Mr. P. S. Dasgupta	Mr. Prakash Telang	Mr. Rajeev Bakshi	Mr. Venu Srinivasan	
1.	Independent Directors Fee for attending board / committee meetings	5.50	3.75	5.50	5.50	2.75	23.00
	Commission	15.00	15.00	15.00	15.00	15.00	75.00
	Others, please specify	—	—	—	—	—	—
	Total(1)						98.00
2.	Other Non-Executive Directors Fee for attending board / committee meetings	—	—	—	—	—	—
	Commission	—	—	—	—	—	—
	Others, please specify	—	—	—	—	—	—
	Total(2)						—
	Total(B)=(1+2)						98.00
	Total Managerial Remuneration	—	—	—	—	—	128.20
	Overall Ceiling as per the Act	—	—	—	—	—	908

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross Salary Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 Value of perquisites u/s 17(2) of the Income Tax Act, 1961 Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	NA	122	208	330
2.	Stock Option	—	—	—	—
3.	Sweat Equity	—	—	—	—
4.	Commission- as % of profit- others, specify.	—	—	—	—
5.	Others, please specify	—	—	—	—
	Total	NA	122	208	330

VII. Penalties / Punishment / Compounding of offences - NIL

Type	Section of The Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
C. Other officers in default					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—

Annexures to the Directors' Report

Annexure 7 – NOMINATION AND REMUNERATION POLICY

[Pursuant to Section 178 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The Board of Directors of Cummins India Limited ("the Company") constituted the "Nomination and Remuneration Committee" at the Meeting held on May 22, 2014 with immediate effect, consisting of three (3) Non-Executive Directors of which majority are Independent Directors.

1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Key Objectives of the Committee would be:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.4. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- 1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6. To devise a policy on Board diversity.
- 1.7. To develop a succession plan for the Board and to regularly review the plan.

2. DEFINITIONS

- 2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2. **Board** means Board of Directors of the Company.
- 2.3. **Directors** mean Directors of the Company.
- 2.4. **Key Managerial Personnel / KMP** means,
 - 2.4.1. Chief Executive Officer or the Managing Director or the Manager;
 - 2.4.2. Whole-time director;
 - 2.4.3. Chief Financial Officer;
 - 2.4.4. Company Secretary; and
 - 2.4.5. such other officer as may be prescribed.
- 2.5. **Senior Management** means personnel of the Company who are members of its core management team excluding the Board of Directors including Functional Heads.

3. ROLE OF COMMITTEE

3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- 3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- 3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

3.2. Policy for appointment and removal of Director, KMP and Senior Management

3.2.1. Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2. Term / Tenure

- a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

- b) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. *However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.*
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an

Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

3.2.3. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.2.4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel

3.3.1. General:

- a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

3.3.2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

- a) Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3.3.3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

c) Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

4. MEMBERSHIP

4.1. The Committee shall consist of a minimum 4 non-executive directors, majority of them being independent.

4.2. Minimum three (3) members shall constitute a quorum for the Committee meeting.

4.3. Membership of the Committee shall be disclosed in the Annual Report.

4.4. Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

5.1. Chairperson of the Committee shall be an Independent Director.

5.2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.

5.3. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

- 5.4. Chairperson of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held on quarterly basis.

7. COMMITTEE MEMBERS' INTERESTS

- 7.1. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 7.2. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

- 9.1. Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- 9.2. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

- 10.1. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- 10.2. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Act;
- 10.3. Identifying and recommending Directors who are to be put forward for retirement by rotation;
- 10.4. Determining the appropriate size, diversity and composition of the Board;
- 10.5. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 10.6. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- 10.7. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 10.8. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- 10.9. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- 10.10. Recommend any necessary changes to the Board; and
- 10.11. Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

- 11.1. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate;
- 11.2. to approve the remuneration of the Senior Management including Key Managerial Personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company;
- 11.3. to delegate any of its powers to one or more of its members or the Secretary of the Committee;
- 11.4. to consider any other matters as may be requested by the Board; and
- 11.5. to maintain professional indemnity and liability insurance for Directors and Senior Management.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairperson of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

Annexures to the Directors' Report

Annexure 8 – INFORMATION AS REQUIRED UNDER THE PROVISIONS OF SECTION 197 (12) OF THE ACT, READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

1. Remuneration paid to the Directors : -

- The Board of Directors of the Company consists of 1 Promoter (executive) Director, 4 Promoter (non-executive) Directors and 5 Independent (non-executive) Directors.
- Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman & Managing Director for the year April 1, 2015 to March 31, 2016:

	₹ in Lacs							
	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	0.12	—	17.57	0.17	0	12.34	30.20

- Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 1, 2015 to March 31, 2016:

	₹ in Lacs		
Name of the Director	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	5.50	15.00	20.50
Mr. P. S. Dasgupta	3.75	15.00	18.75
Mr. P. M. Telang	5.50	15.00	20.50
Mr. Rajeev Bakshi	5.50	15.00	20.50
Mr. Venu Srinivasan	2.75	15.00	17.75

- Other details : -

- The median remuneration of employees of the Company during the Financial Year was ₹ 6.77 Lacs.
- In the Financial Year, there was an increase of 6.7% in the median remuneration of employees as well as the Key Managerial Personnel.
- There were 3669 permanent employees on the rolls of Company as on March 31, 2016.
- The Profit before Tax for the Financial Year ended March 31, 2016 decreased by 3% whereas the increase in median remuneration of the employees as well as the Key Managerial Personnel was 6.7%. The average increase in median remuneration was in line with the performance of your Company. The remuneration paid to the Chairman & Managing Director is ₹ 30.20 Lacs as on March 31, 2016 whereas for 2014-15, the total remuneration was ₹ 22.76 Lacs. There is no variable component in the remuneration paid to the Chairman & Managing Directors related to performance of your Company.
- For the Financial Year under consideration, Mr. Anant J. Talaulicar, Chairman & Managing Director was paid the highest remuneration which is ₹ 30.20 Lacs. There are 196 other employees who received remuneration in excess of Mr. Talaulicar. The ratio of total remuneration received by such employees to the remuneration received by Chairman & Managing Director is 0.32%.
- Variations in the market capitalization of the Company: The market capitalization as on March 31, 2016 was ₹ 23,34,440 Lacs and ₹ 24,32,152.80 Lacs as on March 31, 2015.
- Price Earnings ratio of the Company was 31.5 as at March 31, 2016 and was 30.9 as at March 31, 2015.
- Details related to percent increase over/ decrease in the market quotations of the shares of the Company as compared to the rate at which your Company came out with the last public offer in the year:
Your Company had come out with initial public offer (IPO) in 1962. An amount of ₹ 1,000 invested in the said IPO would be worth ₹ 156 Lacs as on March 31, 2016 indicating a Compounded Annual Growth Rate of 20 %. This is excluding the dividend accrued thereon and benefit on account of shares received at the time of issue of bonus shares.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

Annexures to the Directors' Report

Annexure 9 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

[Pursuant to Section 204 (1) of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 – Form MR 3]

To:

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

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Cummins India Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2016 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The erstwhile Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company during the Audit Period)**;
 - (d) The Securities and Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during the Audit Period)**;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Audit Period)**;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit Period)**; and

- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Audit Period).**
- (vi) No law is specifically applicable to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India, effective from 1 July, 2015.
- (ii) The erstwhile Listing Agreement entered into by the Company with stock exchanges and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 notified with effect from 1 December, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit Period-

- Effective from 1 July, 2015, the Registered Office of the Company shifted from Kothrud, Pune to Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune - 411 045.
- The Company has bought balance 50% of equity shares of Cummins Svam Sales & Service Private Limited (CSSPL) for about ₹ 60 Million from Svam Power Plants Private Limited and effective October 1, 2015, CSSPL (now known as, Cummins Sales & Service Private Limited) became a wholly-owned subsidiary of the Company

Place : Pune
Date : May 25, 2016

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

Annexures to the Directors' Report

Annexure 10 – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to Section 135 of the Act and the Companies (Corporate Social Responsibility Policy Rules, 2014)]

Introduction: -

Corporate Responsibility is one of the six core values of your Company, which focusses on 'serving and improving the communities in which we live'. Your Company is committed to this core value through the active involvement and participation of its employees.

Through the 'Every Employee Every Community' (EEEC) initiative, each employee is encouraged to dedicate a minimum of four working hours per year towards any of the projects undertaken under three broad focus areas viz. Higher Education, Energy and Environment and Social Justice (including Local Community Infrastructure Development).

Corporate citizenship is a natural extension of Cummins' values. For a brand that is all about Dependability, your Company recognizes the symbiotic relationship with the various stakeholders to strengthen communities. Your Company clearly recognizes the long-term benefits of such an association over tangible results in the short-term, and strongly believes that the spend of contribution in all CSR activities would always depend on identifying the right projects, preferably in the local area in which your Company operates to maximize employee engagement.

At Cummins, Corporate Responsibility is aligned to its vision of 'Making people's lives better by unleashing the Power of Cummins'. Your Company is focused on working on projects that have a high impact on the communities in which we live and operate. With Cummins has been working on high impact projects under identified themes which broadly fall under three focus areas of Higher Education, Energy and Environment, and Social Justice and Infrastructure. With the success of projects implemented at a location, Cummins works towards growing and replicating the same across locations where it is present.

Corporate Social Responsibility (CSR) Committee: -

The Board of Directors of your Company constituted the "Corporate Social Responsibility Committee" at the meeting held on May 22, 2014, consisting of following Independent Directors, except Mr. Anant J. Talaulicar, as Members:

1. Mr. Prakash M. Telang – Chairman
2. Mr. P. S. Dasgupta – Member
3. Mr. Nasser Munjee – Member
4. Mr. Anant J. Talaulicar – Member

CSR Policy and Projects: -

The Committee has formulated a Corporate Social Responsibility Policy indicating the activities to be undertaken by your Company as per the Companies Act, 2013. The Committee reviews and recommends the amount of expenditure to be incurred on the activities to be undertaken by your Company. It monitors the CSR Policy of your Company from time to time. Copy of the Policy of your Company are available at '<http://www.cumminsindia.com/MAIN/corporate.html>'. Also, details of various CSR initiatives undertaken by your Company are provided in the Business Responsibility Report of the Company for the Financial Year 2015-16 and are also available at '<http://www.cumminsindia.com/CIF/aboutus.html>'.

CSR Spend: -

		(₹ in Lacs)
Sr. No.	Particulars	Status
1.	Average Net Profit of the Company for Financial Years 2013-14, 2014-15 and 2015-16	80,100
2.	Prescribed CSR Expenditure (<i>that is</i> , 2 % of the amount mentioned above)	1,600
3.	Details of the CSR Spent during the Financial Year 2015-16	
	a. Total amount spent for the Financial Year	1,200
	b. Amount unspent, if any	400

Your Company manages the CSR activities through the implementing agency namely, Cummins India Foundation ('the Foundation'). Incorporated in 1990, the Foundation is a Public Charitable Trust registered under the Bombay Public Trusts Act, 1950, the Income Tax Act, 1961 and the Foreign Contribution (Regulation) Act, 2010. The Foundation is dedicated towards serving the communities we live in and improving the lives of people. The Foundation does not accept donation from public at large.

It was a proud moment for Cummins India as it featured 16th in the 'Best Companies for Corporate Social Responsibility (CSR)' survey for 2015, which is an annual survey conducted by The Economic Times (a leading Indian financial newspaper from the Bennet and Coleman Group). This year, Cummins notched up its ranking from the previous year where it was placed 29th. Addressing the social, civic and environmental issues, Cummins India has made significant contributions in this year with their projects on Cummins College of Engineering for Women, Rural Development, Water Neutrality, Afforestation, Solid Waste management, Scholarship program and NGO Development; in addition to the work done for the Cummins College of Engineering for Women, we have also worked on Technical Education for Communities which involves ITI engagement. With the potential to be replicated and sustained, these projects have witnessed a high level of leadership engagement in addition to being driven by 100% employee participation, which has resulted in touching the lives of over 4 million people across India, during the year.

During the Financial Year 2015-16, the Foundation has spent ₹ 1,373 Lacs, details of which are as follows:

Sr. No.	CSR Project or Activity Identified (A)	Sector in which the Project is covered (B)	Amount Outlay (Budget) Project or Program-wise (₹) (C)	Amount spent on the Projects or Programs (₹)		Cumulative Expenditure up to end of the year (₹) (F=D+E)	Manner in which the amount is spent on the Projects or Programs (₹)	
				Direct Expenditure on Projects or Programs (D)	Overheads (E)		Direct (G)	Through independent NGOs (H)
1	Education Assistance to Socially and Economically Weaker Sections	Higher Education	36,418,052	36,069,052	—	36,069,052	25,036,107	11,032,945
2	Vocational Education	Higher Education	7,358,141	6,325,528	—	6,325,528	2,975,528	3,350,000
3	Women Education and Employability	Higher Education	18,625,694	18,582,044	—	18,582,044	—	18,582,044
4	Afforestation	Energy & Environment	11,117,600	11,115,150	—	11,115,150	—	11,115,150
5	Solid Waste Management	Energy & Environment	7,785,397	7,153,907	—	7,153,907	863,362	6,290,545
6	Water Neutrality	Energy & Environment	14,710,400	14,455,246	—	14,455,246	970,000	13,485,246
7	Indoor Pollution	Energy & Environment	456,788	294,272	—	294,272	294,272	—
8	Outdoor Pollution	Energy & Environment	400,000	389,726	—	389,726	170,106	219,620
9	NGO Development	Local Infrastructure Development & Social Justice	9,345,731	9,314,063	—	9,314,063	222,300	9,091,763
10	Rural Development	Local Infrastructure Development & Social Justice	33,051,572	32,908,272	—	32,908,272	3,138,393	29,769,879
11	PWD(People with Disabilities)	Local Infrastructure Development & Social Justice	420,000	244,235	—	244,235	57,021	187,214
12	Women Entrepreneur Development	Local Infrastructure Development & Social Justice	700,340	451,000	—	451,000	40,000	411,000
		TOTAL	140,389,715	137,302,494	—	137,302,494	33,767,089	103,535,405

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

Spends are directed towards projects that are scalable, sustainable and which have the potential to be replicated across locations, in the larger interests of the community. As detailed in the above table, the projects worth ₹ 14 Crores have already been identified and, reasonable and judicious spends are made as per the project requirements. In fact, we strongly believe that your Company plays a very significant role in improving the quality of the society within which it operates and the Company can flourish only if it operates in a society that is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises. Your Company is committed to spend the recommended amount over a period of time as it scales up its initiatives and the supporting infrastructure. The Company will continue to spend its resources very judiciously as it does in all areas, and will focus on leader and employee engagement on high impact community improvement projects, well beyond simply donating money.

Responsibility Statement of the CSR Committee: -

In pursuance of the provisions of Section 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, it is stated on behalf of the Corporate Social Responsibility Committee of the Board of Directors of your Company that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company for the Financial Year 2015-16.

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

Prakash M. Telang
Chairman of the CSR Committee
DIN : 00012562

Place: Mumbai

Date: May 25, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Cummins India Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Cummins India Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 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 Annexure B, a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its standalone financial statements – Refer Note 27 to the financial statements for the year ended March 31, 2016;
 - ii. The Company has long-term contracts as at March 31, 2016 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at March 31, 2016;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Mumbai
May 25, 2016

Sharmila A. Karve
Partner
Membership Number 43229

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Cummins India Limited on the standalone financial statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Cummins India Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial control system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
May 25, 2016

Annexure B to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Cummins India Limited on the standalone financial statements as of and for the year ended March 31, 2016

- 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) The title deeds of immovable properties, as disclosed in Note 9 on fixed assets to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clauses 3(iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its applicable products. We have broadly reviewed the same, 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.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of income tax and service tax, though there are slight delay in few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, sales tax, duty of customs, duty of excise, value added tax, cess 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, there are no dues of service-tax, duty of customs and duty of excise, which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, and value added tax as at March 31, 2016 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount under dispute not yet deposited (₹ in Lacs)	Financial year to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Demand on account of transfer pricing adjustments, other disallowances and interest thereon	9,604	2004-2005, 2007-2008 to 2010-2011	Income-tax Appellate Tribunal, Pune
The Maharashtra Sales Tax on Transfer of Property in goods involved in the Execution of Works Contract (Re-enacted) Act, 1989	Demand on account of Purchase tax/ Works contract tax and surcharge thereon	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	Disallowances of Sales Tax Declaration forms, disallowances of set off claimed under rule 41D and 42 H and interest thereon, 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	5,306	1999-2000 to 2008-2009	Joint Commissioner of Sales Tax (Appeal)/ Maharashtra Sales Tax Tribunal, Mumbai
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	240	2009-10 to 2014-15	Sales Tax Appellate Tribunal, Chennai

- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. 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 by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
May 25, 2016

Balance Sheet as at March 31, 2016

₹ Lacs

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	5,544	5,544
Reserves and Surplus	3	311,585	283,108
		<u>317,129</u>	<u>288,652</u>
Non-current Liabilities			
Deferred Tax Liabilities (Net)	4	8,170	6,308
Long-term Liabilities	5	2,352	1,830
Long-term Provisions	6	12,302	12,651
		<u>22,824</u>	<u>20,789</u>
Current Liabilities			
Trade Payables (Note 26)			
Dues of micro and small enterprises		1,832	3,128
Dues of creditors other than micro and small enterprises		54,597	57,016
Other Current Liabilities	7	24,155	23,218
Short-term Provisions	8	37,141	39,371
		<u>117,725</u>	<u>122,733</u>
	TOTAL	<u>457,678</u>	<u>432,174</u>
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	9	128,184	122,460
Intangible Assets	9	754	936
Capital Work-in-progress		51,922	17,061
Non-current Investments	10	5,172	4,572
Long-term Loans and Advances	11	42,971	46,336
		<u>229,003</u>	<u>191,365</u>
Current Assets			
Current Investments	12	28,372	41,932
Inventories	13	60,026	68,226
Trade Receivables	14	95,058	93,554
Cash and Bank Balances	15	8,973	7,986
Short-term Loans and Advances	16	30,659	28,381
Other Current Assets	17	5,587	730
		<u>228,675</u>	<u>240,809</u>
	TOTAL	<u>457,678</u>	<u>432,174</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

Sharmila A. Karve

Partner

Membership Number 43229

For and on behalf of the Board

Anant J. Talaulicar

Chairman & Managing Director

DIN : 00031051

K. Venkata Ramana

Group Vice President Legal & Company Secretary

PAN : AEJPR9444L

Nasser Munjee

Director

DIN : 00010180

Rajiv Batra

Chief Financial Officer

PAN : AAFPB4485K

Mumbai

Date: May 25, 2016

Mumbai

Date: May 25, 2016

Statement of Profit and Loss for the year ended March 31, 2016

₹ Lacs

Particulars	Note No.	Year Ended March 31, 2016	Year Ended March 31, 2015
Revenue from operations (gross)	18	510,353	470,821
Less : Excise duty		37,924	30,241
Revenue from operations (net)		472,429	440,580
Other income	19	22,787	28,658
Total Revenue		495,216	469,238
Expenses:			
Cost of materials consumed (Note 35)		281,778	264,210
Purchases of traded goods (Note 36)		14,696	11,710
Change in inventories of finished goods, work-in-progress and traded goods	20	(543)	(5,259)
Employee benefits expense	21	42,095	39,126
Finance costs	22	86	126
Depreciation and amortization expense	9	8,101	7,972
Other expenses	23	58,361	57,614
Total expenses		404,574	375,499
Profit before tax		90,642	93,739
Tax expense			
MAT / Current tax		16,624	17,592
MAT credit entitlement		(3,029)	(4,201)
Net current tax		13,595	13,391
Deferred tax		1,862	1,763
Total Tax Expense		15,457	15,154
Profit after Tax		75,185	78,585
Basic and diluted Earnings per share (₹) (Nominal value per share ₹ 2)	24	27.12	28.35

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

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
Date: May 25, 2016

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051
K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Mumbai
Date: May 25, 2016

Nasser Munjee
Director
DIN : 00010180
Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Cash Flow Statement for the year ended March 31, 2016

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
I. Cash flows from operating activities :			
Cash generated from operations	82,493		68,319
Tax paid (net of refunds)	(16,937)		(18,528)
Net cash provided by operating activities		65,556	49,791
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(45,420)		(33,865)
Sale	186		828
Interest received	2,032		2,350
Dividend received	12,446		9,583
Investments			
Purchase	(104,808)		(119,510)
In subsidiary	(600)		—
Sale/redemption	118,369		132,465
Redemption / Maturity of bank deposits (having original maturity of more than three months)	—		2,520
Net cash used for investing activities		(17,795)	(5,629)
III. Cash flows from financing activities :			
Finance costs	(86)		(126)
Dividend paid (including tax on dividend)	(46,708)		(42,160)
Net cash used for financing activities		(46,794)	(42,286)
IV. Net change in cash and cash equivalents (I+II+III)		967	1,876
V. Cash and cash equivalents at the beginning of the year		7,548	5,672
Cash and cash equivalents at the end of the year (IV+V)		8,515	7,548

Cash Flow Statement for the year ended March 31, 2016 (Contd.)

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
1) Cash generated from operations has been arrived at as follows :			
Profit before tax		90,642	93,739
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation and amortization	8,101		7,972
Finance Costs	86		126
Interest income (gross)	(2,029)		(2,173)
Dividend earned (gross)	(12,446)		(9,583)
(Gain)/Loss on assets sold, discarded etc.	(1)		(724)
Gain on redemption /sale of investments (net)	(1)		(9,924)
Unrealised foreign exchange fluctuation	(253)		(184)
Provision for doubtful debts	200		300
		(6,343)	(14,190)
b) Changes in working capital and other provisions :-			
Trade Receivable	(1,842)		(15,478)
Inventories	8,200		(13,092)
Loans and Advances	1,374		(22)
Other current assets	(4,860)		621
Trade Payable	(3,624)		11,596
Long term liabilities	522		(189)
Other current liabilities	1,003		4,403
Provisions	(2,579)		931
		(1,806)	(11,230)
Total adjustments (a+b)		(8,149)	(25,420)
Cash generated from operations		82,493	68,319

- 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, 2016 (Contd.)

