

Cummins Sales & Service Private Limited

**Financial Statements as
on 31st March, 2018**

Walker Chandlok & Co LLP

Walker Chandlok & Co LLP
(Formerly Walker, Chandlok & Co)
21st Floor, DLF Square
Jacaranda Marg, DLF Phase II
Gurgaon 122002
India

Independent Auditor's Report

To the Members of Cummins Sales & Service Private Limited

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Report on the Financial Statements

1. We have audited the accompanying financial statements of Cummins Sales & Service Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.



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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 auditor's 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 controls 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 these financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity 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 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in Annexure A, 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 purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Ind AS specified under Section 133 of the Act;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;
 - f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 16 May 2018 as per Annexure B expressing our unmodified opinion on adequacy and operating effectiveness of internal financial controls over financial reporting.



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- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company does not have any pending litigation which would impact its financial position;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Anamitra Das

per Anamitra Das

Partner

Membership No.: 062191



Place: Gurugram

Date: 16 May 2018

Walker ChandioK & Co LLP

Annexure A to the Independent Auditor's Report of even date to the members of Cummins Sales & Service Private Limited, on the financial statements for the year ended 31 March 2018

Annexure A

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of 3 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year except for goods in transit. No material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii)(a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
- (b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.
- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.



Walker Chandiok & Co LLP

Annexure A to the Independent Auditor's Report of even date to the members of Cummins Sales & Service Private Limited, on the financial statements for the year ended 31 March 2018

- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.
- (x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP

Chartered Accountants

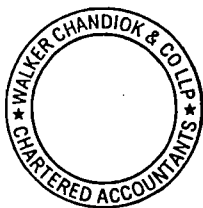
Firm's Registration No.: 001076N/N500013

Anamitra Das

per Anamitra Das

Partner

Membership No.: 062191



Place: Gurugram

Date: 16 May 2018

Walker ChandioK & Co LLP

Annexure B to the Independent Auditor's Report of even date to the members of Cummins Sales & Service Private Limited on the financial statements for the year ended 31 March 2018

Annexure B

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of Cummins Sales & Service Private Limited ('the Company') as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

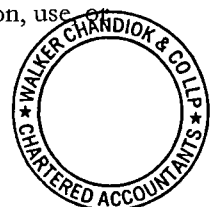
2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal 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 the Company's 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 IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") 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 IFCoFR were 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 IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, 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 IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR 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 IFCoFR 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.



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Annexure B to the Independent Auditor's Report of even date to the members of Cummins Sales & Service Private Limited on the financial statements for the year ended 31 March 2018

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR 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, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, 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 issued by ICAI.

Walker ChandioK & Co W
For Walker ChandioK & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Anamitra Das
per Anamitra Das
Partner
Membership No.: 062191



Place: Gurugram
Date: 16 May 2018

Cummins Sales & Service Private Limited
Balance sheet as at March 31, 2018

₹ Lacs

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	159.53	144.30
Capital work-in-progress	3	74.06	12.35
Other intangible assets	3	6.66	14.68
Financial assets			
Security Deposits	4	38.07	45.66
Non-current tax assets (net)	5	37.02	11.31
Deferred tax assets (net)	6	117.78	120.39
		433.12	348.69
Current assets			
Inventories	7	1,124.66	955.80
Financial assets			
Trade receivables	8	1,441.34	1,055.74
Cash and cash equivalents	9	1.79	18.38
Security Deposits	10	58.26	47.24
Other financial assets	11	4.76	3.16
Other current assets	12	111.96	41.35
		2,742.77	2,121.67
TOTAL		3,175.89	2,470.36
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	1,200.00	1,200.00
Other equity	14	165.28	3.06
		1,365.28	1,203.06
Non-current liabilities			
Provisions	15	151.25	129.25
		151.25	129.25
Current liabilities			
Financial liabilities			
Borrowings	16	529.60	135.68
Trade payables	17	398.62	303.81
Other financial liabilities	18	162.79	139.79
Other current liabilities	19	555.83	507.91
Provisions	15	12.52	9.85
Current tax liabilities (net)	20	-	41.01
		1,659.36	1,138.05
TOTAL		3,175.89	2,470.36

Summary of significant accounting policies

3

Notes 1 to 37 forms an integral part of the financial statements

This is the balance sheet referred to in our report of even date.