	₹ Lacs	₹ Lacs	₹ Lacs
	2015-16	2014-15	2013-14
3) Cash and cash equivalents comprise :			
Cash in hand	3	2	3
Balances with bank on current account	8,512	7,546	5,669
Total	8,515	7,548	5,672

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

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
Date: May 25, 2016

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051
K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Mumbai
Date: May 25, 2016

Nasser Munjee
Director
DIN : 00010180
Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Notes to Financial Statements for the year ended March 31, 2016

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 section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation with and recommendations of the National Financial Reporting Authority, the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, as amended (the 'Rules'), continue to be applicable, accordingly, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under the Rules and other relevant provisions of the Companies Act, 2013.
- (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 III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.
- (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 computed on straight line method based on useful lives, determined based on internal technical evaluation and are in line with the useful lives specified by Schedule II to the Companies Act, 2013. Consequent to this, where the Company has changed the estimate of useful life, the carrying amount of the asset as on April 1, 2014 is depreciated over the remaining useful life of the asset. Further where remaining useful life of an asset as on April 1, 2014 was Nil, the carrying amount of the asset after retaining the residual value has been recognised in the opening balance of retained earnings.

Leasehold land is amortised on the straight line method over period of the lease.

- (ii) Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortized over their respective useful lives ranging between three years to five years.
- (iii) Loss arising from the retirement of, and gains and losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.
- (iv) Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are classified under other current assets in financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

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.

Notes to Financial Statements for the year ended March 31, 2016

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 finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

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 exchange differences are appropriately recognised in the Statement of Profit and Loss.

The Company uses forward exchange contracts to cover its foreign currency cash flow risks, arising from exposures from export receivables and import payables, against movements in foreign exchange rates. Forward exchange contracts are not used for trading or speculation purpose. The premium or discount arising at the inception of forward exchange contracts entered into, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

f) Revenue recognition

- (i) Sales are recognised when the significant 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, and recognised net of service tax. Completion is determined as a proportion of cost incurred till 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 when services are rendered or on receipt of confirmation from customers, as the case may be.
- (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.
- (v) Rental income is recognised on a straight-line basis over the lease term.
- (vi) Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

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, based on 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

Notes to Financial Statements for the year ended March 31, 2016

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.

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

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

(ii) **Other Long-term Employee Benefits (Unfunded):**

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

Revenue expenditure incurred for research activities is expensed off in the year in which it is incurred.

k) **Income Tax**

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year.

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 supported by convincing evidence. Other deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty of realization.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961, no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

Notes to Financial Statements for the year ended March 31, 2016

Minimum Alternate Tax

Minimum Alternate Tax ('MAT') credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

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, and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation arising out of past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

m) Impairment of Assets

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, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
2. Share Capital		
Authorised :		
400,000,000 (March 31, 2015 : 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 (March 31, 2015 : 277,200,000) equity shares of ₹ 2 each (fully paid up)	<u>5,544</u>	<u>5,544</u>
Total	<u><u>5,544</u></u>	<u><u>5,544</u></u>

a. Reconciliation of number of shares

Equity shares :	As at March 31, 2016		As at March 31, 2015	
	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 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 approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c. Shares held by holding company

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Equity shares:		
141,372,000 (March 31, 2015: 141,372,000) shares are held by Cummins Inc. USA, the Holding Company	2,827	2,827

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

	As at March 31, 2016		As at March 31, 2015	
	Nos.	%	Nos.	%
Equity shares:				
Cummins Inc. USA, the Holding Company	141,372,000	51.00%	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	13,410,065	4.84%	15,128,435	5.46%

e. Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2016) :

Equity shares allotted as fully paid up bonus shares by capitalization of Free Reserves	Year	No. of Shares
	March 31, 2016	—
	March 31, 2015	—
	March 31, 2014	—
	March 31, 2013	—
	March 31, 2012	79,200,000

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
3. Reserves and surplus		
Capital Redemption Reserve Account	70	70
General Reserve	114,202	114,202
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	168,836	136,699
Less: Adjustment on account of transitional provision relating to depreciation as per Schedule II of the Companies Act, 2013 (Net of deferred tax - ₹ Nil (March 31, 2015 ₹ 106 lacs))	—	206
Balance as at the beginning of the year (Net)	168,836	136,493
Profit for the Year	75,185	78,585
Less: Appropriations		
Proposed Dividend (₹ 9 per share (March 31, 2015: ₹ 9 per share))	24,948	24,948
Interim Dividend (₹ 5 per share (March 31, 2015: ₹ 5 per share))	13,860	13,860
Dividend Distribution Tax	7,900	7,434
Total appropriations	46,708	46,242
Balance as at the end of the Year	197,313	168,836
Total	311,585	283,108
4. Deferred Tax Liabilities (net)		
Deferred Tax Asset		
Provision for employee benefits	1,908	1,267
Other timing differences	201	1,027
Total Deferred Tax Asset (A)	2,109	2,294
Deferred Tax Liability		
Depreciation	10,032	8,602
Other timing differences	247	—
Total Deferred Tax Liabilities (B)	10,279	8,602
Net Deferred Tax Liabilities (B-A)	8,170	6,308
5. Long-term Liabilities		
Dealer Deposit	1,341	1,154
Unearned revenue	311	332
Others	700	344
Total	2,352	1,830

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
6. Long-term Provisions		
Provision for employee benefits		
Post retirement benefit and leave entitlement (Note 42)	5,746	6,116
	<u>5,746</u>	<u>6,116</u>
Other provisions (Note 32)		
Warranties	4,138	4,298
Statutory matters	1,817	1,769
New Engine Performance Inspection (NEPI)	601	468
	<u>6,556</u>	<u>6,535</u>
Total	<u><u>12,302</u></u>	<u><u>12,651</u></u>
7. Other Current Liabilities		
Unearned revenue	345	416
Unpaid Dividend	458	438
Statutory Dues including tax deducted at source	1,424	1,824
Advances from Customers	456	439
Royalty and cess thereon	4,778	5,806
Support services payable	5,150	2,827
Others including salaries, wages and bonus payable	11,544	11,468
Total	<u><u>24,155</u></u>	<u><u>23,218</u></u>
8. Short-term Provisions		
Provision for employee benefits		
Post retirement benefit and leave entitlement (Note 42)	617	582
	<u>617</u>	<u>582</u>
Other provisions		
Warranties (Note 32)	5,648	7,741
New Engine Performance Inspection (NEPI) (Note 32)	849	1,021
Proposed dividend	24,948	24,948
Dividend distribution tax on proposed dividend	5,079	5,079
	<u>36,524</u>	<u>38,789</u>
Total	<u><u>37,141</u></u>	<u><u>39,371</u></u>

Notes to Financial Statements for the year ended March 31, 2016

9. Fixed Assets

Particulars	Gross block (at cost)			Depreciation and Amortisation			Net block		
	As at April 1, 2015	Additions	Deductions / Write-off	As at March 31, 2016	As at April 1, 2015	For the year	Deductions / Write-off	As at March 31, 2016	As at March 31, 2016
Tangible Assets:									
Land									
- Freehold @	4,925	117	10	5,032	—	—	—	—	5,032
- Leasehold **	1,564	—	—	1,564	55	16	—	71	1,493
Leasehold Improvements	612	—	—	612	21	6	—	27	585
Roads	2,194	10	—	2,204	491	286	—	777	1,427
Buildings *	83,357	10,161	4	93,514	4,930	1,825	0	6,755	86,759
Plant and machinery	86,937	3,129	2,711	87,355	55,029	5,273	2,593	57,709	29,646
Furniture and fittings	4,126	275	153	4,248	920	415	104	1,231	3,017
Vehicles	444	86	85	445	253	47	80	220	225
	<u>184,159</u>	<u>13,778</u>	<u>2,963</u>	<u>194,974</u>	<u>61,699</u>	<u>7,868</u>	<u>2,777</u>	<u>66,790</u>	<u>128,184</u>
Intangible Assets:									
Software	2,082	51	—	2,133	1,146	233	—	1,379	754
Technical Knowhow	2,060	—	—	2,060	2,060	—	—	2,060	—
	<u>4,142</u>	<u>51</u>	<u>—</u>	<u>4,193</u>	<u>3,206</u>	<u>233</u>	<u>—</u>	<u>3,439</u>	<u>754</u>

NOTES:

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

2) Includes undivided share of land, on purchase of office premises

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

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

Notes to Financial Statements for the year ended March 31, 2016

9. Fixed Assets (Contd.)

Particulars	Gross block (at cost)			Depreciation and Amortisation			Net block		
	As at April 1, 2014	Additions	Deductions / Write-off	As at March 31, 2015	As at April 1, 2014	For the year (#)		Deductions / Write-off	As at March 31, 2015
Tangible Assets:									
Land									
- Freehold @	2,804	2,160	39	4,925	—	—	—	—	4,925
- Leasehold **	1,564	—	—	1,564	39	16	—	55	1,509
Leasehold improvements	609	3	—	612	15	6	—	21	591
Roads	2,199	1	6	2,194	152	340	1	491	1,703
Buildings	52,932	30,573	148	83,357	3,538	1,519	127	4,930	78,427
Plant and machinery	82,667	4,639	369	86,937	49,858	5,522	351	55,029	31,908
Furniture and fittings	2,852	1,316	42	4,126	488	458	26	920	3,206
Vehicles	426	37	19	444	211	56	14	253	191
	<u>146,053</u>	<u>38,729</u>	<u>623</u>	<u>184,159</u>	<u>54,301</u>	<u>7,917</u>	<u>519</u>	<u>61,699</u>	<u>122,460</u>
Intangible Assets:									
Software	942	1,140	—	2,082	942	204	—	1,146	936
Technical Knowhow	2,060	—	—	2,060	1,897	163	—	2,060	—
Global Sourcing Consideration	2,143	—	2,143	—	2,143	—	2,143	—	—
	<u>5,145</u>	<u>1,140</u>	<u>2,143</u>	<u>4,142</u>	<u>4,982</u>	<u>367</u>	<u>2,143</u>	<u>3,206</u>	<u>936</u>

NOTES:

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

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

Refer Note 1 (b) (i). In accordance with transitional provision relating to depreciation as per Schedule II of the Companies Act, 2013, the carrying amount of assets aggregating to ₹ 312 Lacs has been recognised in the opening balance of retained earnings. Pursuant to the change in the estimate of useful life, depreciation expense for year ended March 31, 2015 is higher by ₹ 1,361 lacs.

Notes to Financial Statements for the year ended March 31, 2016

10. Non Current Investments :

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Long-term Investments		
			Trade Investments (valued at cost)		
			Unquoted equity instruments		
			Investments in Subsidiary : (refer note no. 33 (i))		
12,000,000			Cummins Sales and Services Private Limited (formerly known as Cummins Svam Sales and Services Private Limited)	1,200	
			Investments in Joint Ventures : (refer note no. 33 (ii))		
9,500,000	9,500,000	10	Valvoline Cummins Private Limited	804	804
114,600	114,600	10	Cummins Research and Technology India Private Limited	11	11
	6,000,000	10	Cummins Sales and Services Private Limited (formerly known as Cummins Svam Sales and Services Private Limited) (refer note no. 33 (i))		600
			Investment in Associates :		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%)	1,720	1,720
				3,735	3,135
			Other Investments (valued at cost unless stated otherwise)		
			a) Unquoted equity instruments		
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	0	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	0	0
				0	0
			Carried forward	3,735	3,135

Notes to Financial Statements for the year ended March 31, 2016

10. Non Current Investments : (Contd.)

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Brought forward	3,735	3,135
			b) Quoted Government of India Bonds		
50,000,000	50,000,000	1	8.35% Government of India 2022	631	631
55,000,000	55,000,000	1	7.49% Government of India 2017	654	654
				1,285	1,285
			c) Quoted Corporate Bonds		
12	12	1,250,000	6.68% Power Grid Corporation of India 2019	152	152
				152	152
			Total	5,172	4,572
			Aggregate cost of quoted investments	1,437	1,437
			Aggregate cost of unquoted investments	3,735	3,135
				5,172	4,572
			Aggregate market value of quoted investments	1,205	1,203

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

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
11. Long-term Loans and Advances		
Unsecured, considered good		
Capital advances	3,902	7,172
Security deposits	866	831
Loan and advances to related parties (Note 28)	12,950	12,977
Other Loans and Advances:		
Balances with government authorities	10,705	14,010
Advance income-tax (net of provision for taxation ₹ 186,177 Lacs (March 31, 2015: ₹ 170,692 Lacs)	7,318	7,005
MAT credit entitlement	7,230	4,201
Others *	0	140
Total	42,971	46,336

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

Notes to Financial Statements for the year ended March 31, 2016

12. Current Investments :

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Current portion of Long term investments					
At Cost or market value whichever is lower					
a) Quoted Government of India Bonds					
—	50,000,000	1	7.38% Government of India 2015	—	499
				—	499
b) Quoted equity instruments					
9,811	9,811	2	Kirloskar Oil Engines Limited *	0	0
913	913	10	Kirloskar Industries Limited *	0	0
				0	0
Total Current portion of Long Term Investments				0	499
Current Investments					
At Cost or market value whichever is lower					
Unquoted Mutual Funds					
Liquid Fund (Dividend)					
—	2,403,395	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	—	2,541
—	19,986,533	10	IDFC-Money Manager Fund-Treasury Plan-Regular Plan-Daily Div.	—	2,013
—	199,160	1,000	SBI Magnum Insta Cash Fund - Liquid Floater - Direct Plan - Daily Dividend	—	2,011
—	99,541	1,000	SBI Magnum Insta Cash Fund - Liquid Floater - Regular Plan - Daily Dividend	—	1,005
—	101,139	1,000	Tata Floater Fund- Plan A- Daily Dividend	—	1,015
—	151,857	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend	—	1,522
—	101,718	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend - Direct	—	1,020
200,404	150,207	1,000	Axis Banking Debt Fund - Daily Dividend Option	2,014	1,510
52,102	—	1,000	Axis Liquid Fund - Direct Plan - Daily Dividend Option	521	—
—	3,915,027	100	Birla Sun Life Floating Rate - Short Term - Daily Dividend	—	3,916
			Carried forward	—	—

Notes to Financial Statements for the year ended March 31, 2016

12. Current Investments : (Contd.)

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Brought forward	—	—
—	155,986	1,000	DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend	—	1,560
—	100,501	1,000	DSP Blackrock Liquidity Fund- Institutional Plan-Daily Dividend	—	1,005
—	3,077,462	100	DWS Insta Cash Plus Fund-Daily Dividend	—	3,087
—	37,726,305	10	HDFC Cash Management Fund - Savings Plan-Daily Dividend Option	—	4,013
—	128,097	10	HDFC CM Savings -Direct Plan - Daily Dividend Option	—	14
2,055,018	3,014,380	100	ICICI Prudential Liquid - Regular Plan - Daily Dividend	2,056	3,016
1,006,158	—	100	ICICI Prudential Liquid - Direct Plan - Daily Dividend	1,007	—
—	879	1,000	IDFC Cash Fund -Direct Plan-Daily Dividend	—	9
—	353,660	1,000	IDFC Cash Fund -Regular Plan-Daily Dividend	—	3,538
—	10,030,502	10	Kotak Banking and PSU Debt - Daily Dividend Reinvestment	—	1,006
—	5,502,780	10	Kotak Banking and PSU Debt - Direct Daily Dividend Reinvestment	—	554
43,041	248,840	1,000	Kotak Liquid-Plan A -(Daily Dividend)	526	3,043
43,235	—	1,000	Kotak Liquid-Plan A -(Daily Dividend) - Direct	529	—
101,294	100,924	1,000	L&T Liquid Fund - Daily Div Reinv	1,025	1,021
—	49,856	1,000	L&T Liquid Fund -Direct Plan-Daily Div Reinv	—	505
—	50,576	1,000	Reliance Liquidity Fund - Direct Plan Daily Dividend Reinvestment Option	—	506
10,368,817	—	10	Reliance Banking & PSU Debt Fund- Weekly Dividend	1,042	—
6,050,647	—	10	Reliance Medium Term Fund-Direct Plan-DDR	1,034	—
—	199,548	1,000	SBI Premier Liquid Fund - REGULAR PLAN - Daily Dividend	—	2,002
50,474	—	1,000	UTI- Liquid Fund-Cash Plan-Inst Daily Dividend - Direct	515	—
51,890	—	1,000	Axis Liquid Fund - Daily Dividend Option	519	—
2,536,242	—	100	Birla Sun Life Cash Plus - Daily Dividend	2,541	—
330,098	—	1,000	HDFC Liquid Fund-Dividend - Daily	3,366	—
			Carried forward	—	—

Notes to Financial Statements for the year ended March 31, 2016

12. Current Investments : (Contd.)

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Brought forward	—	—
249,031	—	1,000	L&T Liquid Fund - Direct Plan -Daily Dividend	2,521	—
51,754	—	1,000	SBI Premier Liquid Fund - DIRECT PLAN - Daily Dividend	519	—
205,040	—	1,000	Tata Money Market Fund- Direct Plan- Daily Dividend	2,054	—
299,663	—	1,000	UTI- Liquid Fund-Cash Plan-INST - Daily Dividend Reinvestment Option	3,055	—
25,007,667	—	10	Kotak Treasury Advantage Fund -Daily Dividend	2,521	—
100,343	—	1,000	Uti-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment	1,007	—
				28,372	41,432
			Total	28,372	41,932
			Aggregate cost of quoted investments	0	499
			Aggregate cost of unquoted investments	28,372	41,432
				28,372	41,932
			Aggregate market value of quoted investments	26	530

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

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
13. Inventories		
Raw materials and components (includes in transit ₹ 2,307 lacs (March 31, 2015: ₹ 5,068 lacs))	27,555	36,350
Work-in-progress	9,816	11,883
Finished goods (includes in transit ₹ 799 lacs (March 31, 2015: ₹ 1,195 lacs))	20,774	18,482
Traded goods (including stock-in-transit ₹ 228 lacs (March 31, 2015: ₹ 30 lacs))	1,109	791
Stores and spares	376	367
Loose tools	396	353
Total	60,026	68,226
14. Trade Receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	2	2
Others	3,099	3,137
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	4,547	4,497
Others	87,410	85,918
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	548	764
Others	33	—
Less: Provision for doubtful debts	(581)	(764)
Total	95,058	93,554

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
15. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	3	2
Bank Balances		
In current accounts	8,512	7,546
Sub-Total	<u>8,515</u>	<u>7,548</u>
Other bank balances		
Unpaid dividend account (restricted)	458	438
Sub-Total	<u>458</u>	<u>438</u>
Total	<u><u>8,973</u></u>	<u><u>7,986</u></u>
16. Short-term Loans and Advances		
Unsecured, considered good:		
Security deposits	1,036	793
Other Loans and Advances		
Balances with statutory/government authorities	20,794	19,813
Others	8,829	7,775
Total	<u><u>30,659</u></u>	<u><u>28,381</u></u>
17. Other Current Assets		
Unsecured, considered good:		
Unbilled revenue	1,794	691
Assets held for sale	3,757	—
Interest accrued on investments	36	39
Total	<u><u>5,587</u></u>	<u><u>730</u></u>

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
18. Revenue from operations		
Sale of products (Note 34)	475,075	441,476
Sale of services (Note 34)	23,154	20,875
Other operating revenue		
Scrap sales	639	737
Export Incentives	5,284	3,824
Other	6,201	3,909
Revenue from operations (gross)	<u>510,353</u>	<u>470,821</u>
19. Other income		
Income from investments:		
Interest Income		
- On Bonds (Long Term Investments)	109	130
- On Fixed Deposits with Banks	—	56
	<u>109</u>	<u>186</u>
Dividend Income		
- On Current Investments	1,394	1,582
- On Long Term Investments in Associate and Joint Ventures	11,052	8,001
	<u>12,446</u>	<u>9,583</u>
Gain on sale/redemption of investments		
- On Current Investments	1	1,661
- On Long Term investments	—	8,263
	<u>1</u>	<u>9,924</u>
Interest on Inter-corporate deposit and other interest	1,920	1,987
Exchange gain (net)	1,904	1,384
Net gain on fixed assets sold or discarded	1	724
Miscellaneous income	6,406	4,870
Total	<u>22,787</u>	<u>28,658</u>

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
20. Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year		
Work-in-progress	9,816	11,883
Finished goods	20,774	18,482
Traded goods	1,109	791
Subtotal (A)	<u>31,699</u>	<u>31,156</u>
Inventories at the beginning of the year		
Work-in-progress	11,883	8,605
Finished goods	18,482	16,904
Traded goods	791	388
Subtotal (B)	<u>31,156</u>	<u>25,897</u>
(Increase)/Decrease (B-A)	<u>(543)</u>	<u>(5,259)</u>
21. Employee benefits expense		
Salaries, wages and bonus	34,302	31,489
Contribution to provident and other funds	4,800	4,723
Staff welfare expenses	2,993	2,914
Total	<u>42,095</u>	<u>39,126</u>
22. Finance costs		
Interest on MSME and others	86	126
Total	<u>86</u>	<u>126</u>

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
23. Other expenses		
Commission on sales	2,268	1,975
Consumption of stores and spare parts	4,761	5,088
Warranty Expenses (Note 32)	7,581	6,056
Tools and gauges	489	590
Repairs to buildings	1,944	1,787
Repairs to machinery	560	596
Other repairs	440	449
Power and fuel consumed	3,305	3,760
Rent (Note 30)	401	487
Rates and Taxes	1,812	1,037
Insurance	660	633
Outside Processing charges	1,931	1,994
Donation - Expenditure towards corporate social responsibility (CSR) activities (Note 46)	1,200	810
Royalties	4,451	6,276
Support Services	7,356	7,045
Computer and other services	6,480	6,889
Payment to Auditors (Refer details below)	162	118
Bad debts		
Bad debts written off	383	115
Provision for bad and doubtful debts	200	300
Amount withdrawn from provision	(383)	(115)
	200	300
Other expenses (Note 29)	12,360	11,724
Total	58,361	57,614
Payment to Auditors:		
Statutory Audit (including Limited Reviews)	121	82
Other services	35	34
Reimbursement of expenses	6	2
Total	162	118

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016	Year ended March 31, 2015
24. Earning per share (EPS)		
Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a) Profit for the year after taxation (₹ Lacs)	75,185	78,585
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	27.12	28.35
Face value per share (₹)	2	2

Notes to Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
25. Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances)	16,633	19,651
26. Trade payables include:		
Total outstanding dues of Micro, Small and Medium Enterprises	3,583	3,785
Details of dues to Micro, Small & Medium Enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	3,583	3,785
2 Interest accrued	—	—
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	2,762	1,696
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	—	—
5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	5	6
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, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
27. Contingent liabilities		
a Bills discounted not matured	5	1,465
b Income Tax matters	16,689	14,927
c Central excise duty/service tax matters	1,132	1,023
d Duty drawback matters (excludes interests, if any)	2,604	2,604
e Sales Tax matters	8,889	8,380
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	115	51
Total	29,443	28,459

28. Inter corporate deposit includes an amount of ₹ 12,950 lacs (March 31, 2015; ₹ 12,977 Lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary. Maximum amount due during the year ₹ 13,211 lacs (March 31, 2015; ₹ 14,626 lacs)

29. Other expenses include provision for doubtful debts ₹ 200 lacs (March 31, 2015; ₹ 300 lacs)

30. Operating Leases

The company has entered into non-cancellable operating leases for warehouse, office and residential premises. These lease arrangements range for a period between 12 months and 60 months with lock in period between 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 ₹ 401 lacs (March 31, 2015; ₹ 487 lacs).

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

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Within one year	107	58
After one year but not more than five years	105	19
Total	212	77

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

a. On capital account	1	1,138
b. On revenue account	2,510	1,639
Total	2,511	2,777

Notes to Financial Statements for the year ended March 31, 2016

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

(i) Provision for Warranty

The provision for warranty is on account of warranties given on products sold by the Company. The provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in 1 year is classified as Current.

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	12,039	13,208
Additions	8,617	7,377
Utilisation	9,834	7,225
Reversal	1,036	1,321
Balance as at the end of the year	9,786	12,039
Classified as Non-current:	<u>4,138</u>	<u>4,298</u>
Classified as Current:	<u>5,648</u>	<u>7,741</u>

(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, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	1,769	1,670
Additions	183	137
Utilisation	101	38
Reversal	34	—
Balance as at the end of the year	1,817	1,769
Classified as Non-current:	<u>1,817</u>	<u>1,769</u>
Classified as Current:	<u>—</u>	<u>—</u>

Notes to Financial Statements for the year ended March 31, 2016

(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, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	1,489	1,742
Additions	1,090	864
Utilisation	938	570
Reversal	191	547
Balance as at the end of the year	1,450	1,489
Classified as Non-current:	<u>601</u>	<u>468</u>
Classified as Current:	<u>849</u>	<u>1,021</u>

33. (i) The Company acquired balance 50% stake in Cummins SVAM Sales & Service Private Limited ('Cummins SVAM') from its joint venture partner for ₹ 600 Lacs on October 1, 2015. With effect from the said date, Cummins SVAM is a 100% subsidiary (renamed 'Cummins Sales & Service Private Limited') of the Company.
- (ii) The Company has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited incorporated in India. The following represents the Company's share of Assets and Liabilities as at March 31, 2016 and Income and Expenses for the year ended on that date of the above joint ventures, and proportionate share of Income and Expenses of Cummins Sales & Service Private Limited during which it was a joint venture.

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Interest in Joint Ventures :		
Assets	21,046	22,887
Liabilities	10,106	8,118
Income	55,171	55,737
Expenses (including provision for tax)	47,943	50,513
Contingent Liabilities	1,754	2,138
Capital and other commitments	78	80

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
34. Details of Sales		
Finished goods:		
Internal Combustion Engines	258,247	249,460
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	91,137	77,506
Traded goods:		
Engines	8,040	9,600
Spare parts, accessories and components*	79,727	74,669
Add: Excise Duty	37,924	30,241
Total	<u>475,075</u>	<u>441,476</u>
Sale of Services:		
Revenue from Service Contract	23,154	20,875
Grand Total	<u>498,229</u>	<u>462,351</u>

* includes sale of traded parts

35. Details of materials consumed

i) Castings - various	1,775	1,807
ii) Forgings - various	2,408	2,146
iii) Components	218,423	207,174
iv) Engines	36,258	30,242
v) Others including semi-finished components	22,914	22,841
Total	<u>281,778</u>	<u>264,210</u>

Item (iii) includes the cost of accessories sold and cost of purchased components sold as spare parts (for the goods manufactured and sold by the Company), this activity being ancillary to the Company's manufacturing activity.

36. Details of purchase of Traded goods

Engines	6,273	7,256
Others	8,423	4,454
Total	<u>14,696</u>	<u>11,710</u>

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
37. Value of imported and indigenous raw materials and components consumed		
Imported	55,358	56,787
%	20 %	21%
Indigenously procured	226,420	207,423
%	80 %	79%
Total	<u>281,778</u>	<u>264,210</u>
38. Value of imports calculated on CIF basis		
a) Raw materials	4,989	7,978
b) Components	43,049	50,135
c) Machinery spares	55	149
d) Capital goods	229	611
e) Tools, stores, etc.	94	110
Total	<u>48,416</u>	<u>58,983</u>
39. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis:		
a) Royalty	4,451	6,276
b) Support Services	7,356	7,045
c) Others (including IT Service charges, Customer Support Charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	2,626	3,376
Total	<u>14,433</u>	<u>16,697</u>
40. Remittances during the year in foreign currency on account of dividend to non-resident Shareholders were as follows:		
Number of shareholders	1	1
Number of equity shares (shares of ₹ 2 each)	141,372,000	141,372,000
Amount remitted:		
For the year ended 31st March, 2016 (Interim)	7,068	
For the year ended 31st March, 2015 (Final)	12,723	
For the year ended 31st March, 2015 (Interim)		7,068
For the year ended 31st March, 2014 (Final)		11,310

Notes to Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
41. Earnings in foreign exchange		
Export on FOB basis	166,939	172,677
Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	4,418	4,745
Total	171,357	177,422

42. Disclosures in Accordance with Revised AS-15 on “Employee Benefits”

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

Particulars	Total ₹ Lacs
Contribution to Employees Provident Fund	930 (621)
Contribution to Management Superannuation Fund	1,337 (1,191)

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
	Opening DBO as on 01 st April 2015	8,929 (7,213)	1,451 (1,286)	53 (49)	51 (51)	13,189 (11,753)
i)	Current Service Cost	773 (634)	61 (54)	2 (2)	2 (2)	2,784 (2,131)
ii)	Interest Cost	661 (631)	108 (111)	4 (4)	4 (4)	1,162 (945)
iii)	Actuarial -Gains / Losses	590 (1,326)	7 (156)	2 (7)	1 (0)	391 (-18)
iv)	Benefits Paid	(917) (-706)	(135) (-156)	(8) (-9)	(6) (-6)	(2,335) (-1,622)
v)	Past Service Cost	0 (0)	113 (0)	0 (0)	0 (0)	0 (0)
vi)	Acquisitions/ Transfer out	(3) (-169)	0 (0)	0 (0)	0 (0)	0 (0)
vii)	Plan Amendments	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
	Closing DBO as on 31 st March 2016	10,033 (8,929)	1,605 (1,451)	53 (53)	52 (51)	15,191 (13,189)

Notes to Financial Statements for the year ended March 31, 2016

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
	Opening Fair Value of Plan Assets	6,585 (6,601)	1,610 (1,634)	— (0)	— (0)	13,183 (11,729)
i)	Expected Return on Plan Assets	623 (538)	131 (132)	0 (0)	0 (0)	1,162 (949)
ii)	Actuarial Gains / -Losses	— (—)	— (—)	0 (0)	0 (0)	391 (0)
iii)	Contribution by the Employer	2,344 (612)	0 (0)	0 (0)	0 (0)	2,784 (2,127)
iv)	Benefits Paid	(917) (-706)	(135) (-156)	0 (0)	0 (0)	(2,335) (-1,622)
v)	Acquisition/Transfer out	56 (-460)	— (—)	0 (0)	0 (0)	0 (0)
	Closing Fair Value of Plan Assets	8,691 (6,585)	1,606 (1,610)	0 (0)	0 (0)	15,185 (13,183)

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
i)	Present value of Funded Obligations	10,033 (8,929) (7,213) (6,964) (6,010)	1,605 (1,451) (1,286) (1,447) (1,510)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	15,191 (13,189) (11,753) (10,436) (8,720)
ii)	Fair value of Plan Assets	(8,691) (-6,585) (-6,601) (-5,315) (-5,392)	(1,607) (-1,610) (-1,634) (-1,835) (-2,057)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	(15,185) (-13,183) (-11,729) (-10,210) (-8,719)
iii)	Amount not recognized As an asset, because of the limit in para 59(b)	(0) (0) (0) (0)	0 (210) (248) (260) (0)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	(0) (0) (0) (0) (0)
iv)	Present Value of Unfunded Obligations	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	54 (53) (49) (55) (60)	52 (51) (51) (65) (70)	7 (6) (24) (226) (191)
v)	Net Liability/ -Asset recognized in Balance Sheet	1,342 (2,344) (612) (1,649) (618)	(2) (51) (-100) (127) (-547)	54 (53) (49) (55) (60)	52 (51) (51) (65) (70)	7 (6) (24) (226) (191)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	(590) (-339) (-381) (-183) (-341)	(7) (-24) (-119) (32) (160)	-2 (-3) (—) (-1) (4)	-1 (2) (8) (6) (-19)	(391) (18) (243) (0) (0)

Notes to Financial Statements for the year ended March 31, 2016

						₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
vii)	Experience Gain/ -Loss adjustments on plan Assets	0	0	0	0	391
		(0)	(0)	(0)	(0)	(0)
		(0)	(0)	(0)	(0)	(0)
		(-53)	(28)	(0)	(0)	(0)
		(-80)	(0)	(0)	(0)	(0)
viii)	Actuarial Gain/ -Loss due to Change on assumptions	—	—	(0)	(3)	0
		(-987)	(-132)	(-4)	(-2)	(0)
		(677)	(99)	(2)	(5)	(0)
		(-680)	(-46)	(-1)	(-2)	(0)
		(292)	(41)	(2)	(3)	(0)

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

						₹ Lacs
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current Service Cost	773	61	2	2	1,060
		(634)	(54)	(2)	(2)	(851)
ii)	Interest Cost	661	108	4	4	1,162
		(631)	(111)	(4)	(4)	(945)
iii)	Expected Return on Plan Assets	(623)	(131)	0	0	(1,162)
		(-538)	(-132)	(0)	(0)	(-949)
iv)	Actuarial -Gains / Losses	590	7	2	1	0
		(1,326)	(156)	(7)	(0)	(-18)
v)	Past Service Cost	0	113	0	0	0
		(0)	(0)	(0)	(0)	(0)
	Total	1,401	158	8	7	1,060
		(2,053)	(189)	(13)	(6)	(829)

All of the above have been included in the line 'Company's contribution to provident and other funds', in Schedule 21 of the Profit and Loss Account.

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%	44.05%	43.57%
ii)	Corporate Bonds	0.00%	0.00%	0.00%	0.00%	44.89%	48.28%
iii)	Special Deposit Scheme	0.00%	0.00%	0.00%	0.00%	11.06%	8.15%
iv)	Insurer Managed Funds	100.00%	100.00%	100.00%	100.00%	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.

Notes to Financial Statements for the year ended March 31, 2016

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

		₹ Lacs		
Sr. No.	Particulars	Gratuity	Pension	PF
i)	Actual return on plan assets	623 (538)	131 (132)	1,162 (949)

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

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Discount Rate	7.80%	7.80%	7.80%	7.80%	7.80%
		7.80%	7.80%	7.80%	7.80%	7.80%
ii)	Expected Rate of Return on Plan Assets	8.50%	8.50%	NA	NA	NA
		8.50%	8.50%	NA	NA	NA
iii)	Expected return on assets for exempt PF fund					
	2015-16	NA	NA	NA	NA	8.75%
		NA	NA	NA	NA	8.60%
	2016-17	NA	NA	NA	NA	8.60%
		NA	NA	NA	NA	8.60%
	2017 and thereafter	NA	NA	NA	NA	8.60%
		NA	NA	NA	NA	8.60%
iv)	Salary Escalation Rate - Management Staff	10%	NA	NA	NA	NA
		10%	NA	NA	NA	NA
v)	Salary Escalation Rate - Non-Management Staff	7%	NA	NA	NA	NA
		7%	NA	NA	NA	NA
vi)	Annual Increase in Healthcare Costs - upto year 2020	NA	NA	NA	10%	NA
		NA	NA	NA	10%	NA
vii)	Annual Increase in Healthcare Costs - year 2020- 2025	NA	NA	NA	8%	NA
		NA	NA	NA	8%	NA
viii)	Annual Increase in Healthcare Costs - Thereafter	NA	NA	NA	6%	NA
		NA	NA	NA	6%	NA
ix)	Long term EPFO rate					
	2015-16	NA	NA	NA	NA	8.75%
		NA	NA	NA	NA	8.60%
	2016 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.

Notes to Financial Statements for the year ended March 31, 2016

- 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:

₹ Lacs			
Sr. No.	Particulars	One percentage point increase	One percentage point decrease
i)	The aggregate of the current service cost and interest cost Components of net periodic post - employment medical costs; and	0.58 (0.59)	(0.52) (-0.52)
ii)	The accumulated post-employment benefit obligation for medical costs	4.46 (4.34)	(3.98) (-3.87)

- i. Expected contribution to the fund in the next year

₹ Lacs	
Particulars	Total
Contribution to Gratuity Fund	1,342 (2,344)
Contribution to Pension*	0 (0)
Contribution to PF	976 (780)

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

Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2016

43. Related Party Disclosures

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

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited (w.e.f. 01-Oct-2015)	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2016

		₹ Lacs
Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	15,846 (19,543)
	Tata Cummins Private Limited	56,839 (41,303)
	Cummins Limited, UK	14,036 (15,763)
	Others	26,998 (28,242)
Sale of goods	Cummins Limited, UK	58,294 (68,664)
	Others	67,954 (66,156)
Services Rendered	Cummins Inc.	3,656 (2,896)
	Tata Cummins Private Limited	1,849 (556)
	Cummins Technologies India Private Limited	5,091 (3,141)
	Others	1,527 (1,753)
Remuneration Paid (Refer note (ii) below)	Anant Talaulicar	30 (23)
	Mahesh Narang	— (128)
	Sandeep Sinha	151 (33)
Services Received	Cummins Technologies India Private Limited	2,655 (2,366)
	Cummins Power Generation Limited UK	667 (452)
	Cummins Sales & Service Private Limited	1,046 (0)
	Others	1,174 (1,068)

Notes to Financial Statements for the year ended March 31, 2016

		₹ Lacs
Transaction	Name of the Party	Total
Support Services	Cummins Inc.	7,356 (7,045)
Computer and other Services	Cummins Technologies India Private Limited	6,041 (6,376)
Reimbursements paid	Cummins Inc.	1,450 (1,453)
	Cummins Technologies India Private Limited	680 (1,449)
	Cummins Power Generation Inc.	488 (0)
	Cummins Sales & Service Private Limited	513 (738)
	Others	36 (158)
Reimbursements received	Cummins Generator Technologies India Private Limited	855 (762)
	Cummins Technologies India Private Limited	3,352 (2,609)
	Others	1,213 (1,940)
Royalty	Cummins Inc.	4,451 (6,276)
Transfer of Export Benefits	Cummins Generator Technologies India Private Limited	43 (0)
Inter Corporate Deposits Recovered	Cummins Technologies India Private Limited	— (1,500)
Interest on Inter Corporate Deposit	Cummins Technologies India Private Limited	1,288 (1,371)
Interest-Other	Cummins Sales & Service Private Limited	— (9)
Dividend Received	Cummins Generator Technologies India Private Limited	2,301 (546)
	Cummins Research and Technology India Private Limited	200 (805)
	Valvoline Cummins Private Limited	8,551 (6,651)
Purchase of Asset	Cummins Power Generation Inc.	41 (0)
Dividend paid	Cummins Inc.	19,791 (18,378)
Donations paid	Cummins India Foundation	1,200 (810)

Notes to Financial Statements for the year ended March 31, 2016

		₹ Lacs
Transaction	Name of the Party	Total
Contributions paid	Cummins India Ltd. Officers Provident Fund	792 (743)
	Cummins Group Employees Superannuation Scheme	1,337 (1,191)
	Cummins Group Officers Gratuity Scheme	2,344 (612)
c) Amounts outstanding as at March 31, 2016		
		₹ Lacs
Particulars	Name of the Party	Total
Trade Payables	Cummins Inc.	5,268 (6,844)
	Cummins Limited, UK	3,436 (4,962)
	Cummins Technologies India Private Limited	4,053 (6,313)
	Tata Cummins Private Limited	2,956 (889)
	Others	4,355 (4,766)
Other Current Liabilities	Cummins Inc.	9,748 (8,349)
	Others	435 (220)
Trade Receivables	Cummins Limited, UK	15,783 (11,418)
	Others	21,789 (21,009)
Advances recoverable	Tata Cummins Private Limited	475 (287)
	Cummins Inc.	397 (1,174)
	Cummins Technologies India Private Limited	112 (291)
	Others	— (1,112)
Other Current Assets	Cummins Technologies India Private Limited	402 (164)
	Cummins Inc	536 (0)
	Tata Cummins Private Limited	613 (485)
	Others	75 (0)
Inter Corporate Deposit	Cummins Technologies India Private Limited	12,950 (12,977)

Notes to Financial Statements for the year ended March 31, 2016

Notes:

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

Nature of Relationship	Name of the Party
Holding Company	Cummins Inc.
Fellow subsidiaries (with which there are transactions during the year)	Cummins Technologies India Private Limited Cummins Power Generation Inc. Cummins (China) Investment Co. Ltd. Cummins Asia Pacific Pte. Ltd. Cummins Brasil Ltda Cummins Emission Solutions Inc. Cummins Generator Technologies Limited Cummins Limited Cummins NV Cummins Power Generation (China) Co. Ltd. Cummins Power Generation Limited Cummins Turbo Technologies B.V. Distribuidora Cummins SA Cummins Japan Limited Cummins Middle East FZE Cummins Power Generation (S) Pte. Ltd. Cummins Westport Inc. Cummins Afrique De Loust Cummins Angola Limited Cummins Comercializadora S. de R.L. de C.V. Cummins CZECH Republic SRO Cummins DKSH (Singapore) Pte. Ltd. Cummins DKSH (Thailand) Limited Cummins DKSH Vietnam LLC Cummins Eastern Canada LP Cummins Engine (Shanghai) Trading & Services Co. Ltd. Cummins Fuel Systems Wuhan Co. Ltd. Cummins Generator Technologies Australia Pty. Ltd. Cummins Ghana Limited Cummins Italia SPA Cummins Makina Sanayi Ve Ticaret Ltd. Cummins Natural Gas Engines Inc. Cummins Cal Pacific LLC Cummins Power Systems LLC Cummins Qatar LLC Cummins Romania SRL

Notes to Financial Statements for the year ended March 31, 2016

Nature of Relationship	Name of the Party
	Cummins Sales and Service Korea Co. Ltd. Cummins Sales and Service Philippines Inc. Cummins Sales and Service Singapore Pte. Ltd. Cummins Scott + English Malaysia SDN BHD Cummins South Africa Pty. Ltd. Cummins South Pacific Pty. Ltd. Cummins Spain SL Cummins West Africa Limited 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 Paraguay SRL OOO Cummins Shanghai Cummins Trade Co. Ltd. Cummins East Asia Research & Development Co. Ltd.
Key Management Personnel	Anant J. Talaulicar- Chairman & Managing Director Mahesh Narang (upto 31-Dec-2014)- Chief Operating Officer Sandeep Sinha (w.e.f. 01-Jan-2015)- Chief Operating Officer
Associate	Cummins Generator Technologies India Private Limited
Joint Venture	Valvoline Cummins Private Limited Cummins Sales & Service Private Limited (upto 30-Sep-2015) Cummins Reseach and Technology India Private Limited
Subsidiary	Cummins Sales & Service Private Limited (w.e.f. 01-Oct-2015)
Enterprise with common Key Management Personnel (Anant Talaulicar)	Tata Cummins Private Limited Cummins India Foundation
Employees Benefit plans where there is Significant influence	Cummins India Ltd. Officers Provident Fund Cummins Group Employees Superannuation Scheme Cummins Group Officers Gratuity Scheme

- ii) 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.
- iii) The information given above, has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- iv) Figures in brackets are in respect of the previous year.

Notes to Financial Statements for the year ended March 31, 2016

44. 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 & 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: within India and outside India.

	₹ Lacs		
Information about geographical segments (Secondary Segments)	Within India	Outside India	Total
Segment revenue	331,290	166,939	498,229
	(289,674)	(172,677)	(462,351)
Segment assets	356,351	40,285	396,636
	(319,396)	(42,091)	(361,487)

Notes:

- The Company’s tangible assets are located entirely in India.
- Figures in brackets are in respect of the previous year.