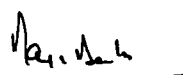
For Walker Chandiok & Co LLP
Chartered Accountants



per Anamitra Das
Partner



For and on behalf of the Board of Directors of
Cummins Sales & Service Private Limited



Rajiv Batra
(Director)
DIN No: 00082866



Madankumar Patil
(Director)
DIN No: 05149115



Ravinder Rana
(CFO)

Place: Gurugram
Date: 16th May 2018

Cummins Sales & Service Private Limited

Statement of profit and loss (including other comprehensive income) for the year ended March 31, 2018

₹ Lacs			
Particulars	Note No.	Year Ended March 31, 2018	Year Ended March 31, 2017
Revenue from operations	21	8,354.25	7,922.34
Other income	22	4.51	23.80
Total income		8,358.76	7,946.14
Expenses			
Purchase of traded goods and services	23	5,920.58	5,702.46
Change in inventories of traded goods	24	(168.86)	(95.45)
Employee benefit expenses	25	1,333.20	1,190.24
Finance costs	26	36.10	29.00
Depreciation and amortisation expense	3	59.81	68.69
Other expenses	27	967.12	887.33
Total expenses		8,147.95	7,782.27
Profit before tax		210.81	163.87
Tax expense			
Net Current tax		89.79	89.09
Tax expense pertaining to earlier years		(35.00)	-
Deferred tax	6	0.16	(30.18)
Total tax expense		54.95	58.91
Profit for the year		155.86	104.96
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods :			
Remeasurement gain on defined benefit plans		8.80	19.56
Income tax effect		(2.44)	(6.47)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		6.36	13.09
Other comprehensive income for the year, net of tax		6.36	13.09
Total comprehensive income for the year, net of tax		162.22	118.05
Earnings per equity share (for continuing operation):			
Basic and diluted earnings per share (₹)	28	1.30	0.87
(Nominal value per share ₹ 10)			

Summary of significant accounting policies

3

Notes 1 to 37 forms an integral part of these financial statements

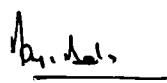
This is the statement of profit and loss (including other comprehensive income) referred to in our report of even date.


For Walker Chandiook & Co LLP
Chartered Accountants



per Anamitra Das
Partner



For and on behalf of the Board of Directors of
Cummins Sales & Service Private Limited


Rajiv Batra
(Director)
DIN No:00082866


Madankumar Patil
(Director)
DIN No: 05149115


Ravinder Rana
(CFO)

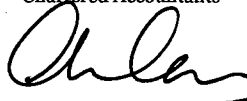
Place: Gurugram
Date: 16th May 2018

Cummins Sales & Service Private Limited
Cash flow statement for the year ended March 31, 2018

	₹ Laacs	
	Year ended March 31, 2018	Year ended March 31, 2017
A Cash flow from operating activities		
Profit before tax	210.81	163.87
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	59.81	68.69
Interest expense	33.81	25.42
Loss of disposal of property, plant & equipment	3.24	1.63
Bad debts written off	21.72	6.72
Other income	(3.82)	(4.54)
Provision for doubtful advances	7.48	0.30
Provision for excess and obsolete inventory	23.01	2.83
Provision for doubtful debts	10.12	30.30
Operating profit before working capital changes	366.18	295.22
Working capital adjustments:		
(Increase) in trade receivables	(417.44)	(90.36)
(Increase) in inventories	(191.87)	(98.28)
(Increase) in current security deposits	(18.51)	(1.51)
Decrease/ (increase) in non-current security deposits	7.59	(19.81)
(Increase)/ decrease in other current financial assets	(1.60)	0.48
(Increase) in other current assets	(70.60)	(16.18)
Increase in trade payables	94.81	88.18
Increase in employee payables	23.00	19.68
Increase in other current liabilities	47.91	87.10
Increase in non-current provisions	22.00	9.47
Increase in current provisions	11.48	40.01
Net cash flows from operating activities	(127.06)	314.00
Direct taxes paid	(121.52)	(52.92)
Net cash flows (used in)/from operating activities	(248.58)	261.08
B Cash flow from investing activities		
Purchase of property, plant and equipment	(133.02)	(82.76)
Proceeds from sale of property, plant and equipment	1.05	0.55
Interest received	3.84	7.20
Net cash flows used in investing activities	(128.13)	(75.01)
C Cash flow from financing activities		
Proceeds from borrowings	393.92	(164.90)
Interest paid	(33.81)	(25.42)
Net cash flow from/(used in) financing activities	360.11	(190.32)
Net decrease in cash & cash equivalents	(16.59)	(4.25)
Cash & cash equivalents at the beginning of the year	18.38	22.62
Cash & cash equivalent at the year end	1.79	18.38
Components of cash and cash equivalents:		
Cash on hand	1.43	2.38
Cheques/drafts on hand	-	14.58
Balances with banks in current account	0.36	1.42
	1.79	18.38