45. Derivatives - Forward Contracts

a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency

				(Amount in Lacs)			
March 31, 2016				March 31, 2015			
Currency	Amount	Sell/Buy	Cross Currency	Currency	Amount	Sell/Buy	Cross Currency
USD	390	Sell	₹	USD	533	Sell	₹
EURO	—	Sell	₹	EURO	8	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, 2016		As at March 31, 2015	
		Foreign Currency	₹	Foreign Currency	₹
Receivables					
USD		189	12,490	175	10,933
Euro		26	1,958	16	1,088
GBP*		—	—	0	24
Payables					
USD		226	14,997	285	17,833
Euro*		0	15	1	68
GBP		3	259	12	1,150
JPY		7	4	4	2
THB*		0	0	0	1
CHF*		0	2	—	—

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

Notes to Financial Statements for the year ended March 31, 2016

- 46.** As set out in section 135 of the Companies Act, 2013, the Company is required to contribute ₹ **1,602 lacs** (March 31, 2015; ₹ 1,590 lacs) towards Corporate Social Responsibility activities, as calculated basis 2 % of its average net profits of the last three financial years. Accordingly, during the current year, the Company has contributed ₹ **1,200 lacs** (March 31, 2015; ₹ 810 Lacs) to Cummins India Foundation towards the eligible projects as mentioned in Schedule VII (including amendments thereto) of the Companies Act, 2013.
- 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

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
Date: May 25, 2016

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Mumbai
Date: May 25, 2016

Nasser Munjee
Director
DIN : 00010180

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Consolidated
Financial
Statements
2015-16

INDEPENDENT AUDITORS' REPORT

To the Members of Cummins India Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Cummins India Limited ("hereinafter referred to as the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), its jointly controlled entities and associate company; (refer Note 2 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associate and jointly controlled entities in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group and of its associate and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and jointly controlled entities respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 8 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 of the consolidated state of affairs of the Group and its associate and jointly controlled entities as at March 31, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

8. We did not audit the financial statements of one subsidiary, Cummins Sales and Service Private Limited (formerly Cummins Svam Sales and Service Private Limited), whose financial statements reflect total assets of Rs. 2,159 lacs and net assets of Rs. 1,127 lacs as at March 31, 2016, total revenue of Rs. 5,577 lacs, net profit of Rs. 13 lacs and net cash flows amounting to Rs. 14 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-sections (3) and (11) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.
9. The corresponding figures in the consolidated financial statements of the Company as at March 31, 2015 and for the year then ended are unaudited. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiary included in the Group, associate company and jointly controlled entities incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiary included in the Group, associate company and jointly controlled entities incorporated in India including relevant records relating to the preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, associate company and jointly controlled companies incorporated in India, none of the directors of the Group companies, its associate company and jointly controlled entities incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary company, associate company and jointly controlled entities incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31,

2016 on the consolidated financial position of the Group, its associate and jointly controlled entities – Refer Note 27 to the consolidated financial statements.

- ii. The Group, its associate and jointly controlled entities had long-term contracts as at March 31, 2016 for which there were no material foreseeable losses. The Group, its associate and jointly controlled entities did not have any long-term derivative contracts as at March 31, 2016.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, associate company and jointly controlled companies incorporated in India during the year ended March 31, 2016.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
May 25, 2016

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Cummins India Limited on the consolidated financial statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Cummins India Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, its associate company and jointly controlled entities, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary company, its associate company and jointly controlled entities, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Holding company, its subsidiary company, its associate company and jointly controlled entities considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Holding company, its subsidiary company, its associate company and jointly controlled entities internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and its operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding company, its subsidiary company, its associate company and jointly controlled entities internal financial control system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company, its subsidiary company, its associate company and jointly controlled entities, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to the subsidiary company, Cummins Sales and Service Private Limited (formerly Cummins Svam Sales and Service Private Limited), which is a company incorporated in India, is based on the corresponding report of the auditors of the subsidiary company incorporated in India. Our opinion is not qualified in respect of this matter.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Mumbai
May 25, 2016

Sharmila A. Karve
Partner
Membership Number 43229

Consolidated Balance Sheet as at March 31, 2016

₹ Lacs

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	2	5,544	5,544
Reserves and surplus	3	327,777	303,338
		<u>333,321</u>	<u>308,882</u>
Non-current Liabilities			
Deferred tax liabilities (net)	4	8,430	6,523
Long-term liabilities	5	2,352	1,830
Long-term provisions	6	12,626	12,889
		<u>23,408</u>	<u>21,242</u>
Current Liabilities			
Short-term borrowings	7	301	274
Trade payables		63,682	65,334
Other current liabilities	8	26,344	24,813
Short-term provisions	9	37,253	39,399
		<u>127,580</u>	<u>129,820</u>
	TOTAL	<u>484,309</u>	<u>459,944</u>
ASSETS			
Non-current Assets			
Fixed assets			
Tangible assets	10	134,900	129,377
Intangible assets	10	1,072	1,351
Capital work-in-progress		51,965	17,127
Non-current investments	11	9,675	10,444
Long-term loans and advances	12	43,661	47,101
		<u>241,273</u>	<u>205,400</u>
Current Assets			
Current investments	13	30,026	43,109
Inventories	14	66,046	74,061
Trade receivables	15	99,678	98,045
Cash and bank balances	16	10,178	9,124
Short-term loans and advances	17	31,448	29,188
Other current assets	18	5,660	1,017
		<u>243,036</u>	<u>254,544</u>
	TOTAL	<u>484,309</u>	<u>459,944</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

Sharmila A. Karve
Partner
Membership Number 43229

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051

K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Nasser Munjee
Director
DIN : 00010180

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Mumbai
Date: May 25, 2016

Mumbai
Date: May 25, 2016

Consolidated Statement of Profit and Loss for the year ended March 31, 2016

₹ Lacs

Particulars	Note No.	Year Ended March 31, 2016	Year Ended March 31, 2015
Revenue from operations (gross)	19	570,956	529,480
Less : Excise duty		45,734	37,872
Revenue from operations (net)		525,222	491,608
Other income	20	11,721	20,767
Total Revenue		536,943	512,375
Expenses:			
Cost of materials consumed		305,109	293,085
Purchases of traded goods		17,649	14,026
Change in inventories of finished goods, work-in-progress and traded goods	21	(157)	(4,937)
Employee benefits expense	22	46,020	42,211
Finance costs	23	167	175
Depreciation and amortization expense	10	8,866	8,646
Other expenses	24	68,515	65,702
Total expenses		446,169	418,908
Profit before tax		90,774	93,467
Tax expense			
MAT/Current tax [including (excess)/short provision of tax relating to earlier years (₹ 88 lacs) (previous year (₹ 34 lacs))]		20,465	20,122
MAT credit entitlement		(3,029)	(4,201)
Net current tax		17,436	15,921
Deferred tax		1,943	1,803
Total Tax Expense		19,379	17,724
Net Profit after Tax and before share in Associate's profit		71,395	75,743
Add: Share in associate's profit after tax (net)		1,936	1,459
Net Profit for the year		73,331	77,202
Basic and diluted Earnings per share (₹) (Nominal value per share ₹ 2)	25	26.45	27.85

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

Sharmila A. Karve

Partner

Membership Number 43229

For and on behalf of the Board

Anant J. Talaulicar

Chairman & Managing Director

DIN : 00031051

K. Venkata Ramana

Group Vice President Legal & Company Secretary

PAN : AEJPR9444L

Nasser Munjee

Director

DIN : 00010180

Rajiv Batra

Chief Financial Officer

PAN : AAFP4485K

Mumbai

Date: May 25, 2016

Mumbai

Date: May 25, 2016

Consolidated Cash Flow Statement for the year ended March 31, 2016

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
I. Cash flows from operating activities :			
Cash generated from operations	98,072		79,992
Tax paid (net of refunds)	(20,783)		(21,043)
Net cash provided by operating activities		77,289	58,949
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(45,886)		(34,715)
Sale	188		833
Interest received	2,086		2,428
Dividend received	1,501		1,690
Investments			
Purchase	(106,765)		(121,737)
Investment in subsidiary	(600)		—
Sale/redemption	119,851		134,386
Fixed deposits (placed) /redeemed	(12)		—
Redemption / Maturity of bank deposits (having original maturity of more than three months)	—		2,530
Net cash used for investing activities		(29,637)	(14,585)
III. Cash flows from financing activities :			
Proceeds from short term borrowings (net)	(275)		2
Finance cost	(158)		(165)
Dividend paid (including tax on dividend)	(46,187)		(44,266)
Net cash used for financing activities		(46,620)	(44,429)
IV. Net change in cash and cash equivalents (I+II+III)		1,032	(65)
V. Add: Cash and cash equivalent on acquisition		2	—
VI. Total (IV+V)		1,034	(65)
VII. Cash and cash equivalents at the beginning of the year		8,686	8,751
VIII. Cash and cash equivalents at the end of the year (VI+VII)		9,720	8,686

Consolidated Cash Flow Statement for the year ended March 31, 2016 (Contd.)

	₹ Lacs	₹ Lacs	Previous Year ₹ Lacs
1) Cash generated from operations has been arrived at as follows :			
Profit before tax		90,774	93,467
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation and amortization	8,866		8,646
Finance Costs	154		167
Interest income (gross)	(2,101)		(2,249)
Dividend earned (gross)	(1,501)		(1,690)
Unrealised foreign exchange fluctuations	(248)		(187)
(Gain)/Loss on assets sold, discarded etc.	8		(710)
Write off of goodwill on acquisition of subsidiary	42		—
Bad debts written off	101		—
Gain on redemption /sale of investments (net)	(1)		(9,947)
Provision for doubtful debts	230		329
		5,550	(5,641)
b) Changes in working capital and other provisions :-			
Trade receivable	(1,546)		(15,754)
Inventories	8,478		(11,143)
Loans and advances	1,609		350
Other current assets	(4,640)		518
Trade payable	(1,338)		11,710
Long term liabilities	522		(189)
Other current liabilities	1,132		4,429
Provisions	(2,469)		2,245
		1,748	(7,834)
Total adjustments (a+b)		7,298	(13,475)
Cash generated from operations		98,072	79,992

- 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.

Consolidated Cash Flow Statement for the year ended March 31, 2016 (Contd.)

	₹ Lacs	₹ Lacs	₹ Lacs
3) Cash and cash equivalents comprise :	2015-16	2014-15	2013-14
Cash in hand	5	3	4
Balances with bank	9,715	8,683	7,847
Balances with bank on deposit account (less than 3 months maturity)	—	—	900
Total	9,720	8,686	8,751

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

In terms of our report of even date

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
Date: May 25, 2016

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051
K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Mumbai
Date: May 25, 2016

Nasser Munjee
Director
DIN : 00010180
Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Notes to Consolidated Financial Statements for the year ended March 31, 2016

1. Summary of Significant accounting policies

a) Basis of preparation of consolidated financial statements

- (i) The consolidated financial statements comprise the financial statements of Cummins India Limited ('CIL' or 'the Company') and its subsidiary, associate and joint ventures (together referred to as 'the Group'). 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 section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation with and recommendations of the National Financial Reporting Authority, the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, as amended (the 'Rules'), continue to be applicable, accordingly, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under the Rules and other relevant provisions of the Companies Act, 2013.
- (ii) All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.
- (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) Principles of consolidation

- (i) Subsidiaries- Subsidiaries are consolidated from the date on which control is transferred to the group and are not consolidated from the date that control ceases. The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated.
- (ii) Associates: Investments in associate companies have been accounted for by using the equity method of accounting whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee.
- (iii) Joint Ventures: The group's interests in jointly controlled entities are accounted for using proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.
- (iv) The difference between the cost of investment in the subsidiaries / joint ventures / associates and the net assets at the time of acquisition of the investment in the subsidiaries / joint ventures / associates is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be. The goodwill arising on acquisition is tested for impairment annually.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

(v) The list of entities included in consolidation, relationship with CIL and CIL's shareholding therein is as under:

Name of the company	As on March 31, 2016		As on March 31, 2015	
	Relationship	Shareholding	Relationship	Shareholding
Cummins Sales & Service Private Limited (Formerly known as "Cummins SVAM Sales and Services Private Limited")	Subsidiary*	100%	Joint Venture	50%
Cummins Research and Technology India Private Limited	Joint Venture	50%	Joint Venture	50%
Valvoline Cummins Private Limited	Joint Venture	50%	Joint Venture	50%
Cummins Generator Technologies India Private Limited	Associate	48.54%	Associate	48.54%

* CIL acquired balance 50% stake in Cummins Sales & Service Private Limited from its JV partner for ₹ 600 Lacs on October 1, 2015. With effect from the said date, Cummins Sales & Service Private Limited is a 100% subsidiary of CIL.

All the above entities are incorporated in India.

c) 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 computed on straight line method based on useful lives, determined based on internal technical evaluation. Consequent to this, where the Group has changed the estimate of useful life, the carrying amount of the asset as on April 1, 2014 is depreciated over the remaining useful life of the asset. Further where remaining useful life of an asset as on April 1, 2014 was Nil, the carrying amount of the asset after retaining the residual value has been recognised in the opening balance of retained earnings.

Leasehold land is amortised on the straight line method over period of the lease.

- (ii) Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortized over their respective useful lives.

Softwares are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use, being the estimated useful life as per the management estimate or license term whichever is less.

Trademarks are amounts paid to the vendors for obtaining exclusive rights to use their trademark on the specified products and are amortised over the period of the agreement.

- (iii) Losses arising from the retirement of, and gains and losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.
- (iv) Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are classified under other current assets in financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

d) 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

e) 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 finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

f) 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 exchange differences are appropriately recognised in the Statement of Profit and Loss.

The Group uses forward exchange contracts to cover its foreign currency cash flow risks, arising from exposures from export receivables and import payables, against movements in foreign exchange rates. Forward exchange contracts are not used for trading or speculation purpose. The premium or discount arising at the inception of forward exchange contracts entered into, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profits or losses arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

g) Revenue recognition

i) Sales are recognised when the significant 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. Revenue is net off trade discounts, price difference adjustments, volume discounts, and special discounts passed on to customers.

ii) Revenue from long term service contracts is recognized using the proportionate completion method, and recognised net of service tax. Completion is determined as a proportion of cost incurred till 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 contracts where payments have been received in advance, revenue is deferred until the related subscription period is complete as per the terms of the agreement with the customers.

In case of other Service contracts, revenue is recognized when services are rendered or on receipt of confirmation from customers, as the case may be.

iii) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iv) Rental income is recognised on a straight-line basis over the lease term.

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

vi) Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

h) Lease charges under operating leases

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

i) Product warranty and New Engine Performance Inspection fees

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

j) Employee Benefits :

i) Post-employment Benefits

a. Defined Contribution Plans:

The Group has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for management employees and Provident Fund for non management employees which is administered by Life Insurance Corporation of India / Regional Provident Fund Commissioner. In case of Superannuation Fund for management employees and Provident Fund for non management employees, the Group has no further obligation beyond making the contributions.

b. Defined Benefit Plans

Funded Plan: The Group has defined benefit plans for Post-employment benefits in the form of Gratuity for all employees, pension for non management employees and Provident Fund for management employees which are administered through Company managed Trust / Life Insurance Corporation of India.

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

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

ii) Other Long-term Employee Benefits (Unfunded):

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

iii) Termination benefits are recognized as an expense as and when incurred.

iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortization.

k) Research and development costs

Revenue expenditure incurred for research activities is expensed off in the year in which it is incurred.

l) Income Tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year.

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 supported by convincing evidence.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same

Notes to Consolidated Financial Statements for the year ended March 31, 2016

taxable entity and the same taxation authority.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961, no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

Minimum Alternate Tax

Minimum Alternate Tax ('MAT') credit is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Group will pay normal income tax during the specified period.

m) Provisions & 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, and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation arising out of past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

n) Impairment of Assets

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
2. Share Capital		
Authorised :		
400,000,000 (March 31, 2015 : 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 (March 31, 2015 : 277,200,000) equity shares of ₹ 2 each (fully paid up)	<u>5,544</u>	<u>5,544</u>
Total	<u><u>5,544</u></u>	<u><u>5,544</u></u>

a. Reconciliation of number of shares

Equity shares :	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	₹ Lacs	No. of Shares	₹ Lacs
Balance as at the beginning and end of the year	<u>277,200,000</u>	<u>5,544</u>	277,200,000	5,544

b. Rights, preferences and restrictions attached to shares

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

c. Shares held by holding company

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Equity shares:		
141,372,000 (March 31, 2015: 141,372,000) shares are held by Cummins Inc. USA, the Holding Company	<u>2,827</u>	2,827

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

	As at March 31, 2016		As at March 31, 2015	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc. USA, the Holding Company	<u>141,372,000</u>	<u>51.00%</u>	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	<u>13,410,065</u>	<u>4.84%</u>	15,128,435	5.46%

e. Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2016) :

Equity shares allotted as fully paid up bonus shares by capitalization of Free Reserves	Year	No. of Shares
	March 31, 2016	—
	March 31, 2015	—
	March 31, 2014	—
	March 31, 2013	—
	March 31, 2012	79,200,000

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
3. Reserves and surplus		
Capital Redemption Reserve Account	70	70
General Reserve		
Balance as at the beginning of the year	120,632	120,110
Add: Transferred from surplus in Statement of Profit and Loss during the year	727	522
Balance as at the end of the year	121,359	120,632
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	182,636	153,946
Less: Adjustment on account of transitional provision relating to depreciation as per Schedule II of the Companies Act, 2013 (Net of deferred tax- ₹ 133 lacs)	—	258
Balance as at the beginning of the year (Net)	182,636	153,688
Profit for the Year	73,331	77,202
Less: Appropriations		
Proposed Dividend (₹ 9 per share (March 31, 2015: ₹ 9 per share))	24,948	24,948
Interim Dividend (₹ 5 per share (March 31, 2015: ₹ 5 per share))	13,860	13,860
Dividend Distribution Tax	10,084	8,924
Transfer to General Reserve	727	522
Total appropriations	49,619	48,254
Balance as at the end of the Year	206,348	182,636
Total	327,777	303,338
4. Deferred Tax Liabilities (net)		
Deferred Tax Asset		
Provision for employee benefits	1,948	1,298
Other timing differences	197	1,220
Total Deferred Tax Asset (A)	2,145	2,518
Deferred Tax Liability		
Depreciation	10,575	9,041
Total Deferred Tax Liability (B)	10,575	9,041
Net Deferred Tax Liabilities (B-A)	8,430	6,523
5. Long-term Liabilities		
Dealer deposit	1,341	1,154
Unearned revenue	311	332
Others	700	344
Total	2,352	1,830

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
6. Long-term Provisions		
Provision for employee benefits		
Provision for post retirement benefit and leave entitlement (Note 33)	6,070	6,354
	<u>6,070</u>	<u>6,354</u>
Other provisions (Note 29)		
Warranties	4,138	4,298
Statutory matters	1,817	1,769
New engine performance inspection (NEPI)	601	468
	<u>6,556</u>	<u>6,535</u>
Total	<u><u>12,626</u></u>	<u><u>12,889</u></u>
7. Short-term Borrowings		
Secured loans repayable on demand		
Cash credit from banks*	301	274
Total	<u><u>301</u></u>	<u><u>274</u></u>
<p>* Cash credit limit availed from HDFC bank for working capital financing, being repayable on demand, against hypothecation of stocks and book debts (ageing less than or equal to 90 days). Interest is calculated on 365 days basis ranges, and between 10.25% to 10.75% per annum.</p>		
8. Other Current Liabilities		
Unearned revenue	562	506
Unpaid dividend	458	438
Statutory dues including tax deducted at source	2,293	2,495
Advances from customers	749	643
Royalty and cess thereon	5,118	6,015
Support services payable	5,150	2,827
Others including salaries, wages and bonus payable	12,014	11,889
Total	<u><u>26,344</u></u>	<u><u>24,813</u></u>
9. Short-term Provisions		
Provision for employee benefits		
Post retirement benefit and leave entitlement (Note 33)	729	609
	<u>729</u>	<u>609</u>
Other provisions		
Warranties (Note 29)	5,648	7,741
New engine performance inspection (NEPI) (Note 29)	849	1,021
Proposed dividend	24,948	24,949
Dividend distribution tax on proposed dividend	5,079	5,079
	<u>36,524</u>	<u>38,790</u>
Total	<u><u>37,253</u></u>	<u><u>39,399</u></u>

Notes to Consolidated Financial Statements for the year ended March 31, 2016

10. Fixed Assets

Particulars	Gross block (at cost)				Depreciation and Amortisation				Net block		
	As at April 1, 2015	Additions	Addition on Acquisition	Deductions / Write-off	As at March 31, 2016	As at April 1, 2015	For the year	Addition on Acquisition	Deductions / Write-off	As at March 31, 2016	As at March 31, 2016
Tangible Assets:											
Land											
- Freehold @	4,925	117	—	10	5,032	—	—	—	—	—	5,032
- Leasehold **	2,192	27	—	—	2,219	60	23	—	—	83	2,136
Leasehold improvements	657	11	39	—	707	50	18	29	—	97	610
Roads	2,195	9	—	—	2,204	491	286	—	—	777	1,427
Buildings	86,266	10,288	—	4	96,550	5,009	1,957	—	1	6,965	89,585
Plant and machinery	91,169	3,318	70	2,798	91,759	55,905	5,719	54	2,669	59,009	32,750
Furniture and fittings	4,222	290	30	153	4,389	950	432	12	103	1,291	3,098
Vehicles	505	106	16	110	517	289	57	4	95	255	262
	192,131	14,166	155	3,075	203,377	62,754	8,492	99	2,868	68,477	134,900
Intangible Assets:											
Software	2,785	84	33	2	2,900	1,708	309	23	3	2,037	863
Technical Knowhow/ Trademark	2,385	—	—	—	2,385	2,111	65	—	—	2,176	209
	5,170	84	33	2	5,285	3,819	374	23	3	4,213	1,072

NOTES:

- @ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.
 2) Includes undivided share of land, on purchase of office premises
 ** Includes land for which lease deed is pending finalisation with MIDC

Notes to Consolidated Financial Statements for the year ended March 31, 2016

10. Fixed Assets (Contd.)

Particulars	Gross block (at cost)			Depreciation and Amortisation				Net block
	As at April 1, 2014	Additions	Deductions / Write-off	As at March 31, 2015	As at April 1, 2014	For the year (#)	Deductions / Write-off	
Tangible Assets:								
Land								
- Freehold @	2,804	2,160	39	4,925	—	—	—	4,925
- Leasehold **	1,564	628	—	2,192	40	—	—	2,132
Leasehold improvements	665	4	12	657	49	13	12	607
Roads	2,200	1	6	2,195	152	340	1	1,704
Buildings	53,093	33,321	148	86,266	3,540	1,596	127	81,257
Plant and machinery (including on lease)	86,767	4,934	532	91,169	50,435	5,967	497	35,264
Furniture and fittings	2,918	1,352	48	4,222	510	471	31	3,272
Vehicles	479	45	19	505	237	66	14	216
	150,490	42,445	804	192,131	54,963	8,473	682	129,377
Intangible Assets:								
Software*	1,614	1,171	0	2,785	1,430	278	0	1,708
Technical Knowhow/Trademark	2,060	325	—	2,385	1,896	215	—	274
Global Sourcing Consideration	2,143	—	2,143	—	2,143	—	2,143	—
	5,817	1,496	2,143	5,170	5,469	493	2,143	1,351

NOTES:

- @ 1) Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.
2) Includes undivided share of land, on purchase of office premises

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

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

Refer Note 1 (c) (i). In accordance with transitional provision relating to depreciation as per Schedule II of the Companies Act, 2013, the carrying amount of assets aggregating to ₹ 392 Lacs has been recognised in the opening balance of retained earnings. Pursuant to the change in the estimate of useful life, depreciation expense for year ended March 31, 2015 is higher by ₹ 1,361 lacs.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

11. Non Current Investments :

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Long-term Investments					
Trade Investments (valued at cost)					
Unquoted equity instruments					
Investment in Associates :					
779,997	779,997	10	Cummins Generator Technologies India Private Limited (Holding : 48.54%) (Note 32)	8,238	9,007
				8,238	9,007
Other Investments (valued at cost unless stated otherwise)					
a) Unquoted equity instruments					
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	0	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	0	0
				0	0
b) Quoted Government of India Bonds					
50,000,000	50,000,000	1	8.35% Government of India 2022	631	631
55,000,000	55,000,000	1	7.49% Government of India 2017	654	654
				1,285	1,285
c) Quoted Corporate Bonds					
12	12	1,250,000	6.68% Power Grid Corporation of India 2019	152	152
				152	152
Total				9,675	10,444
Aggregate cost of quoted investments				1,437	1,437
Aggregate cost of unquoted investments				8,238	9,007
				9,675	10,444
Aggregate market value of quoted investments				1,205	1,203

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
12. Long-term Loans and Advances		
Unsecured, considered good		
Capital advances	3,924	7,176
Security deposits	949	998
Loan and advances to related parties (Note 28)	12,950	12,977
Other Loans and Advances:		
Balances with statutory/government authorities	10,915	14,314
Advance income-tax (net of provision for taxation) (net of provision for taxation ₹ 197,132 lacs (March 31, 2015: ₹ 180,766 lacs)	7,662	7,267
MAT credit entitlement	7,230	4,201
Others	31	168
Doubtful:		
Security deposits	2	2
Less: Provision for Doubtful Security Deposits	(2)	(2)
Total	43,661	47,101

Notes to Consolidated Financial Statements for the year ended March 31, 2016

13. Current Investments :

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Current portion of Long term investments					
At Cost or market value whichever is lower					
a) Quoted Government of India Bonds					
—	50,000,000	1	7.38% Government of India 2015	—	499
				—	499
b) Quoted equity instruments					
9,811	9,811	2	Kirloskar Oil Engines Limited *	0	0
913	913	10	Kirloskar Industries Limited *	0	0
			Total Current portion of Long Term Investments*	0	499
Current Investments					
At Cost or market value whichever is lower					
Unquoted Mutual Funds					
Liquid Fund (Dividend)					
—	2,403,395	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	—	2,541
—	19,986,533	10	IDFC-Money Manager Fund-Treasury Plan-Regular Plan-Daily Div.	—	2,013
—	199,160	1,000	SBI Magnum Insta Cash Fund - Liquid Floater - Direct Plan - Daily Dividend	—	2,011
	49,790	100	SBI Magnum Insta Cash Fund - Liquid Floater - Direct Plan	—	251
—	99,541	1,000	SBI Magnum Insta Cash Fund - Liquid Floater - Regular Plan -Daily Dividend	—	1,005
—	101,139	1,000	Tata Floater Fund- Plan A- Daily Dividend	—	1,015
—	151,857	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend	—	1,522
—	101,718	1,000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend - Direct	—	1,020
200,404	150,207	1,000	Axis Banking Debt Fund - Daily Dividend Option	2,016	1,510
52,102	—	1,000	Axis Liquid Fund - Direct Plan - Daily Dividend Option	521	—
			Carried forward	—	—

Notes to Consolidated Financial Statements for the year ended March 31, 2016

13. Current Investments : (Contd.)

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Brought forward	—	—
—	3,915,027	100	Birla Sun Life Floating Rate - Short Term - Daily Dividend	—	3,916
—	155,986	1,000	DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend	—	1,560
—	100,501	1,000	DSP Blackrock Liquidity Fund- Institutional Plan-Daily Dividend	—	1,005
	26,928	100	Tata Liquid Fund Plan A -Daily Dividend	—	150
—	3,077,462	100	DWS Insta Cash Plus Fund-Daily Dividend	—	3,087
—	37,726,305	10	HDFC Cash Management Fund - Savings Plan-Daily Dividend Option	—	4,013
—	128,097	10	HDFC CM Savings -Direct Plan - Daily Dividend Option	—	14
2,055,018	3,867,909	100	ICICI Prudential Liquid - Regular Plan - Daily Dividend	2,056	3,443
1,006,158	—	100	ICICI Prudential Liquid - Direct Plan - Daily Dividend	1,007	—
801,017		100	ICICI Prudential Liquid Plan - Daily Dividend	401	—
—	879	1,000	IDFC Cash Fund -Direct Plan-Daily Dividend	—	9
10,011	363,671	1,000	IDFC Cash Fund -Regular Plan-Daily Dividend	200	3,588
—	10,030,502	10	Kotak Banking and PSU Debt - Daily Dividend Reinvestment	—	1,006
—	5,502,780	10	Kotak Banking and PSU Debt - Direct Daily Dividend Reinvestment	—	554
51,225	248,840	1,000	Kotak Liquid-Plan A -(Daily Dividend)	576	3,043
43,235	—	1,000	Kotak Liquid-Plan A -(Daily Dividend) - Direct	529	—
190,339	100,924	1,000	L&T Liquid Fund - Daily Div Reinvt	1,475	1,021
—	89,412	1,000	L&T Liquid Fund -Direct Plan-Daily Div Reinvt	—	705
—	50,576	1,000	Reliance Liquidity Fund - Direct Plan Daily Dividend Reinvestment Option	—	506
10,368,817	—	10	Reliance Banking & PSU Debt Fund- Weekly Dividend	1,042	—
6,050,647	—	10	Reliance Medium Term Fund-Direct Plan-DDR	1,034	—
—	199,548	1,000	SBI Premier Liquid Fund - Regular Plan - Daily Dividend	—	2,002
50,474	—	1,000	UTI- Liquid Fund-Cash Plan- Inst Daily Dividend - Direct	515	—
			Carried forward	—	—

Notes to Consolidated Financial Statements for the year ended March 31, 2016

13. Current Investments : (Contd.)

March 31, 2016 Units	March 31, 2015 Units	Face value per unit ₹		As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
			Brought forward	—	—
48,274		1,000	L&T Cash Fund Direct Plan - Monthly Dividend Plan	251	—
	9,823	1,019	UTI Liquid Cash Plan - Regular Plan - Daily Dividend Reinvestment	—	50
51,890	10,012	1,000	Axis Liquid Fund - Daily Dividend Option	519	50
20,022		1,000	Axis Liquid Fund - Daily Dividend (CFDDR)	100	—
2,935,880	—	100	Birla Sun Life Cash Plus - Daily Dividend	2,741	—
330,098	—	1,000	HDFC Liquid Fund-Dividend - Daily	3,366	—
249,031	—	1,000	L&T Liquid Fund - Direct Plan -Daily Dividend	2,521	—
51,754	—	1,000	SBI Premier Liquid Fund - Direct Plan - Daily Dividend	519	—
205,040	—	1,000	Tata Money Market Fund- Direct Plan- Daily Dividend	2,054	—
299,663	—	1,000	UTI- Liquid Fund-Cash Plan-INST - Daily Dividend Reinvestment Option	3,055	—
25,007,667	—	10	Kotak Treasury Advantage Fund -Daily Dividend	2,521	—
100,343	—	1,000	Uti-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment	1,007	—
				<u>30,026</u>	<u>42,610</u>
			Total	<u>30,026</u>	<u>43,109</u>
			Aggregate cost of quoted investments*	0	499
			Aggregate cost of unquoted investments	<u>30,026</u>	<u>42,610</u>
				30,026	43,109
			Aggregate market value of quoted investments	26	530

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
14. Inventories		
Raw materials and components (includes in transit ₹ 2,973 lacs (previous year ₹ 5,464 lacs))	29,681	38,275
Work-in-progress	9,816	11,883
Finished goods (includes in transit ₹ 296 lacs (previous year ₹ 1,432 lacs))	23,597	21,897
Traded goods (including stock-in-transit ₹ 228 lacs (previous year ₹ 67 lacs))	2,179	1,286
Stores and spares	376	367
Loose tools	397	353
Total	66,046	74,061
15. Trade Receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	2	2
Others	3,224	3,157
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	4,953	4,692
Others	91,499	90,194
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	791	967
Others	33	—
Less: Provision for doubtful debts	(824)	(967)
Total	99,678	98,045

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
16. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	5	3
Cheques on hand	434	515
Bank Balances		
In current accounts	9,281	8,168
Sub-Total	<u>9,720</u>	<u>8,686</u>
Other bank balances		
Unpaid dividend account (restricted)	458	438
Sub-Total	<u>458</u>	<u>438</u>
Total	<u><u>10,178</u></u>	<u><u>9,124</u></u>
17. Short-term Loans and Advances		
Unsecured, considered good:		
Security deposits	1,172	822
Other Loans and Advances		
Balances with government authorities	21,155	20,150
Others	9,121	8,216
Doubtful:		
Security deposits	4	1
Less: Provision for doubtful security deposits	(4)	(1)
Others	2	2
Less: Provision for doubtful other advances	(2)	(2)
Total	<u><u>31,448</u></u>	<u><u>29,188</u></u>
18. Other Current Assets		
Unsecured, considered good:		
Unbilled revenue	1,840	904
Assets held for sale	3,764	—
Interest accrued on investments	37	39
Others	19	74
Total	<u><u>5,660</u></u>	<u><u>1,017</u></u>

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
19. Revenue from operations		
Sale of products	533,698	498,721
Sale of services	25,113	22,232
Other operating revenue		
Scrap sales	678	786
Export incentives	5,284	3,824
Other	6,183	3,917
Revenue from operations (gross)	<u>570,956</u>	<u>529,480</u>
20. Other income		
Income from investments:		
Interest income		
- On bonds (long term investments)	109	130
- On fixed deposits with banks	15	132
	<u>124</u>	<u>262</u>
Dividend income		
Other than trade		
- On current investments	1,501	1,690
Gain on sale/redemption of investments		
- On current investments	1	1,684
- On long term investments	—	8,263
	<u>1</u>	<u>9,947</u>
Interest on inter-corporate deposit and other interest	1,953	1,987
Exchange gain (net)	1,828	1,349
Net gain on fixed assets sold or discarded	—	710
Miscellaneous income	6,314	4,822
Total	<u>11,721</u>	<u>20,767</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
21. Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year		
Work-in-progress	9,816	11,883
Finished goods	23,597	21,897
Traded goods	2,179	1,286
Subtotal (A)	<u>35,593</u>	<u>35,066</u>
Inventories at the beginning of the year		
Work-in-progress	11,883	8,605
Finished goods	21,897	20,442
Traded goods	1,286	1,063
Subtotal (B)	<u>35,066</u>	<u>30,110</u>
Excise duty on increase/decrease in inventories (C)	(93)	19
Addition on acquisition of inventory (D)	463	—
(Increase)/Decrease (B-A+C+D)	<u>(157)</u>	<u>(4,937)</u>
22. Employee benefit expense		
Salaries, wages and bonus	37,747	34,158
Contribution to provident and other funds	5,037	4,949
Staff welfare expenses	3,236	3,104
Total	<u>46,020</u>	<u>42,211</u>
23. Finance costs		
Bank charges	12	8
Interest on MSME and others	155	167
Total	<u>167</u>	<u>175</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	Year ended March 31, 2016 ₹ Lacs	Year ended March 31, 2015 ₹ Lacs
24. Other expenses		
Commission on sales	2,446	2,152
Consumption of stores and spare parts	3,953	4,226
Warranty expenses (Note 29)	7,581	6,056
Tools and gauges	489	590
Repairs to buildings	2,046	1,867
Repairs to machinery	560	596
Other repairs	578	590
Power and fuel consumed	3,452	3,874
Rent (Note 30)	733	863
Rates and taxes	2,186	1,371
Insurance	763	718
Outside processing charges	1,931	1,994
Donations- expenditure towards corporate social responsibility (CSR) activities	1,217	811
Royalties	4,993	6,821
Support services	7,356	7,045
Computer and other services	6,480	6,889
Payment to auditors (refer details below)	200	146
Net loss on fixed assets sold / discarded	8	—
Other expenses	21,543	19,093
Total	68,515	65,702
Payment to Auditors:		
Statutory audit (including limited reviews)	147	103
Other services	42	38
Reimbursement of expenses	11	5
Total	200	146

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	March 31, 2016	March 31, 2015
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 :		
(a) Profit for the year after taxation (₹ Lacs)	73,331	77,202
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	26.45	27.85
Face value per share (₹)	2	2

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
26. Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances)	16,711	19,731
27. Contingent liabilities		
a Bills discounted not matured	5	1,465
b Income Tax matters	17,946	16,350
c Central excise duty/service tax matters	1,345	1,501
d Duty drawback matters (excludes interests, if any)	2,611	2,611
e Sales Tax matters	9,166	8,612
f Claims against the Group 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 Group	115	51
h Other matters*	1	0
Total	<u>31,198</u>	<u>30,599</u>
* Amount below rounding off norm adopted by the Group		

28. Inter corporate deposit includes an amount of ₹ 12,950 lacs (March 31, 2015; ₹ 12,977 Lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary. Maximum amount due during the year ₹ 13,211 lacs (March 31, 2015; ₹ 14,626 lacs)

29. 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 Group. 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, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	12,039	13,208
Additions	8,617	7,377
Utilisation	9,834	7,225
Reversal	1,036	1,321
Balance as at the end of the year	<u>9,786</u>	<u>12,039</u>
Classified as Non-current:	4,138	4,298
Classified as Current:	<u>5,648</u>	<u>7,741</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2016

(ii) Provision for Statutory Matters

The provisions for statutory matters are on account of legal matters where the Group anticipates probable outflow. The amount of provision is based on estimates made by the Group considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	1,769	1,670
Additions	183	137
Utilisation	101	38
Reversal	34	—
Balance as at the end of the year	1,817	1,769
Classified as Non-current:	1,817	1,769
Classified as Current:	—	—

(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 Group 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, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Balance as at the beginning of the year	1,489	1,742
Additions	1,090	864
Utilisation	938	570
Reversal	191	547
Balance as at the end of the year	1,450	1,489
Classified as Non-current:	601	468
Classified as Current:	849	1,021

Notes to Consolidated Financial Statements for the year ended March 31, 2016

30. Operating Leases

The Group 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. 24) for the year amount to ₹ 733 lacs (March 31, 2015; ₹ 863 lacs).

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

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Within one year	107	58
After one year but not more than five years	105	19
Total	212	77

31. (i) The Company has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited incorporated in India. The following represents the Company's share of Assets and Liabilities as at March 31, 2016 and Income and Expenses for the year ended on that date for the above joint ventures, and proportionate share of Income and Expenses of Cummins Sales & Service Private Limited during the period it was a joint venture.

Interest in Joint Ventures :

	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Assets	21,046	22,887
Liabilities	10,106	8,118
Income	55,171	55,737
Expenses (including provision for tax)	47,943	50,513
Contingent Liabilities	1,754	2,138
Capital and other commitments	78	80

- (ii) Disclosure of share in net assets and share of profit of consolidated entities (before elimination) and percentage thereof to consolidated net assets and consolidated profit:

Name of Entity :

	March 31, 2016 ₹ Lacs	March 31, 2015 ₹ Lacs
a) Cummins Sales & Service Private Limited		
Net assets (Total assets (-) Total liabilities)	1,127	514
As a % of consolidated net assets	0.34%	0.17%
Share in profit/(loss)	13	37
As a % of consolidated profit/(loss)	0.02%	0.05%

Notes to Consolidated Financial Statements for the year ended March 31, 2016

	March 31, 2016 ₹ Lacs	March 31, 2015 ₹ Lacs
b) Cummins Research and Technology India Private Limited		
Net assets (Total assets (-) Total liabilities)	800	1,128
As a % of consolidated net assets	0.24%	0.37%
Share in profit/(loss)	(88)	238
As a % of consolidated profit/(loss)	-0.12%	0.31%
c) Valvoline Cummins Private Limited		
Net assets (Total assets (-) Total liabilities)	10,140	13,160
As a % of consolidated net assets	3.04%	4.26%
Share in profit/(loss)	7,271	4,983
As a % of consolidated profit/(loss)	9.92%	6.45%
d) Cummins Generator Technologies India Private Limited		
Net assets (Total assets (-) Total liabilities)	NA	NA
As a % of consolidated net assets	NA	NA
Share in profit/(loss)	1,936	1,459
As a % of consolidated profit/(loss)	NA	NA

Note- In view of the decision taken by the management of Cummins Research and Technology India Private Limited at its meeting held on March 21, 2016 to cease operations of the Company effective April 1, 2016, the financial statements of Cummins Research and Technology India Private Limited for the year ended March 31, 2016 have not been prepared on going concern basis.

32. The investment in Cummins Generator Technologies India Private Limited (Associate) disclosed in Note No. 11 is arrived at as follows:

Particulars	As at March 31, 2016 ₹ Lacs	As at March 31, 2015 ₹ Lacs
Cost of investment in associate	1,720	1,720
Share in associates' accumulated profit after tax	7,287	6,685
Share in associates' profit after tax for the year	1,936	1,459
Dividend received during the year (including tax on dividend)	(2,705)	(809)
Other deduction	—	(48)
Carrying amount of investment	8,238	9,007

Notes to Consolidated Financial Statements for the year ended March 31, 2016

33. Disclosures in Accordance with Revised AS-15 on “Employee Benefits”

1. Defined Contributions Plans - The Group has recognised the following amounts in statement of Profit and loss for the year : ₹ Lacs

Particulars	Total
Contribution to Employees Provident Fund	1,162 (787)
Contribution to Employees State Insurance Corporation	8 (5)
Contribution to Management Superannuation Fund	1,365 (1,216)

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): ₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opeing DBO as on 01 st April 2015	9,179 (7,400)	1,451 (1,286)	53 (49)	51 (51)	13,189 (11,753)
	Add: DBO acquired during 15-16	35 (—)	— (—)	— (—)	— (—)	— (—)
i)	Current Service Cost	845 (680)	61 (54)	2 (2)	2 (2)	2,784 (2,131)
ii)	Interest Cost	683 (647)	108 (111)	4 (4)	4 (4)	1,162 (945)
iii)	Actuarial -Gains / Losses*	589 (1,376)	7 (156)	2 (7)	1 (0)	391 (-18)
iv)	Benefits Paid	(920) (-732)	(135) (-156)	(8) (-9)	(6) (-6)	(2,335) (-1,622)
v)	Past Service Cost	4 (—)	113 (—)	— (—)	— (—)	— (—)
vi)	Acquisitions/ Transfer out	(14) (-192)	— (—)	— (—)	— (—)	— (—)
vii)	Plan Amendments	— (—)	— (—)	— (—)	— (—)	— (—)
	Closing DBO as on 31 st March 2016	10,401 (9,179)	1,605 (1,451)	53 (53)	52 (51)	15,191 (13,189)

Notes to Consolidated Financial Statements for the year ended March 31, 2016

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
	Opening Fair Value of Plan Assets	6,749 (6,741)	1,610 (1,634)	— (—)	— (—)	13,183 (11,729)
i)	Expected Return on Plan Assets	637 (549)	131 (132)	— (—)	— (—)	1,162 (949)
ii)	Actuarial Gains / -Losses	6 (—)	— (—)	— (—)	— (—)	391 (—)
iii)	Contribution to the Fund*	2,368 (637)	0 (—)	— (—)	— (—)	2,784 (2,127)
iv)	Benefits Paid	(918) (-708)	(135) (-156)	— (—)	— (—)	(2,335) (-1,622)
v)	Acquisition/Transfer out	50 (-470)	— (—)	— (—)	— (—)	— (—)
	Closing Fair Value of Plan Assets	8,892 (6,749)	1,606 (1,610)	— (—)	— (—)	15,185 (13,183)

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
i)	Present value of Funded Obligations	10,401 (9,179) (7,400) (7,201) (6,187)	1,605 (1,451) (1,286) (1,447) (1,510)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	15,190 (13,189) (11,753) (10,436) (8,720)
ii)	Fair value of Plan Assets	-8,782 (-6,677) (-6,700) (-5,360) (-5,450)	-1,607 (-1,610) (-1,634) (-1,835) (-2,057)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	-15,185 (-13,183) (-11,729) (-10,210) (-8,719)
iii)	Amount not recognized As an asset, because of the limit in para 59(b)	(0) (0) (0) (0)	0 (210) (248) (260) (0)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	(0) (0) (0) (0) (0)
iv)	Present Value of Unfunded Obligations	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	54 (53) (49) (55) (60)	52 (51) (51) (65) (70)	6 (6) (24) (226) (191)
v)	Net Liability/ -Asset recognized in Balance Sheet	1,420 (2,395) (642) (1,704) (645)	-2 (-51) (100) (-127) (-547)	54 (53) (49) (55) (60)	52 (51) (51) (65) (70)	6 (6) (24) (226) (191)
vi)	Experience Gain/ -Loss adjustments on plan Liabilities	-578 (-350) (-383) (-178) (-341)	-7 (-24) (-119) (32) (160)	-2 (-3) (—) (-1) (4)	-1 (2) (8) (6) (-19)	-391 (18) (243) (0) (0)