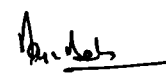
This is the cash flow statement referred to in our report of even date.

For Walker Chandio & Co LLP
Chartered Accountants



per Anamitra Das
Partner



For and on behalf of the Board of Directors of
Cummins Sales & Service Private Limited


Rajiv Batra
(Director)
DIN No:00082866


Madankumar Patil
(Director)
DIN No: 05149115


Ravinder Rana
(CFO)

Place: Gurugram
Date: 16th May 2018

Cummins Sales & Service Private Limited
Statement of changes in equity for the year ended March 31, 2018

A) Equity share capital

₹ Lacs

As at April 1, 2016	1,200.00
Changes in equity share capital	-
As at March 31, 2017	1,200.00
Changes in equity share capital	-
As at March 31, 2018	1,200.00

B) Other Equity

₹ Lacs

	Reserves and surplus	Other comprehensive income	Total
	Retained earnings	Remeasurement gain on defined benefit plans	
Balance as at April 1, 2016	(124.70)	9.71	(114.99)
Profit for the period	104.96	-	104.96
Other comprehensive income	-	19.56	19.56
Income tax effect	-	(6.47)	(6.47)
Balance as at March 31, 2017	(19.74)	22.80	3.06
Profit for the period	155.86	-	155.86
Other comprehensive income	-	8.80	8.80
Income tax effect	-	(2.44)	(2.44)
Balance as at March 31, 2018	136.12	29.16	165.28

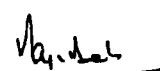
The above statement of changes in equity should be read in conjunction with the accompanying notes.

For Walker Chandiok & Co LLP
Chartered Accountants


per Anamitra Das
Partner



For and on behalf of the Board of Directors of
Cummins Sales & Service Private Limited


Rajiv Batra
(Director)
DIN No: 00082866


Madankumar Patil
(Director)
DIN No: 05149115


Ravinder Rana
(CFO)

Place: Gurugram
Date: 16th May 2018

Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

1. BACKGROUND AND NATURE OF OPERATIONS

Cummins Sales & Service Private Limited (formerly known as Cummins Svam Sales & Service Private Limited) was incorporated in India on 17 January 2012 under the provisions of the Companies Act, 1956. The Company was formed as joint venture between Cummins India Limited ('Cummins India') and SVAM Power Plants Private Limited ('SVAM Power'). The Company has become 100% subsidiary to Cummins India Limited with effect from October 1, 2015 as per approval of Board of Directors. The Company is engaged in trading of diesel engine components, oil and lubricants, batteries, DG sets and engines. The Company also provides repair and maintenance services to diesel engines and gensets manufactured by Cummins India Limited.

2. Recent accounting pronouncement

Ind AS 115 'Revenue from Contracts with Customers' (Ind AS 115)

Ministry of Corporate Affairs ('MCA') has notified new standard for revenue recognition which overhauls the existing revenue recognition standards including Ind AS 18 – Revenue and Ind AS 11 – Construction contracts. The new standard provides a control-based revenue recognition model and provides a five step application principle to be followed for revenue recognition:

1. Identification of the contracts with the customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of transaction price to the performance obligations in the contract (as identified in step ii)
5. Recognition of revenue when performance obligation is satisfied.