Notes to Consolidated Financial Statements for the year ended March 31, 2016

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
vii)	Experience Gain/ -Loss adjustments on plan Assets	6 (0) (-1) (-50) (-75)	0 (0) (0) (28) (0)	0 (0) (0) (0) (0)	0 (0) (0) (0) (0)	391 (0) (0) (0) (0)
viii)	Actuarial Gain/ -Loss due to Change on assumptions	4 (-1,006) (-667) (-700) (-288)	— (-132) (99) (-46) (41)	(0) (-4) (2) (-1) (2)	(3) (-2) (5) (-2) (3)	0 (0) (0) (0) (0)

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

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current Service Cost	845 (680)	61 (54)	2 (2)	2 (2)	1,060 (851)
ii)	Interest Cost	683 (647)	108 (111)	4 (4)	4 (4)	1,162 (945)
iii)	Expected Return on Plan Assets	(637) (-549)	(131) (-132)	0 (0)	0 (0)	(1,162) (-949)
iv)	Actuarial -Gains / Losses	583 (1,376)	7 (156)	2 (7)	1 (0)	— (-18)
v)	Past Service Cost	4 (0)	113 (0)	0 (0)	0 (0)	— (0)
	Total	1,478 (2,154)	158 (189)	8 (13)	7 (6)	1,060 (829)

All of the above have been included in the line 'Group's contribution to provident and other funds', in Note 22 of Statement of the 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%	44.05%	43.57%
ii)	Corporate Bonds	0.00%	0.00%	0.00%	0.00%	44.89%	48.28%
iii)	Special Deposit Scheme	0.00%	0.00%	0.00%	0.00%	11.06%	8.15%
iv)	Insurer Managed Funds	100.00%	100.00%	100.00%	100.00%	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.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

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

		₹ Lacs		
Sr. No.	Particulars	Gratuity	Pension	PF
i)	Actual return on plan assets	643 (549)	131 (132)	1,552 (949)

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

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Discount Rate	7.80% 7.80%	7.80% 7.80%	7.80% 7.80%	7.80% 7.80%	7.80% 7.80%
ii)	Expected Rate of Return on Plan Assets	8.50% 8.50%	8.50% 8.50%	NA NA	NA NA	NA NA
iii)	Expected return on assets for exempt PF fund					
	2015-16	NA NA	NA NA	NA NA	NA NA	8.75% 8.60%
	2016-17	NA NA	NA NA	NA NA	NA NA	8.60% 8.60%
	2017 and thereafter	NA NA	NA NA	NA NA	NA NA	8.60% 8.60%
iv)	Salary Escalation Rate - Management Staff	10% 10%	NA NA	NA NA	NA NA	NA NA
v)	Salary Escalation Rate - Non-Management Staff	7% 7%	NA NA	NA NA	NA NA	NA NA
vi)	Annual Increase in Healthcare Costs - First 10 years	NA NA	NA NA	NA NA	10% 10%	NA NA
vii)	Annual Increase in Healthcare Costs - Next 5 years	NA NA	NA NA	NA NA	8% 8%	NA NA
viii)	Annual Increase in Healthcare Costs - Thereafter	NA NA	NA NA	NA NA	6% 6%	NA NA
ix)	Long term EPFO rate					
	2015-16	NA NA	NA NA	NA NA	NA NA	8.75% 8.60%
	2016 and thereafter	NA NA	NA NA	NA NA	NA NA	8.60% 8.60%

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

- 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:

		₹ Lacs	
Sr. No.	Particulars	One percentage point increase	One percentage point decrease
i)	The aggregate of the current service cost and interest cost Components of net periodic post - employment medical costs; and	0.58 (0.59)	-0.52 (-0.52)
ii)	The accumulated post-employment benefit obligation for medical costs	4.46 (4.34)	-3.98 (-3.87)

- i. Expected contribution to the fund in the next year

		₹ Lacs
Particulars	Total	
Contribution to Gratuity Fund	1,342 (-2,344)	
Contribution to Pension*	0 (0)	
Contribution to PF	976 (-780)	

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

Figures in brackets are in respect of the previous year.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

34. Related Party Disclosures

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

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited (w.e.f. 01-Oct-2015)	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2016

		₹ Lacs
Transaction	Name of the Party	Total
Purchases of goods*	Cummins Inc.	15,846 (19,543)
	Tata Cummins Private Limited	56,839 (41,303)
	Cummins Limited	14,036 (15,763)
	Others	26,456 (27,239)
Sale of goods*	Cummins Limited	58,294 (68,664)
	Others	66,599 (65,775)
Services Rendered	Cummins Inc.	4,382 (3,706)
	Cummins Technologies India Private Limited	5,307 (3,344)
	Tata Cummins Private Limited	1,849 (556)
	Others	1,220 (1,253)
Remuneration Paid (Refer note (ii) below)	Anant Talaulicar	30 (23)
	Mahesh Narang	— (128)
	Sandeep Sinha	151 (33)
Services Received*	Cummins Technologies India Private Limited	3,332 (2,883)
	Cummins Power Generation Limited	667 (452)
	Others	989 (708)

Notes to Consolidated Financial Statements for the year ended March 31, 2016

		₹ Lacs
Transaction	Name of the Party	Total
Support Services	Cummins Inc.	7,356 (7,045)
Computer and other Services	Cummins Technologies India Private Limited	6,041 (6,376)
Reimbursements paid	Cummins Inc.	1,450 (1,453)
	Cummins Sales & Service Private Limited	513 (369)
	Cummins Technologies India Private Limited	680 (1,449)
	Cummins Power Generation Inc.	488 (—)
	Others	36 (157)
Reimbursements received	Cummins Generator Technologies India Private Limited	855 (762)
	Cummins Technologies India Private Limited	3,569 (2,731)
	Others	1,243 (1,860)
Royalty	Cummins Inc.	4,451 (6,276)
Inter Corporate Deposits Recovered	Cummins Technologies India Private Limited	— (1,500)
Purchase of Asset	Cummins Power Generation Inc.	41 (—)
Transfer of Export Benefits	Cummins Generator Technologies India Private Limited	43 (—)
Interest on Inter Corporate Deposit	Cummins Technologies India Private Limited	1,288 (1,371)
Dividend paid	Cummins Inc.	19,791 (18,378)
Donations paid	Cummins India Foundation	1,200 (810)
Contributions paid	Cummins India Ltd. Officers Provident Fund	792 (743)
	Cummins Group Employees Superannuation Scheme	1,337 (1,191)
	Cummins Group Officers Gratuity Scheme	2,344 (612)

Notes to Consolidated Financial Statements for the year ended March 31, 2016

c) Amounts outstanding as at March 31, 2016

		₹ Lacs
Particulars	Name of the Party	Total
Trade Payables	Cummins Inc.	5,268 (6,927)
	Cummins Limited	3,436 (4,962)
	Cummins Technologies India Private Limited	4,053 (6,590)
	Tata Cummins Private Limited	2,975 (904)
	Others	4,118 (4,331)
Other Current Liabilities	Cummins Inc.	9,748 (8,349)
	Others	435 (220)
Trade Receivables	Cummins Limited	15,783 (11,418)
	Others	21,661 (21,283)
Advances recoverable	Tata Cummins Private Limited	475 (287)
	Cummins Inc.	397 (1,174)
	Cummins Technologies India Private Limited	112 (457)
	Others	— (359)
Other Current Assets	Cummins Technologies India Private Limited	402 (249)
	Cummins Inc.	536 (90)
	Tata Cummins Private Limited	613 (485)
	Others	75 (4)
Inter Corporate Deposit	Cummins Technologies India Private Limited	12,950 (12,977)

* Includes transactions entered into after October 1, 2015 by Cummins Sales & Service Private Limited with its related parties which have not been approved by its Audit Committee in compliance with Section 177 of the Companies Act, 2013. Cummins Sales & Service Private Limited is in the process of appointing independent directors and constituting the Audit Committee. In the absence of Audit Committee, the transactions are approved by the Board of Directors.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

Notes:

- i) The names of the related parties under the appropriate relationship included in notes 34(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 Technologies India Private Limited Cummins Power Generation Inc. Cummins (China) Investment Co. Ltd. Cummins Asia Pacific Pte. Ltd. Cummins Brasil Ltda Cummins Emission Solutions Inc. Cummins Generator Technologies Limited Cummins Limited Cummins NV Cummins Power Generation (China) Co. Ltd. Cummins Power Generation Limited Cummins Turbo Technologies B.V. Distribuidora Cummins SA Cummins Japan Limited Cummins Middle East FZE Cummins Power Generation (S) Pte. Ltd. Cummins Westport Inc. Cummins Afrique De Loust Cummins Angola Limited Cummins Comercializadora S. de R.L. de C.V. Cummins CZECH Republic SRO Cummins DKSH (Singapore) Pte. Ltd. Cummins DKSH (Thailand) Limited Cummins DKSH Vietnam LLC Cummins Eastern Canada LP Cummins Engine (Shanghai) Trading & Services Co. Ltd. Cummins Fuel Systems Wuhan Co. Ltd. Cummins Generator Technologies Australia Pty. Ltd. Cummins Ghana Limited Cummins Italia SPA Cummins Makina Sanayi Ve Ticaret Ltd. Cummins Natural Gas Engines Inc. Cummins Cal Pacific LLC Cummins Power Systems LLC Cummins Qatar LLC Cummins Romania SRL

Notes to Consolidated Financial Statements for the year ended March 31, 2016

Nature of Relationship	Name of the Party
	Cummins Sales and Service Korea Co. Ltd. Cummins Sales and Service Philippines Inc. Cummins Sales and Service Singapore Pte. Ltd. Cummins Scott + English Malaysia SDN BHD Cummins South Africa Pty. Ltd. Cummins South Pacific Pty. Ltd. Cummins Spain SL Cummins West Africa Limited 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 Paraguay SRL OOO Cummins Shanghai Cummins Trade Co. Ltd. Cummins East Asia Research & Development Co. Ltd.
Key Management Personnel	Anant J. Talaulicar- Chairman & Managing Director Mahesh Narang (upto 31-Dec-2014)- Chief Operating Officer Sandeep Sinha (w.e.f. 01-Jan-2015)- Chief Operating Officer
Associate	Cummins Generator Technologies India Private Limited
Joint Venture	Valvoline Cummins Private Limited Cummins Sales & Service Private Limited (upto 30-Sep-2015) Cummins Reseach and Technology India Private Limited
Subsidiary	Cummins Sales & Service Private Limited (w.e.f. 01-Oct-2015)
Enterprise with common Key Management Personnel (Anant Talaulicar)	Tata Cummins Private Limited Cummins India Foundation
Employees Benefit plans where there is Significant influence	Cummins India Ltd. Officers Provident Fund Cummins Group Employees Superannuation Scheme Cummins Group Officers Gratuity Scheme

- ii) 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.
- iii) The information given above, has been reckoned on the basis of information available with the Group and relied upon by the auditors.
- iv) Figures in brackets are in respect of the previous year.

Notes to Consolidated Financial Statements for the year ended March 31, 2016

35. 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 & its related services, the Group is of the view that it operates in two segments viz. ‘Engines’ and ‘Lubes’.

₹ Lacs

Particulars	March 31, 2016					March 31, 2015				
	Engines	Lubes	Total	Elimination	Net Amount	Engines	Lubes	Total	Elimination	Net Amount
Revenue										
External	463,177	49,900	513,077	—	513,077	434,468	48,612	483,080	—	483,080
Inter-segment	4,227	1,518	5,745	5,745	—	2,787	1,646	4,433	4,433	—
Other operating revenue	12,124	39	12,163	18	12,145	8,479	49	8,528	—	8,528
Total Revenue	479,528	51,457	530,985	5,763	525,222	445,734	50,307	496,041	4,433	491,608
Result										
Segment results	76,237	11,019	87,256	(106)	87,362	72,507	7,348	79,855	98	79,757
Unallocated corporate income					1,502					11,636
Unallocated corporate expenses					—					—
Operating profit					88,864					91,393
Interest income					2,077					2,249
Interest expense					167					175
Income tax					19,379					17,724
Share in associate's profit after tax (Net)					1,936					1,459
Net profit					73,331					77,202
Other Information										
Segment assets	399,637	18,109	417,746	979	416,767	363,971	19,004	382,975	1,030	381,945
Unallocated corporate assets					67,542					77,999
Total Assets	399,637	18,109	417,746	979	484,309	363,971	19,004	382,975	1,030	459,944
Segment liabilities	142,390	9,237	151,627	640	150,987	138,163	6,688	144,851	586	144,265
Unallocated corporate liabilities					8,731					6,797
Total Liabilities	142,390	9,237	151,627	640	150,988	138,163	6,688	144,851	586	151,062
Capital expenditure	45,472	414	45,886	—	45,886	33,883	832	34,715	—	34,715
Depreciation and amortisation included in segment expense	8,157	709	8,866	—	8,866	8,013	633	8,646	—	8,646
Non cash expenditure other than depreciation and amortisation included in segment expense	325	55	380	—	380	302	27	329	—	329

Notes to Consolidated Financial Statements for the year ended March 31, 2016

b Secondary Segment

Two secondary segments have been identified based on the geographical locations of customers: within India and outside India.

Information about geographical segments	March 31, 2016			March 31, 2015		
	Within India	Outside India	Total	Within India	Outside India	Total
	Segment revenue	356,754	168,468	525,222	317,699	173,909
Segment assets	376,319	40,448	416,767	335,880	46,065	381,945

₹ Lacs

Note:

- i) The Group's tangible assets are located entirely in India.

36. Derivatives - Forward Contracts

a) Forward Contracts outstanding as at Balance Sheet date

Currency Amount US \$ Sell Cross Currency

(Amount in Lacs)

March 31, 2016				March 31, 2015			
Currency	Amount	Sell/Buy	Cross Currency	Currency	Amount	Sell/Buy	Cross Currency
USD	391	Sell	₹	USD	536	Sell	₹
USD	24	Buy	₹	USD	7	Buy	₹
EURO	—	Sell	₹	EURO	8	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, 2016				As at March 31, 2015			
		Foreign Currency	₹			Foreign Currency	₹
Receivables							
USD		195	12,570		179	10,935	
Euro		26	1,958		16	1,088	
GBP*		—	—		0	24	
Payables							
USD		228	15,100		288	17,994	
Euro*		0	18		1	78	
GBP		3	259		12	1,151	
CHF*		0	3		0	0	
JPY		7	4		4	2	
THB*		0	0		0	1	

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

Notes to Consolidated Financial Statements for the year ended March 31, 2016

- 37.** The Company prepared its last consolidated financial statements for the financial year ended March 31, 2009. No consolidated financial statements were prepared thereafter since the Company did not have any subsidiary.

The Company acquired balance 50% stake in one of its joint venture to make it a wholly owned subsidiary w.e.f. October 1, 2015. Hence, Consolidated financial statements are prepared for the year ended March 31, 2016. Comparatives for the year ended March 31, 2015 are given based on AS 21 - 'Consolidated Financial Statements' and Schedule III of the Companies Act, 2013. These figures are unaudited.

Signatures to the notes 1 to 37

For Price Waterhouse
Firm Registration No. 301112E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number 43229

Mumbai
Date: May 25, 2016

For and on behalf of the Board

Anant J. Talaulicar
Chairman & Managing Director
DIN : 00031051
K. Venkata Ramana
Group Vice President Legal & Company Secretary
PAN : AEJPR9444L

Mumbai
Date: May 25, 2016

Nasser Munjee
Director
DIN : 00010180
Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Business
Responsibility
Report
2015-16

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 and safer environment.
- Creating wealth for all stakeholders.

Values

- **Integrity**
Strive to do what is right and do 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 honour 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.
- **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.

- **Relentlessly Pursue Cost Leadership**

Cummins will pursue an operational strategy of cost leadership.

- **Lead in Critical Technologies**

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

- **Create the Right Work Environment**

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

Personality

- Decisive
- Driven to Win
- Agile
- Passionate
- Caring

Section A

General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN)
L29112PN1962PLC012276
- Registered Office Address
Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune 411045
- Website : www.cumminsindia.com
- Email id : venkat.ramana@cummins.com
- Financial Year reported : 2015 – 2016

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 – Industrial Engine Business, Power Generation Business, Automotive Business and Distribution Business. With effect from April 2016, these four businesses are being restructured to align to the global organization. By combining the High Horsepower business (currently part of Engine Business) with Power Generation Operations, we will be forming a new business Power Systems. Owing to the many interdependencies between these two businesses, combining the two presents an opportunity to create a more effective and efficient organization.

With this new structure, the following three businesses are a part of the Company – Engine Business (serving the on-highway, construction, compressor and defense applications with Heavy, Medium and Light Duty engines), Power Systems Business (serving mining, marine, rail, oil & gas and power generation applications with High Horsepower engines) and Distribution Business. This reorganization will also be beneficial to the Engine Business allowing it to focus all resources to growing in the on-highway and construction markets while simultaneously expanding in adjacent markets that are facing significant technology changes driven by accelerating cleaner emissions and Green House Gas regulations.

A. Engine Business:

The Engine Business manufactures and markets diesel and natural gas engines from 65 HP to 500 HP. These engines power heavy and medium-duty trucks, light-duty trucks and buses, in addition to industrial applications such as construction, compressor and military equipment including repowering opportunities in these segments.

B. Power Systems Business:

This business will continue to design and manufacture high horsepower engines for marine, railways, mining and power generation applications. Alongside manufacturing high horsepower engines, this business caters to the power requirements of a wide range of individual and institutional customers in various segments such as infrastructure, IT/ITES, data centres, realty, healthcare and hospitality to name a few. It provides power generation systems, components and services in standby power and distributed power generation. It provides a full range of services including turnkey and temporary power solutions. The business also manufactures and exports the open and enclosed low kilowatt generator sets from its unit located at the Special Economic Zone at the Cummins Megasite in Phaltan.

C. Distribution Business:

The Distribution Business, operating under the brand name Cummins Sales and Service India (CSS) provides products, services and solutions for uptime of Cummins equipment. The Distribution Business is engaged in providing after-market support to customers in India, Nepal and Bhutan. Over the years, the business has grown from strength to strength, and has successfully established itself as a 'dependable' after-sales service support arm of Cummins. At present, it supports more than 3,50,000 engines on the field covering more than 1.2 lakh customers.

The Distribution Business has a country-wide network of 31 dealerships with over 450 service points and a pool of trained engineers and technicians. Over the years, this network has built the necessary infrastructure and technical capability to meet the Cummins service standards and is constantly upgraded as per evolving products and customer needs.

Additionally, operations of the India Parts Distribution Center (IPDC) have been expanded at the Megasite. The Center has seen a four-fold upsurge in exports revenue in the last two years with distribution of parts to domestic and exports aftermarket.

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 where business activity is undertaken by the Company

The Company has its operations spread all across the country with its registered and corporate office in Pune - Cummins India Office Campus. Additionally, the Company has four zonal offices in Mumbai, Gurgaon, Kolkata and Bangalore and has area offices at 19 locations across India. The manufacturing operations are carried out from seven different plants situated in Pune, Pirangut and the Megasite in Phaltan.

The Company has commenced operations of a third manufacturing facility under the High Horsepower Business and Power Systems Operations at Chennai, since February 2016.

Apart from these, the Company's group entities have administrative offices at Pune, Gurgaon, Delhi, Rudrapur, Noida, Bareilly and Ghaziabad and manufacturing plants at Ahmednagar, Ranjangaon, Dewas, Pithampur, Jamshedpur, Rudrapur, Nandur, Hosur, Ambarnath and the Megasite at Phaltan.

Markets served by the Company

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

Section B

Financial Details of the Company

Paid-up Capital: ₹5,544 Lacs

Total Turnover: ₹460,306 Lacs

Total Profit after Taxes: ₹75,189 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

Corporate Responsibility (CR) is one of the six core values of the Company, and states that we 'serve and improve the communities in which we live'.

The CR projects undertaken by Cummins seek to bring about meaningful and sustainable improvements in the communities. Focussing on the most fundamental needs of the community, the Company focusses on three focus areas - Higher Education, Energy and Environment and Social Justice and Infrastructure.

Involving leadership guidance and ownership, along with dedicated commitment from the employees, high community impact projects are carried out across Cummins locations. The focus areas and their underlying themes are owned and driven by the leaders who set the vision and direction for various initiatives that help deliver impactful and sustainable results for the community. Through continuous interactive engagements, the leaders ensure involvement of all stakeholders throughout the year. Employee participation in these initiatives contribute significantly in scaling up the projects. Employee participation takes place through:

- Community Involvement Teams (CITs) – These are organized, employee driven teams through which CR initiatives are carried out in the communities in which the Company operates.

In India, there are 15 such CITs across Cummins locations.

- Every Employee Every Community (EEEC) - Under this initiative, every employee is encouraged to spend 4 fully paid working hours on community improvement projects of their choice falling under the three focus areas. Cummins has achieved 100% employee participation and utilization of EEEEC hours consecutively for three years.

Partnerships with like-minded corporates, government bodies, NGOs and communities also play a major role in scaling up these projects in the many locations where Cummins is present.

Cummins was recognized for 'Excellence in Corporate Social Responsibility' at the Manufacturing Today Awards by Inside the Pentagon Publishing Group. Cummins was also recognized for 'Excellence in Corporate Responsibility' by Maharshi Karve Stree Shikshan Samstha's (MKSSS) Nanavati Hiraben Institute of Management and Research for Women (NHIMR) at the Industry Awards, which was held in association with leading business daily - Business Standard and sponsored jointly by Mantraa Research and Consultancy Pvt. Ltd. and SoftHard Automation Pvt. Ltd. Economic Times ranked Cummins 16th in the 'Best Companies for Corporate Social Responsibility (CSR)' survey for 2015 which is higher as compared to the previous year where Cummins was ranked 29th.

Former CEO, J. Irwin Miller, who understood the importance of Corporate Responsibility decades ago, described it as an enlightened form of self-interest. 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".

For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 10 attached to the Directors' Report for Financial Year 2015-16.

Section C

Other Details

Effective October 1, 2015, Cummins Svam Sales & Service Private Limited (now known as Cummins Sales & Service Private Limited) became a wholly-owned subsidiary of the Company further strengthening our distribution capabilities in India. The Company continues to own 50% equity shares respectively in Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited and 48.5% in Cummins Generator Technologies India Private Limited.