The effective date of the new standard is 1 April 2018. The management is in process to assess the impact of this new standard on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (IND AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements are prepared on a historical cost basis, except for certain financial assets and financial liabilities and defined benefit plans which have been measured at fair value.

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 Revised 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. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Use of estimates

The preparation of financial statements in conformity with IND AS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the period in which the results are known.

c) Property plant and equipment, depreciation and amortisation

- i) Property plant and equipment are stated at cost of acquisition or construction, net of accumulated depreciation and impairment loss (if any). All significant costs relating to the acquisition and installation of property plant and equipment are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.



Cummins Sales & Service Private Limited**Significant accounting policies and notes to financial statements for the year ended March 31, 2018**

Depreciation and amortisation is provided using the straight-line method based on the useful life of assets as specified in Schedule II of the Companies Act, 2013 except for leasehold improvement which is amortised over the period of lease or useful life of the asset, whichever is lower.

Asset	Useful life
Plant and machinery	15 years
Furniture and fittings	10 years
Tools	3 years
IT hardware & software	3/6 years
Office equipment	5 years
Vehicles	4/8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period

- ii) Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised 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.

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 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) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable inclusive of excise duty, taking into account contractually defined terms of payment excluding taxes or duties collected on behalf of the government.

i) Sale of goods

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. Revenue is measured at fair value of the consideration received or receivable, net off sales tax/ value added tax, trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The Company basis its estimates on historical results taking into consideration type of customer, type of transaction and specifics of each arrangement.

ii) Service income

Revenue is recognised as and when the services have been rendered as per the terms of agreements with customers, and no significant uncertainty exists regarding the amount of the consideration from the sale of services. The Company defers unearned revenue, including payments received in advance, until the related subscription period is complete as per the terms of the agreement with the customers.

iii) Interest income

Interest income is recognised using current rate of interest. Interest income is included in the finance income in the Statement of Profit and Loss. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.



Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

f) Lease charges under operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease charges under operating leases are recognised as an expense on straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for lessors expected inflationary cost increase.

g) Employee Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19- 'Employee Benefits'.

A) Post-employment benefits

i) Defined contribution plans:

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company has defined contribution plans for post employment benefits in the form of provident fund for employees which is administered by Regional Provident Fund Commissioner. The contributions are accounted for as employee benefit expense when they are due. Prepaid contribution is recognised as an asset to the extent cash refund or reduction in future contribution is available.

ii) Defined benefit plans

Unfunded Plan: The Company has defined benefit plans for Post-employment benefits in the form of Gratuity for all employees.

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.

B) Other long-term employee benefit (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 end of the year for active members.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The present value of defined benefit obligation denominated in INR is determined by discounting the estimated future cash flows by reference to the market yield at the end of the reporting period on the government bonds that has terms approximately the terms of the related obligation.



Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

h) Income-tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases in the financial statements. 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 are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 taxable entity and the same taxation authority.

i) Provisions and contingent liabilities

A provision is recognised when there is a present legal or constructive 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

j) Impairment of non-financial 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 realisable 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.

k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.



Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

m) Borrowings cost

Interest cost on borrowings is recognised as finance expense in Statement of Profit and Loss.

n) Foreign currency transactions

i) Initial recognition

Transactions in foreign currency are recorded in the reporting currency by applying to the foreign currency amount the exchange rate prevailing on the date of the transaction.

ii) Subsequent recognition

Monetary items denominated in foreign currency as at the balance sheet date are converted at the exchange rate prevailing on that date.

iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

o) Financial instruments

A) Financial assets

i) Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction costs that are attributable to the acquisition of the financial asset is also adjusted.

ii) Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.



Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its assets measured at amortised cost and assets measured at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the Company determines whether there has been a significant increase in credit risk.

iv) Derecognition of financial assets

A financial asset is derecognised when:

- The Company has transferred the right to receive cash flows from the financial assets; or
- Retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred the asset, the Company evaluated whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of the ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial assets, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

B) Financial liabilities

i) Initial recognition and subsequent measurement

All financial liabilities are recognized initially at fair value and in case of loans and borrowings and payables, net of directly attributable transaction cost.

ii) Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

C) Fair value of financial instruments

In determining the fair value of its financial instruments, the company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realization on future date.



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Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018

3. Property, plant and equipment and intangible assets

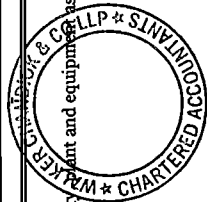
Particulars	Gross block (at cost)		Depreciation and Amortisation		Net block	
	As at	Additions	Deductions / Write-off	As at	As at	As at
	April 1, 2017			March 31, 2018	March 31, 2018	March 31, 2017
Tangible Assets:						
Leasehold Improvements	96.60	8.35	(10.32)	94.63	71.05	25.55
Tools	64.29	12.51	(9.41)	67.39	48.57	15.72
Computers	68.04	24.63	(3.16)	89.51	49.18	18.86
Plant and machinery	12.34	-	(0.00)	12.34	3.70	8.64
Office Equipment	53.71	13.23	(2.37)	64.57	28.19	25.52
Furniture and fittings	60.98	5.83	(6.75)	60.06	28.81	32.17
Vehicles	27.83	5.97		33.80	9.99	17.84
	383.79	70.52	(32.01)	422.30	239.49	144.30
Intangible Assets:						
Software	73.28	0.11	-	73.39	58.60	14.68
	73.28	0.11	-	73.39	58.60	14.68

Note: The Company has incurred capital work in progress of Rs 74.06 lac (March 31, 2017: Rs 12.35 Lac) for manpower utilised and ERP software and implementation cost.

3. Property, plant and equipment and intangible assets (Contd.)

Particulars	Gross block (at cost)		Depreciation and Amortisation		Net block	
	As at	Additions	Deductions / Write-off	As at	As at	As at
	April 1, 2016			March 31, 2017	March 31, 2017	March 31, 2016
Tangible Assets:						
Leasehold Improvements	83.93	12.67	-	96.60	59.23	24.70
Tools	40.18	24.11	-	64.29	34.92	5.26
Computers	54.63	13.41	-	68.04	42.54	12.09
Plant and machinery	12.34	-	-	12.34	2.37	9.97
Office Equipment	39.04	14.67	-	53.71	20.95	18.09
Furniture and fittings	60.68	0.30	-	60.98	19.80	40.88
Vehicles	31.97	-	(4.14)	27.83	6.17	25.80
	322.77	65.16	(4.14)	383.79	185.98	136.79
Intangible Assets:						
Software	68.03	5.25	-	73.28	45.38	22.65
	68.03	5.25	-	73.28	45.38	22.65

Note: In FY, the Company has elected to continue with the carrying value of property, plant and equipment as recognised in financial statements as per Indian GAAP and regard those values as deemed cost on the date of transition and has carried forward gross block and accumulated depreciation only for disclosure purposes.



Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018
4. Non-Current Security Deposits

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good Security deposits*	38.07	45.66
Unsecured, considered doubtful Security deposits*	-	2.00
Less: Provision for doubtful deposits	-	(2.00)
	38.07	45.66

* The security deposits are measured at amortised cost.

5. Non-current tax assets (net)

	As at March 31, 2018	As at March 31, 2017
Advance income-tax (net of provisions: March 31 2018: ₹248.65 Lacs; March 31, 2017: ₹ 29.45 Lacs)	37.02	11.31
	37.02	11.31

6. Deferred tax
A Deferred tax assets (net)

	As at March 31, 2018	As at March 31, 2017
Deferred tax asset		
Provision for doubtful debts	7.18	15.96
Provision for employee benefits	45.56	45.99
Depreciation	25.26	23.72
Other timing differences	39.78	34.72
	117.78	120.39

The Company offsets the tax assets and liabilities, if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of deferred tax assets (net)