The Company engages in business with various Cummins entities in India and they, in turn, actively participate in the Business Responsibility (BR) 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.

Section D

BR Information

1. Details of Director responsible for BR:

- a. Details of Director responsible for implementing the BR policy:

DIN Number : 00031051

Name : Mr. Anant J. Talaulicar

Designation : Chairman and Managing Director

- b. Details of the BR Head :

Name : Mr. K. Venkata Ramana

Designation : Group Vice President – Legal & Company Secretary

Telephone : 020 6706 7000

Email ID : venkat.ramana@cummins.com

2. Principle wise (as per NVGs) BR Policy

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

Principle 1:

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

Principle 2:

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

Principle 3:

Businesses should promote the well-being of all employees.

Principle 4:

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

Principle 5:

Businesses should respect and promote human rights.

Principle 6:

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

Principle 7:

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

Principle 8:

Businesses should support inclusive growth and equitable development.

Principle 9:

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

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

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
S. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Do you have a policy/policies for-	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	—	Y	Y	—	Y	—	Y	—
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	—	Y	Y	—	Y	—	—	—
4.	Has the policy been approved by the Board?Is 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: 000 800 100 11071 and 000 800 001 6112 (anonymous report is possible and the report can be filed in Hindi as well)
- Contact Ethics and Compliance: Email to ethicsandcompliance@cummins.com OR legal.department@cummins.com

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
S. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The Company has not understood the Principles	—	—	—	—	—	—	—	—	—
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	—	—	—	—	—	—	—	—	—
3	The Company does not have financial or manpower resources available for the task	—	—	—	—	—	—	—	—	—
4	It is planned to be done within next 6 months	—	—	—	—	—	—	—	—	—
5	It is planned to be done within the next 1 year	—	—	—	—	—	—	—	—	—
6	Indicate the link for the policy to be viewed online	—	—	—	—	—	—	—	—	—
7	Any other reason (please specify)	—	—	—	—	—	—	#	—	—

#: The Company has a track record of pioneering achievements, vast experience and is a leading manufacturer of engines for industrial, power generation and on-highway applications and initiates dialogue with the Government through various industry bodies and associations. However, need for a formal policy has not been felt.

3. Governance Related to BR

The Board of Directors of the Company review the BR performance of the Company, if not on a regular basis, then at 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 drafted 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 to the highest standards of integrity, accountability, confidentiality and independence.

The Company's view on ethics and fostering the right environment is reflected in the following statement from Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited, where he mentions, "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

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

At Cummins, the 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. Cummins' suppliers and partners are required to treat their stakeholders in a way that is consistent with Cummins values through the Cummins Supplier Code of Conduct (elaborated under Principle 4).

Cummins has adopted the following competition guidelines: -

- We do not bribe anyone for any reason.
- We get business because our products, services and people are the best.
- We do not use 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 reporting. Cummins cooperates fully with its auditors and under no circumstances withholds information from them. At Cummins, a robust system for financial controls and processes is maintained to ensure the accuracy and timeliness of 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 in 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:

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

New Hire and On-going Training and Compliance Certification

Cummins puts its ethics and compliance principles into practice through a comprehensive compliance training program targeted at appropriate employee groups in order to promote ethical behaviour. Cummins has a policy describing how employees are supposed to treat each other at work. All employees are required to attend the 'Treatment of Each Other at Work Policy' training course and complete refresher courses, as needed from time to time. It applies to all employees, customers and suppliers. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy. It also applies to employees away from the company premises when they are on Company business or acting as an agent of Cummins.

New employees are explained this course at the New Hire Orientation and are required to complete the course within their first three months of employment.

A training module on the Anti-Bribery policy was introduced in 2015, to create awareness on this subject amongst employees. The code of conduct related to insider trading ('Code') was launched in May 2015, for regulating, monitoring and reporting Insider Trading by employees and other connected persons. The Company also conducts two mandatory online training courses - Careful Communications at Work and Doing Business Ethically – on the Cummins Learning Center, Cummins' in-house learning management system.

Ethics Help-line, Organizational Support and Whistle Blower Policy

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

Considering that any violation 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. The Company has an Ethics Committee chaired by the Chairman and Managing Director and includes the Vice Presidents of HR, Legal and Internal Audit. All ethics cases are investigated and resolved by this committee.

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, K. Venkata Ramana (Group Vice President – Legal and Company Secretary), Vikas Thapa (Vice President – HR), Qureish Shipchandler (Audit Director), Anjali Pandey (India Business Country Leader for Cummins Turbo Technologies) 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 function, employees have the option to anonymously report issues through three separate channels: -

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

Statistics*:

Under the Ethics, Bribery, Corruption and Fraud category, Cummins received 21 complaints during the year. All 21 complaints were resolved and actioned upon.

Under the Treatment of Each Other at Work Policy, Cummins received 127 complaints during the year. All 127 complaints were resolved. The Internal Complaints Committee received 8 complaints during the year and all of them were resolved.

* Note: Data as on March 31, 2016

Regular updates to Senior Management

The Senior Management is closely 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 within their business or function, and the action taken thereafter. Additionally, the same is also placed before the Audit and Risk Management 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 Cummins' three focus areas of Corporate Responsibility emphasizes on supporting environmental sustainability and to work on clean development mechanism.

Cummins continued to initiate waste reduction efforts during the year through several initiatives such as training for preventing pollution, environment management programs on waste reduction/recycling, 'Just do it' projects and Six Sigma projects to identify more opportunities on waste reduction. Increasing opportunities to recycle waste is one of the many ways to address reduction in disposal waste.

Cummins' commitment to Health, Safety and Environment continued into 2015, reinforcing its responsibility towards employees, natural resources and the environment. Subsequently, the Company's safety Incident Rate (IR) for employees

and contractors was reduced to a historical low.

Safety	Employees		Contractors	
	2014	2015	2014	2015
Incident Rate	0.86	0.065	0.33	0
Severity Case Rate	0.0215	0.0218	0.16	0

All operational facilities of the Company monitor and track the quantity and quality of emissions/waste generation as per their consent requirement and have been reporting it to the concerned pollution control boards on an annual basis in the form of an Environment statement.

Though the Company has received few show cause notices from the Pollution Control Board in the last financial year, all these were closed, satisfactorily.

Cummins Inc. is driving environmental awareness across all plants, globally. Under this drive, the Company is focusing on Environment Day/Earth Day and celebrates Environment Week. The HSE department continues to focus on developing people on environmental aspects, identifying improvement opportunities, undertaking GHG reduction projects and training people on pollution prevention, water conservation etc. The environmental performance is tracked and measured through KPIs on GHG, waste and water. Every year targets are set on baseline.

The Company also improved its overall environmental performance through waste inventORIZATION and mapping, water balance and energy reduction program. High energy consumption areas are being identified on the shop-floor and many projects are being undertaken to conserve energy and reduce greenhouse gases (GHG).

Waste disposal and GHG emissions were reduced by 15 percent and 20 percent respectively with respect to the 2014 baseline. Various projects to reduce water consumption and recycle treated water are being undertaken to offset any increase in consumption. On the waste recycling rate, the Company is at 95 percent. All operational units of the Company across India have achieved water neutrality status in addition to complying with the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and Environment Management System (EMS) 14001 standard. The engine plant in Pune has received the Cummins Inc. Global Robert Sonntag Award and was also recognized with the 'Zero Garbage and Beyond Award' for its efforts towards zero garbage. The Cummins Inc. Chairman's Health and Safety Awards recognized the HHP Rebuild Center in Phaltan for its project on eliminating ergonomic risks for valve and injection timing setting operation in the 60 and 45 litre engines.

During the year, the Company worked on projects addressing social or environmental concerns. Some of the projects are listed below: -

1. Development of 25 kWe genset with Rice Husk (Biomass) gasification: To address electrification needs of rural parts of the country, the Company has developed a 25 kWe genset which uses renewable energy from locally available agricultural waste viz. rice husk. This genset has been running successfully for over 500 hours at a field site in Bihar.
2. Development of 40 kWe genset with Wood (Biomass) gasification: To address electrification needs of rural parts of the country, the Company has developed a 40 kWe genset which uses renewable energy from locally available agricultural waste viz. wood waste. The Company has commissioned the producer gas genset at midrange engine upfit center at the Cummins Megasite in Phaltan.
3. Development of 400 kWe genset with Wood (Biomass) gasification: Extracting renewable energy for generating unprecedented level of power from locally available agro waste viz. wood waste has been demonstrated successfully by the Company. Two lean burn producer gas sets have been running successfully, parallel to the grid, for 3,000 hours in Sattur, Tamil Nadu.

Product safety is of 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 and indirect suppliers around the world. Cummins has been working on Supply Chain Transformation that focuses on eliminating waste in supply chain operations and transforming it into a green supply-chain. This includes exhaustive work on introducing returnable packaging, reducing transit lead time to procure parts and bundling shipment through milk runs. 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 allows site leaders to recognize key risks in advance and prepare for major events that could

impact their sites, employees, and ultimately their ability to serve the customers. The goal of Business Continuity Planning is to limit business exposure to risks and recover speedily 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 works extensively to continuously improve procurement procedures to ensure sustainability of its suppliers. The procedure includes seven separate areas, namely, Sourcing, Contract Development and Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management and Supplier Quality Improvement. The procedure also includes the Supplier Code of Conduct (SCOC) which requires that the supplier follows key ethical principles set forth by Cummins including protecting the environment.

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

Cummins meticulously abides by all the Health, Safety and Environmental (HSE) laws and has developed a common HSE policy applicable to all entities and communicated to all suppliers and vendors. Cummins has comprehensive policies and procedures, governed by the dedicated HSE department, which extends to Contractors, Dealerships, Group Joint Ventures, and Suppliers.

Cummins understands the importance of adopting a proactive approach to address issues such as climate change and global warming. Every plant of the Company has developed Energy Champions and the plant has taken up many projects to reduce carbon footprint.

On the operations front, the Company continued driving energy conservation programs with more projects observed this year for reducing GHG footprint off site and promoting energy efficiency. These initiatives are driven through Six Sigma projects on energy conservation, unplugged challenge, energy audits and energy champions training.

Significant energy savings are being generated year-on-year. High energy consumption areas have been identified and many projects have been undertaken to conserve energy. For example, at the engine plant in Pune, power consumption has been reduced by providing an energy efficient transformer, by replacing high energy consuming water pumps and by adopting measures on the shop-floor. These measures have helped the plant achieve yearly savings of 9, 61,588 units with greenhouse gas (GHG) saving of 948 tons. The plant has also installed LED lamps and occupancy sensors to reduce power consumption in the office areas.

Cummins supports local and small producers in the community around itself. Currently, Cummins procures material from 1,066 suppliers – both local and small producers from nearby communities.

Chairman and Chief Executive Officer of Cummins Inc., Tom Linebarger says, "Going forward Cummins will continue to be a catalyst for environmental action. Our vision and mission demand it, our business success depends on it, and the ingenuity and energy of our employees can make it happen."

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

Cummins is committed to building leadership skills at all levels of the organization as it views this as the foundation to creating the right environment at workplace. Customized programs are offered at different levels to develop both functional expertise and managerial skills respectively.

A series of sponsored education programs have been designed in partnership with prestigious institutes in India and US and offered as formal degree/certification programs to the employees. The sponsored education programs include:

- **Management Development:** Two-year Executive MBA programs in partnership with institutes like IIM – Ahmedabad, S.P.Jain Institute of Management and Research - Mumbai and Kelley School of Business - Indiana, USA.
- **Technical Development:** Two-year degree course in Masters of Technology in Mechanical, Electronics and Manufacturing.

A special certification on Industrial Relations in partnership with the Tata Institute of Social Sciences (TISS) for managers holding responsibilities in the plant was also launched in 2015.

Cummins also offers education assistance to employees who are interested in pursuing formal education as a part of their self-development, or upgrading their functional capabilities.

Leadership Development programs include Global Leadership Development, Building Success in Others, Front Line Leadership Development and Cummins Leadership Culture Sessions. Furthermore, Cummins also encourages job moves across functions, businesses and locations to offer varied experiences which it believes adds tremendously to the growth of its employees.

Understanding the significance of Diversity and Inclusion in creating the right work environment, this year Cummins achieved 30% women representation. Cummins has been sensitive towards not just the visible forms of diversity such as gender, region, generation and specially-abled, but also towards promoting equality at workplace and ensuring greater opportunities for minority groups such as lesbians, gays, bisexuals and transgender (LGBT).

Cummins continues to emphasize on work-life balance policies that enable its employees to perform at their full potential, grow in their careers 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 leave at a convenient time, but ensuring that the stipulated hours of work are completed and team work is not disrupted.
- **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.
- **Paternity Leave** - an eligible employee is entitled to a paternity leave of maximum five days excluding weekly-offs and paid holidays.
- **Part-time work Policy** – 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 its Corporate Office to support working mothers. This facility is also being availed by the male employees in the organization.

Women's Affinity Group (**WAG**) aims at improving communication on its initiatives through advocacy, inclusion of hourly workers in WAG, identifying and eliminating barriers 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. The 25 WAG leaders across entities and locations focus on –

- Promoting a safe work environment
- Creating a critical feedback mechanism for the organization by voicing ergonomic and infrastructural needs that make the workplace suitable for the women workforce
- Partnering on Health and Wellness initiatives
- Championing inclusive behaviors
- Promoting women's career development

WAG has started initiating sessions on 'Psychological Safety' for all employees.

The Growing Women Leaders (**GWL**) program focuses on increasing women in more senior leadership roles. It involves various career conversations, gap analysis and function specific learning interventions.

Launch in Cummins (**LinC**) Affinity Group is an interactive forum designed for the lateral hire employees who have been with Cummins for two years or less. Launched in 2011, this forum helps familiarize the employees to the Company, its businesses, culture and people through its various initiatives and programs, thus facilitating their integration into the workplace. LinC instills among the employees a sense of belonging to the company, thereby enabling them to start contributing sooner than previously possible.

Spectrum Diversity Training: An awareness training program on 'Why invest in Diversity Initiatives – A Business Case', and 'How to be Inclusive', this initiative facilitates training for employees across all functions and businesses and creates new Training Champions.

Right Environment Every Time (REET) is a training program that focuses on the ethical behaviour of employees with special attention to –

- Prevention of Sexual Harassment at Workplace (**POSH**) – This is based on the Indian Statute 'Sexual Harassment of Women at the Workplace: Prevention, Prohibition and Redressal Act, 2013'

- The audience is given an insight into the complaint process and redressal mechanism through Internal Complaints Committee (ICC) established at Cummins India
- Insight into the 'Treatment of Each Other at Workplace' policy.

Health and Wellness Program

The Health and Wellness strategy aims at offering appropriately designed programs to support the four pillars of wellness i.e. Physical, Emotional, Financial and Workplace.

The Employee Assistance Program (EAP) introduced at Cummins in 2015 saw significant results. Over 470 employees and family members availed different EAP services and a significant number of risks have been mitigated through counselling. Keeping in mind the stigma associated with counselling, a communication strategy was rolled out that aims to demystify people's perception about counselling and assures employees that it is perfectly acceptable to approach a trained counsellor. With the intent to make known the benefits of EAP amongst the employees in the least time possible, an employee outreach program was initiated that involved a series of floor interactions where counsellors from the EAP service provider reached out to employees at their workstations or on the shop floor.

Several studies have highlighted the lack of retirement preparedness and pension adequacy in India. Recognizing the need to help employees prepare for their life post retirement, the National Pension System (NPS) was introduced for the employees. Cummins is one of the first few organizations that has taken this step towards strengthening the financial wellbeing of its employees.

Programs piloted at the Cummins Megasite like Birth and Beyond for pregnant women, Anaemia eradication for the female workforce and Ideal Weight Drive for all employees were extended to other Cummins facilities and offices including the Corporate Office.

The programs were launched with the aim to:

1. Help expecting mothers easily tide through the critical ante-natal phase as well as support them in meeting various demands of motherhood. Further, this initiative also aimed to minimize Caesarean Section deliveries.
2. Eradicate anaemia, seen most prevalently in women
3. Help employees attain good health through effective changes in lifestyle including weight management.

Initiatives like the Healthy Living Module and Yoga launched in the Company during the previous fiscal year continue to run successfully.

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.

The Company has been organizing sports activities for its employees to promote their health and morale. Career development is supported 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 3,669 persons out of whom, around 740 are women employees and three permanent employees with partial/full disabilities. Apart from this, the Company also employs around 972 contractual and 25 temporary basis employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety and skill up-gradation training to various categories of employees are being rendered as per the training policy of the Company.

The Company has recognized Trade Unions for production and staff associates at one of its plants, and the unionized work force forms approximately 26% of the permanent employees of the Company.

Sr. No.	Category	No. of complaints filed during the Financial Year	No. of complaints pending as on the end of the Financial Year (April 2015 – March 2016)
1.	Child labor/ forced labor/ involuntary labor	NIL	NIL
2.	Sexual Harassment	8	NIL
3.	Discriminatory employment	NIL	NIL

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

While Cummins' Code of Conduct protects and promotes the ethical behavior that makes Cummins a special place to work, Cummins' Supplier Code of Conduct applies to all businesses that provide product or services to Cummins and its partners, joint ventures, divisions or affiliates. The Supplier Code of Conduct helps Cummins ensure that it is doing business with other companies around the world that share Cummins' values for sustainable practices.

The Supplier Code of Conduct is built around seven principles:

- Suppliers must follow the law
- Suppliers must treat all people with dignity and respect
- Suppliers must do business fairly and honestly and avoid conflicts of interest
- Suppliers must protect the environment
- Suppliers must provide a safe and healthy working environment
- Suppliers must protect Cummins technology, information and intellectual property
- Suppliers must assist Cummins in enforcing this Code

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under Principle No. 2 regarding treating people with dignity and respect, the Code states: "Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees." It also states suppliers must respect employees' right to bargain collectively and bans forced or child labor.

Under Principle No. 4 dealing with protecting the environment, the Code states: "Suppliers should establish means by which they understand the identity and quantity of the chemicals and compounds used in their operations and products." It also states that "Suppliers should develop robust means by which they monitor, measure and validate their use of materials and resources, discharges and emissions to understand and reduce their impact on the environment."

Aligned to its Vision, Mission and Core Values, Cummins continues its focus on the well-being of all its stakeholders including shareholders, customers, vendors, employees and the communities which it is a part of.

Placing special emphasis on groups which are disadvantaged, marginalized and vulnerable, Cummins strives to improve their lives focusing mainly in the areas of education and empowering under privileged to lead a safe and healthy life in a greener environment among other initiatives.

Nurturing Brilliance – Cummins Scholarship Program

Cummins views education as a foundation to uplifting the weaker sections of society while also developing a pool of skilled resources for the industry. Opportunities for advancing the weaker sections increase when education is aligned with the skills that are desired by the industry.

In 2006, Cummins India Foundation (CIF) initiated the 'Cummins Scholarship Program' to make higher education, either a professional degree or a diploma course, accessible to meritorious students from financially and socially disadvantaged backgrounds. Cummins also entrusts these scholars to its senior employees, who as mentors provide guidance through the entire duration of the course.

Till date, CIF through the program has provided scholarship to as many as 744 deserving students.

Empowering the underprivileged - NGO Development program

Cummins seeks to support the communities that are marginalized with the belief that inaccessibility to fundamental economic or social opportunities can diminish an entire community. With this belief, Cummins supports institutions that support people with disabilities, the elderly and those orphaned. Cummins has partnered with institutions such as Apla Ghar (home for orphan children), Poona Blind School Trust (institute for visually impaired girls), Mahatma Shikshan Sansthan (institute for hearing disabled), Swayam Siddha and Apang Vikas Kendra (home for people with physical and mental disabilities), Matoshree (old age home), Maharashtra Arogya Mandal (institute for tribal girls) to name a few, with a mission to improve the quality of life of the people living in disadvantaged conditions. Cummins has realized that while the intentions of these institutions are good, their cost structure does not allow them to provide a safe environment to their residents. Thus, Cummins initiated a project to improve operational efficiency of the NGOs, enabling the underprivileged living in these institutions to lead a safe and healthy life by:

1. Providing assistive aids to the residents
2. Enhancing skills
3. Building a cleaner, greener and safer environment

In building a cleaner, greener and safer environment, Cummins employees identify unsafe conditions and implement improvement programs such as rectification of electrical fittings, enhancement of rainwater harvesting systems and installation of bio gas systems to replace LPG and reduce fuel costs. All of these coupled with an in-house kitchen garden to meet partly the residents' vegetable consumption has helped reduce operational costs significantly. Dental clinics have helped the elderly receive dental aid on time.

Impact:

1. Avoidance of 40 metric ton of carbon dioxide footprint
2. One NGO (Apla Ghar) is now a zero discharge site
3. The kitchen gardens are using the silt that has been de-silted from the Khadakwasla dam project. This emphasizes cross-project benefits that are allowing communities to be positively affected.

Principle 5: Businesses should respect and promote human rights

Cummins continues to practice Diversity and provides an environment that allows employees to embrace the diverse perspectives of all people and honor both with dignity and respect.

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 named to Ethisphere's 2016 list of World's Most Ethical Companies for the ninth consecutive year, Top 50 Companies for Diversity by DiversityInc for the 10th consecutive year and Top 25 Employers in America by Forbes in 2016. Cummins Inc. received a perfect score for the 11th consecutive year in 2016 Corporate Equality Index from Human Rights Campaign, the largest U.S. civil rights organization for LGBT employees.

In 2015, Cummins Inc. was named to the FTSE4GOOD Index for demonstrating strong social, governance and environmental practices.

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

Cummins' Mission demands that 'everything we do leads to a cleaner, healthier and safer environment'.

Environmental problems such as global warming and diminishing natural resources demand action, not only from governments and individuals, but also from Corporates. Cummins demonstrates its commitment to the environment by producing technologies and products that reduce emissions around the globe, and also by reducing its own environmental footprint.

Cummins employees have a wealth of experience in reducing negative environmental impact. This is amply demonstrated not only in the products being manufactured but also in the facilities that are built.