	As at March 31, 2018	As at March 31, 2017
Provision for doubtful debts		
Opening balances	15.96	7.17
Tax income/ (expense) during the year recognised in profit and loss*	(8.78)	8.79
Closing balances	7.18	15.96
Provision for employee benefits		
Opening balances	45.99	40.01
Tax income/ (expense) during the year recognised in profit and loss*	2.02	12.45
Tax income/ (expense) during the year recognised in OCI*	(2.45)	(6.47)
Closing balances	45.56	45.99
Depreciation		
Opening balances	23.72	15.72
Tax income/ (expense) during the year recognised in profit and loss*	1.54	8.00
Closing balances	25.26	23.72
Other timing differences		
Opening balances	34.72	33.78
Tax income/ (expense) during the year recognised in profit and loss*	5.06	0.94
Closing balances	39.78	34.72
Closing balances	117.78	120.39

* Net of adjustment for change in tax rates.



Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

6. Deferred tax (Contd.)

B The major components of income tax expenses for the years ended March 31, 2018 and March 31, 2017 are:

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Statement of profit and loss:		
Current income tax		
Current income tax charge	89.79	89.09
Tax expense pertaining to earlier years	(35.00)	-
Deferred tax		
Relating of originating and reversal of temporary differences	0.16	(30.18)
Income tax expenses reported in the statement of profit and loss	54.95	58.91
Other comprehensive income:		
Income tax related to items recognised in OCI during the year:	(2.44)	(6.47)
Net loss/ (gain) on remeasurments of defined benefit plans	(2.44)	(6.47)

C **Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017**

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Accounting profit before tax	210.81	163.87
At India's statutory Income tax rate of 33.063% (March 31, 2017: 33.063 %)	69.70	54.18
Adjustment in respect of income tax related to earlier year	(35.00)	-
Impact due to change in tax rate	22.66	-
Others	(2.41)	4.73
Income tax expenses reported in the statement of profit and loss	54.95	58.91

7. Inventories

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Traded goods [including stock-in-transit ₹ 212.02 lacs ; (March 31, 2017: ₹ 132.51 lacs)]	1,124.66	955.80
	1,124.66	955.80

Note:

- During the year ended March 31, 2018, ₹ 16.17 lacs (March 31, 2017: ₹ 13.21 lacs) was recognised as an expense for inventories carried at net realisable value.
- During the year ended March 31, 2018, ₹ 128.00 lacs (March 31, 2017: ₹ 104.99 lacs) was recognised as an expense for excess and obsolete inventories.
- Inventory is pledged as security against limit sanctioned by HDFC bank.

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Cummins Sales & Service Private Limited

Significant accounting policies and notes to financial statements for the year ended March 31, 2018

8. Trade receivables

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Trade receivables	1,310.05	927.26
Trade receivables from related parties	131.29	128.48
	1,441.34	1,055.74

Break up for security details

Unsecured, considered good	1,441.34	1,055.74
Unsecured, considered doubtful	10.12	48.28
	1,451.46	1,104.02
Less: Provision for doubtful debts	(10.12)	(48.28)
	1,441.34	1,055.74

Reconciliation of provision for doubtful debts

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Opening provision	48.28	21.68
Add: Additions	31.84	33.32
Less: Write-offs*	(70.00)	(6.72)
Closing provision	10.12	48.28

* Total bad debts written-off during the year ended March 31, 2018 was ₹ 70.00 lacs, out of which ₹ 48.28 Lacs was written-off from opening provision.

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Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018
9. Cash and cash equivalents

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Cash on hand	1.43	2.38
Cheque on hand	-	14.58
Balance with banks in current accounts	0.36	1.42
	1.79	18.38

10. Current Security Deposits

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Security deposits*	57.65	46.65
Interest accrued on security deposits	0.61	0.59
Unsecured, considered doubtful		
Security deposits*	15.69	8.20
Less: Provision for doubtful deposits	(15.69)	(8.20)
	58.26	47.24

* The security deposits are measured at amortised cost.