Zero garbage and beyond – Creating a cultural transformation

Cummins has been working in the area of solid waste management in collaboration with Pune Municipal Corporation and local NGOs since 2011. The zero-garbage project which seeks to convert biodegradable waste into energy thus putting waste to good use, was first implemented at the zero garbage ward – Katraj and replicated at the Baner-Balewadi ward. These models serve as a replicable blue-print for all wards in the city and the country.

In addition to sustaining the impact of this program created over the years, the waste segregation at the household level at Katraj was also increased in 2015. This increased the quantity of wet waste available for biogas generation and electricity production. The electricity was initially used to power the streetlights. The excess electricity that now gets generated powers a toy train in the ward. This toy train is run at a nominal charge for the community. This offers us the first revenue generating model that is both replicable and sustainable across all wards in the city. The project successfully underwent surveillance audit to maintain ISO certification status for three consecutive years, a clear indication of the effectiveness of the established process for the project. At Baner, an awareness rally was also organized to promote the practice of waste segregation amongst the residents.

Citizens at Katraj ward now experience the benefits of living in clean surroundings and have a well-developed lake, jogging track, library, free wi-fi zone and open air gym. The community has benefitted immensely from the project and members collectively participate in bringing about the positive changes in the ward. This ward has witnessed a cultural transformation through the cascading benefits from the project. As a result of this project, not only has 7,575 metric tons of carbon footprint been avoided but we have also created the first sustainable revenue generating model at a ward level.

In continuing our efforts to replicate this project across other plant locations, the Solid Waste Management project was deployed for the first time in a semi-urban area near the Cummins plant in Pirangut. A project road map was developed based on community needs assessment in collaboration with the community, civic authorities and NGO Innora. A unique household level solution for recycling wet waste was developed by the NGO and implemented on a cost-sharing basis. This solution which has the potential to be replicated across other semi-urban areas in the country, involves using a composter (an empty oil drum filled with eco-friendly composting material) for converting wet waste into compost. 18 tons of wet waste was processed which generated nearly 2.5 tons of compost. An awareness drive focussing on the significance of solid waste management was also organized in the community.

As a result of this project, 100% segregation of wet and dry waste was achieved which resulted in avoiding 28 metric tons of carbon footprint within this semi-urban community.

Reduce, Reuse, Recycle Plastic and E-Waste

It is common knowledge that solid waste pollution – both plastic and e-waste critically affects human health, flora and fauna. Addressing the imbalance between generation and management of solid waste in Pune and people's limited knowledge about e-waste, Cummins partnered with NGO Janwani, schools and local communities to create awareness on e-waste. An awareness drive was organized, targeting a population of 2,000 students and a significant number of housing and commercial complexes.

In collaboration with the NGO Academic Advisors, Cummins continues to engage in the Sagar Mitra project. This initiative focusses on plastic waste recollection and recycling and also addresses the hazards of plastic accumulation in water bodies. In addition to spreading awareness about the ill-effects of plastic waste, Cummins and the NGO set-up 11 waste collection points for both e-waste and plastic waste. Cummins identified and collaborated with waste disposal agencies to collect and recycle the waste from these collection points. 400 Cummins employees along with their families collected 100 kgs of plastic waste from their homes, while 2.5 tons of e-waste was collected from the community and recycled by authorized recyclers. Awareness on e-waste and plastic waste was created amongst more than 90,000 students from over 100 schools through the Sagar Mitra campaign. As a result of this drive, students collected 15 tons of plastic waste.

School children become change agents

Cummins believes that when bringing about any change, school children are the ideal propagators as they are the future torchbearers and have significant capability to learn, adapt and implement. With this thought, a nationwide environmental education campaign called 'Coach Them Young' was launched in 2012, which reached out to 75,000 students across the country, creating awareness on two major national issues –

1. Water body pollution during festival season
2. Solid waste management

With each passing year, Cummins has been consistently improving the content and reach of the program as a response to the feedback from the community. Improvising the communication strategy for improved retention, an animated character, 'Greeno' was introduced in 2015. A story based video starring 'Greeno' was developed in eight regional languages.

Leveraging the scale and reach of the Cummins dealership network and in continued partnership with iVolunteer and a new partner 'Times NIE' (News in Education), this year this program has successfully reached close to 7,30,000 students across the country. A significant water conservation and avoidance of carbon footprint can be expected even if just 10% of the students implement these learnings.

Big Problem - Simple Solution

Dams and reservoirs form an important source of water storage for cities and villages. Over the years, the capacity of dams to store water has been decreasing due to intense siltation. In a bid to increase the capacity of the Khadakwasla dam, Cummins has been working closely with NGO Green Thumb since 2012, to help in its de-siltation. As part of the Every Employee Every Community (EEEEC) initiative, Cummins employees have been passionately involved with this project.

This is a novel, yet simple solution for solving water scarcity. This has the potential to be replicated across nearly 1,800 dams in Maharashtra and more than 5,000 dams across India. Collaboration with the NGO, civic authorities, elected members, and community while adding representation from different corporates continued this year.

Reeling under severe water crisis in the year 2015 due to deficient monsoons, the Khadakwasla dam rejuvenation project has taken a significant upturn for the city of Pune. In 2015, the de-silting and catchment area treatment efforts were extended to phase three - a stretch of one kilometre, as a result of which approximately 6,500 million gallons of water was harvested for the city. Cummins engineers conducted contour survey, thus optimizing the cost of excavation. The treatment of the catchment area was further enhanced with plantations. An additional 5,000 saplings were planted in phase three while sustaining earlier afforestation efforts. The Company is committed to further scale up this project.

Creating Oxygen Hubs

Addressing the impact of rapid urbanization and industrialization on deforestation, Cummins has partnered with various NGOs to create oxygen hubs and increase the green cover by planting and maintaining more than 45,000 trees at various manufacturing locations of Cummins in India.

With strong partnerships with NGOs, community, civic authorities, elected members and the defense department in the city of Pune, Cummins continued to ensure high survival rate of all the trees planted. Stressing on the importance of protecting bio-diversity, efforts were focused towards planting and maintaining native trees and shrubs, using organic manure and deploying innovative methods to improve sustenance. Various water shed management initiatives for water conservation like continuous contour trenches and water body de-silting were also undertaken for higher survival rate of the trees. All these efforts have resulted in the development of more than 50 species of flora and fauna at the afforested sites. In the coming years, the aim is to create more such oxygen hubs around all Cummins locations.

Reducing Emissions

Emissions from automobiles, industries, and stationary power generation sources contribute to air pollution by emitting hydro-carbons (HC), Carbon Monoxide (CO) and particulate matter into the air. These emissions lead to severe health hazards such as chronic bronchitis, irregular heartbeats, heart diseases, lung cancer, aggravated asthma etc. Leveraging skills and technical expertise of Cummins engineers, a suitable aftertreatment device to be retrofitted on stationary power generation units which were certified as per the previous levels of emission norms, was developed. These devices help reduce emissions from these power generation units. Cummins dealers identified eight such power generating units at critical locations like schools, hospitals and residential areas and installed the aftertreatment devices. Generator set owners partnered in this mission of making the environment cleaner, healthier and greener. This initiative alone has reduced particulate matter by 85% which is equivalent to the reduction caused by planting 1,504 trees. This project has a potential to be replicated on all such power generating units across the country.

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

Cummins works on numerous advocacy initiatives with the respective industry associations as partners. All the issues that Cummins works on are related to the industry. For example, our Chairman and Managing Director is also the Chairman of the CII National Manufacturing Council which is working closely with the Government on the 'Make in India' campaign to make the manufacturing industry in India globally competitive. Similarly, the Society of Indian Automobile Manufacturers (SIAM) of which the Company is an active member, takes up issues related to the Auto sector with the Government, NGOs and think tanks. So, Cummins' advocacy issues on the automotive segment are with SIAM as a partner. Similarly, for issues on power generation, Cummins works with the Indian Diesel Engines Manufacturers Association (IDEMA). On broader issues relating to the environment and society, Cummins works with CII, FICCI and Assocham.

Cummins' major advocacy focus is on issues related to emissions for automotive, power generation and off-highway equipment. Cummins saw major success on this front with the announcement by the government on Europe-like CPCB II generator emissions. Every year Cummins works with respective associations to encourage better and tighter emission norms so as to improve the quality of air in the country. It is a strong catalyst for change as advanced technologies can lead to cleaner air.

Cummins' products are designed to offer fuel economy as not only does that lower fuel consumption and reduce carbon footprint but also conserves precious fossil fuels. All these efforts are done under the aegis of one or more industry associations. Cummins' target for the future are better and cleaner engines running on cleaner fuel while focusing on better technology for higher emissions.

Principle 8: Businesses should support inclusive growth and equitable development

Driven by a deep rooted belief that the opportunity to pursue a better life should be available to everyone, Cummins constantly tries to increase opportunities and equity for those most in need through targeted recruitment efforts as well as through various Corporate Responsibility projects that address social justice issues.

Creating 'Model Villages'

'Serving and improving the communities in which we live', is a Cummins value that is engrained in the culture of the organization and is most visibly demonstrated in the rural development work that the Company has undertaken to create model villages since 2010.

With a holistic development approach to build strong and sustainable communities around places where Cummins has operations, this program is implemented in collaboration with Cummins employees, communities, NGOs and research institutes.

In transforming the village, the Participatory Rural Appraisal (PRA) was adopted which is a tool used to calculate need assessments of the villages. The needs were prioritized and a long-term plan and framework was developed. The plan was implemented in a phased manner in collaboration with the community and all stakeholders. This is an exhaustive and detailed exercise which is aimed to bring out both stated and latent needs of the villagers.

The Cummins journey in rural development started way back at Nandal, a village that lacked basic amenities. The village is located near the Megasite. With a standardized framework for model village development, Cummins has now started working on 12 model villages around Cummins plants across the country. Till date, over 13 check dams and five ponds have been created saving close to 14 million gallons in the villages. 300 acres of additional land has been brought under cultivation and most model villages are no longer dependent on water tankers.

Cummins was presented with National Institute of Industrial Engineering's 'Sparsha – Best Project Award'- an initiative of Lakshya Corporate Social Responsibility (CSR) program for the second consecutive year for its Rural Development project on Model Villages.

Signature Project - Cummins College of Engineering for Women, Pune

The Cummins College of Engineering for Women (CCEW) was established in 1991 in Pune with Cummins partnering on the project with Maharshi Karve Stree Shikshan Samstha. This project was chosen as a Signature project in 2012-13. Under this initiative, the Company aims to enhance the quality of the institute such that it gets ranked amongst the top 5% privately-managed engineering institutes in India.

Cummins' senior executives are deeply involved in this project, frequently interacting with the faculty and students. The students get a chance to interact with the industry through internships and exchange programs. Regular PhDs and paper presentations keep the staff updated on technology. Continuous development of the College is being ensured through infrastructure enhancements and up-gradation of the lab.

In 2007, with Cummins' support, CCEW launched the four-year degree in Mechanical Engineering. 2011 saw the first ever all-women batch of 65 mechanical engineers graduate.

The focus in the last couple of years has been to help the College attain autonomous status and to enhance the employability of students. The Company has sponsored a certificate course in 'Innovation, Employability Skills Enhancement and Career Building' for students in the third year of the four-year program.

In 2015-16, during its silver jubilee, the college was granted academic autonomous status by the University Grants Commission effective academic year 2016-17. This is a significant milestone in the history of the college. This will allow the college to improve its curriculum to be more tuned towards the industry needs and make students graduating from this college, even more sought after. Till date, 7,219 women engineers have graduated from CCEW.

Technical Education for Communities (TEC)

A recent report by the Brookings Institution, Accenture and the Global Business Coalition for Education concludes that the world's current education systems will not be able to provide the skills training and education vitally needed by both businesses and communities. Global communities deserve improved educational outcomes to create jobs that make families and

communities stronger. Cummins and the Foundation are investing in education right now through Technical Education for Communities (TEC), a global initiative that works to bridge the technical skill gap through local vocational education programs. TEC delivers a standardized education program and set of tools to help education partners develop market-relevant curriculum, teacher training, career guidance and the practical experience needed by students.

Cummins has been associated with the Industrial Training Institute (ITI) in Phaltan since 2010 and has steadily enhanced the infrastructure and skills set of faculty and students. Equipping students with market relevant skills, Cummins initiated English speaking, employability and soft skills training for the students who majorly hail from local villages in and around Phaltan. A computer lab was recently set up where students benefit from hands-on training on computer skills. All this has steadily increased the number of applications for vocational education. Furthermore, creating the right environment in the school has led to an increase in the number of women candidates opting for vocational education.

Aligned to Cummins' CR strategy of horizontally deploying its learnings and the Cummins Operating System of treating Suppliers as partners, another TEC site has been initiated in Kolhapur. This site has the distinction of being the first global site where the supplier will be the front face with Cummins providing the process excellence support.

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

For Cummins, taking care of all its customers' after-market needs related to Cummins products is of top priority.

The Company continues to provide value to its Customers by:

- Establishing Key Account Management structure for customer support and engagement
- Developing standard sales process for the channel
- Increased dealer engagement
- Improving service penetration

The Customer Relationship Management (CRM) system - Cummins Dealer Operating System (CDOS) has been successfully deployed at all dealerships across India. This year, CDOS also underwent a technical upgrade making it an open user interface that helps extend customer support through mobile devices. Later this year, the Company also plans to employ resources for data analytics and business intelligence for the generated data so as to further enhance the customers' experience. Cummins further bolstered its presence in 'Distribution' by acquiring a dealership in order to get direct customer access and enhance the understanding of last mile operations.

World-class technical training infrastructure is a key enabler to delivering Customer Support Excellence. A state-of-the-art Technical Training Center in Phaltan was commissioned this year. This will enable the Company to further enhance its technical service capability in high horse power engines.

The Net Promoter Score, a measure of customer loyalty strengthened to 71% and the Distribution Business in India stood second in the global NPS scores across Cummins sites, worldwide.

The Distribution Business continued to leverage Six Sigma and has successfully executed 34 Customer Focused Six Sigma Projects. Most projects are aligned to key business initiatives such as Customer Support Excellence, Supply Chain Transformation, Profitable Growth, Business Process Improvements and Partnering with Channel partners to make them succeed.

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 2015-16, a total of 34 consumer cases are pending before various forums and the same are subjudice.



***Business
Responsibility
Report
2015-16
Executive
Summary***

This document summarizes the Business Responsibility Report and reflects Cummins' broad view on sustainability, including safety, diversity and people development and engagement in addition to the Company's environmental initiatives, efforts to nurture innovation and its community improvement programs.

Right Environment Statement

"Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

- Anant J. Talaulicar
Chairman and Managing Director
Cummins Group in India



Building Leadership skills at multiple levels of the organization through a series of initiatives -

- Global Leadership Development Program
- Building Success in Others Program
- Front Line Leadership Development Program
- Cummins Leadership Culture Sessions
- Five leadership skills
- Self aware authentic leadership
- Sponsored Education in partnership with premier institutions



Corporate Responsibility

Meaningful sustainable projects focusing on Higher Education, Energy and Environment and Social Justice and Infrastructure.



Cummins Scholarship Program

Making higher education accessible to meritorious students from financially and socially disadvantaged backgrounds.

744 students benefitted till date



NGO Development Program

Partnering with NGOs in reducing their operating cost to empower residents to lead a safe and healthy life.

Avoidance of **40** metric tons of carbon-dioxide footprint

Zero-Garbage and Beyond

Changing mindset and behaviors towards segregation and disposal of garbage, furthermore, generating electricity by recycling wet waste.

7,575 metric tons of carbon footprint avoided



School Children Become 'Change Agents'

A nationwide education campaign 'Coach Them Young' has been creating awareness amongst students towards water body pollution and solid waste management, since 2012.

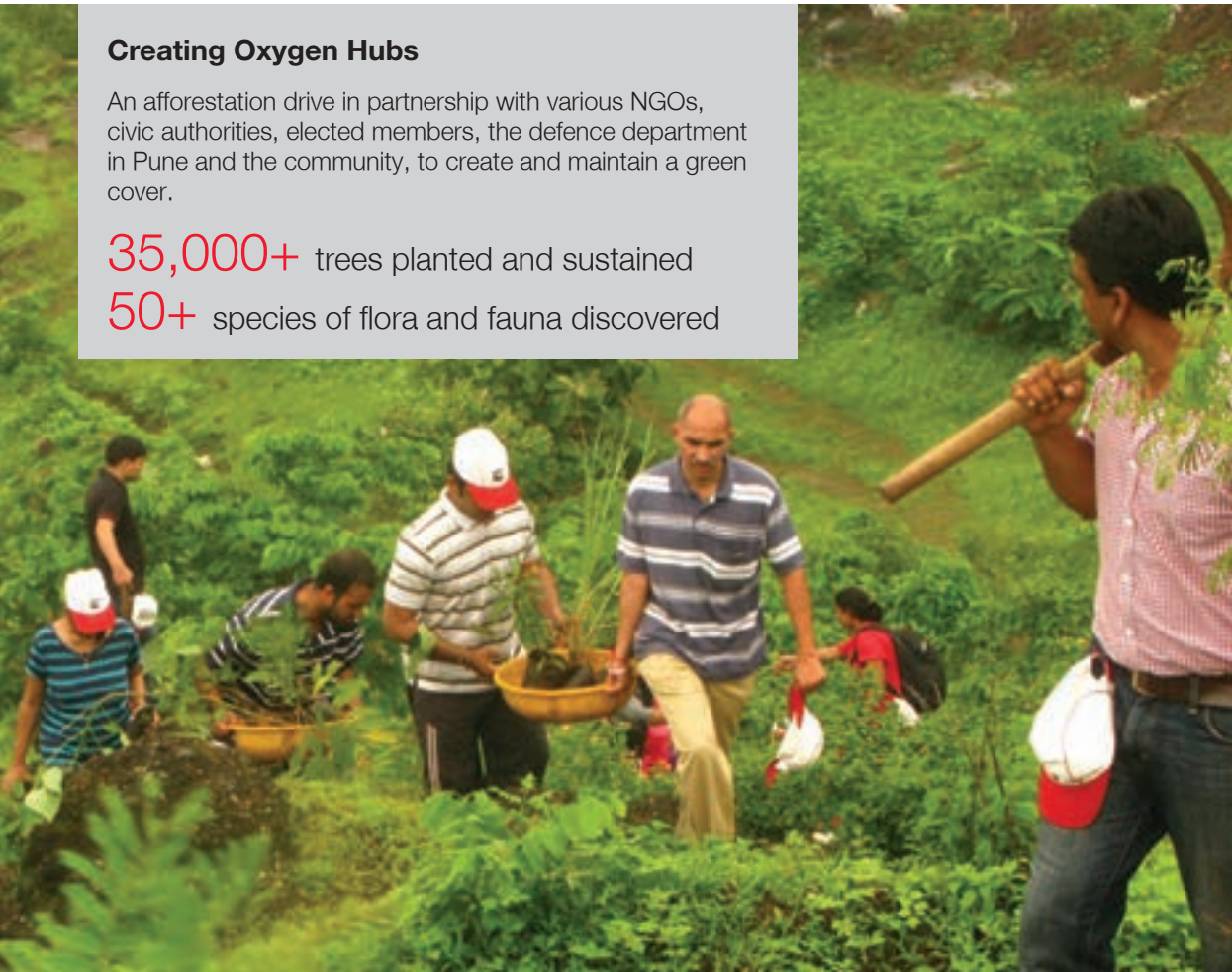
7,30,000 students and counting



Creating Oxygen Hubs

An afforestation drive in partnership with various NGOs, civic authorities, elected members, the defence department in Pune and the community, to create and maintain a green cover.

35,000+ trees planted and sustained
50+ species of flora and fauna discovered





Dewas,
Pithampur
2 villages

Jamshedpur
2 villages

Phaltan
7 villages

Ahmednagar,
Ranjangaon
2 villages

Creating 'Model Villages'

A holistic development approach to build self sustainable communities.

5 ponds

14 million gallons of water

13 check dams

300 acres land

Technical Education for Communities (TEC)

Partnering with Industrial Training Institutes in order to develop market relevant curriculum, provide teacher training, career guidance and practical experience for students pursuing vocational education-

- In Phaltan which houses our largest manufacturing campus
- In Kolhapur where majority of our suppliers are based



The Cummins College of Engineering for Women - Signature Project

Overall development of college infrastructure, faculty and students towards building a talent pipeline of women engineers for the industry. The newly acquired autonomous status effective academic year 2016-17, will make women engineers graduating from this college, a sought after talent.

7,219 women engineers since 1991



Towards Environmental Sustainability

- Green Supply Chain
- Returnable packaging
- Regenerative dynos for test cells
- Remanufactured engines and components
- Water neutral plants

Environmental Sustainability

- **15%** Waste reduction*
- **20%** Green House Gas reduction*
- **95%** Waste recycling rate*
- All plants comply with Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and Environment Management System (EMS) 14001 standard.

*Data pertains to Cummins India Limited

Health and Safety

Health and Wellness Program

- Physical Health
- Emotional Health
- Financial Health
- Workplace Health

Safety

- Safety First
- HSE begins with Me
- 'Live it Lead it' for Safety
- Injury Free Living - It's our Responsibility



"While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance."

*- J. Irwin Miller
Former CEO, Cummins Inc.*



Who we are

A group of complementary business units that design, manufacture, distribute and service engines, generator sets and related technologies.

Founded in
1962

India
Headquarters
Cummins India
Office Campus,
Pune

Over **10,000**
employees across India

Women represent

30% of the total
workforce

Markets and Segments

- Serves domestic markets in India, Nepal and Bhutan and exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations.
- Caters to segments like on-highway, railway, mining, construction, compressor, defence, marine, oil & gas and pumps.

Net Sales
(2015)

(consolidated and
unconsolidated)

₹ 10,262
crores

Cummins Megasite, Phaltan

7 world-class factories and

1 Parts Distribution Center

+ Another **14** factories
in other parts of India

Cummins Technical Center India, Pune

Global R&D Center for Cummins

worldwide **2,500** engineers on site
when fully operational in 2017

All factories and offices demonstrate the five principles



Safe



Green



Clean



Lean



Diverse

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