Reconciliation of provision for doubtful security deposits

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Opening provision	8.20	4.20
Add: Additions	7.49	4.00
Closing provision	15.69	8.20

11. Other current financial assets

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Employee advances	2.96	1.36
Others	1.80	1.80
Unsecured, considered doubtful		
Employee advances	-	0.71
Less: Provision for doubtful employee advances	-	(0.71)
	4.76	3.16

Reconciliation of provision for doubtful employee advances

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Opening provision	0.71	0.77
Add: Additions	-	-
Less: Write-offs	(0.71)	(0.06)
Closing provision	-	0.71

12. Other current assets

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Balances with statutory/government authorities	63.31	18.26
Prepaid expenses	33.49	19.94
Advance to suppliers	15.16	3.15
Unsecured, considered doubtful		
Advance to suppliers	-	0.81
Less: Provision for doubtful advance to suppliers	-	(0.81)
	111.96	41.35



Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018

13. Share capital

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Authorised		
12,000,000 equity shares of ₹ 10 each	1,200.00	1,200.00
Issued, subscribed and fully paid-up shares		
12,000,000 equity shares of ₹ 10 each	1,200.00	1,200.00
	1,200.00	1,200.00

a. Reconciliation of number of shares

Equity shares	As at March 31, 2018		As at March 31, 2017	
	Nos.	₹ Lacs	Nos.	₹ Lacs
Balance as at the beginning of the year	1,20,00,000	1,200.00	1,20,00,000	1,200.00
Balance as at the end of the year	1,20,00,000	1,200.00	1,20,00,000	1,200.00

b. Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each shareholder is entitled to one vote per share held. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c. Of the above equity shares, 11,999,990 (March 31, 2017: 11,999,990) shares of ₹ 10 each are held by the Holding Company, Cummins India Limited and as at April 1, 2015, shares were held by JV partners Cummins India Limited and Svam Power Plants Private Limited in ratio of 50:50. Of the remaining 10 equity shares, 5 equity shares each are held by Mr. Rajiv Batra and Mr. K. Venkata Ramana, whose beneficial ownership is with the Holding Company, Cummins India Limited.

d. No shares have been allotted as fully paid-up shares by way of bonus issues nor has any bought back of shares happened during the period of five years immediately preceding the reporting date. During the year ended 31 March 2012, the Company had issued 5,974,980 equity shares to SVAM Power Plants Private Limited, pursuant to joint venture contract dated 11 February 2012 without payment being received in cash. These shares have been acquired by Cummins India Limited as part of the re-organisation.

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

	As at March 31, 2018		As at March 31, 2017	
	Nos.	%	Nos.	%
Equity shares of ₹ 10 each fully paid				
Cummins India Limited (Refer note c above)	1,19,99,990	100.00%	1,19,99,990	100.00%

14. Other equity

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Opening balance	3.06	(114.99)
Profit for the year	155.86	104.96
Other comprehensive income for the year	6.36	13.09
Closing balance/(deficit)	165.28	3.06

15. Provisions

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Provision for post retirement benefit and compensated absences (Refer note 31)	163.77	139.10
	163.77	139.10
Current provisions	12.52	9.85
Non-current provisions	151.25	129.25
	163.77	139.10



Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018
16. Borrowings

	₹ Lacs	
	As at	As at
	March 31, 2018	March 31, 2017
Loans repayable on demand	529.60	135.68
	529.60	135.68

Cash credit and demand loan availed from HDFC bank for working capital financing, being repayable on demand, against hypothecation of stocks and book debts (ageing less than equal to 90 days). Rate of interest is calculated on 365 days basis ranges between 7% to 9% per annum.

17. Trade payables

	₹ Lacs	
	As at	As at
	March 31, 2018	March 31, 2017
Trade payables	187.91	129.53
Trade payables to related party	210.71	174.28
	398.62	303.81

- a. The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro, small and medium enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2018 has been made in the financials statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the MSMEDA is not expected to be material.
- b. Trade payables are non-interest bearing and are normally settled at 60 days terms. For terms and conditions and transactions with related party refer note 32.

18. Other financial liabilities

	₹ Lacs	
	As at	As at
	March 31, 2018	March 31, 2017
Employee payables		
Salaries, wages and bonus payable	162.79	139.79
	162.79	139.79

19. Other current liabilities

	₹ Lacs	
	As at	As at
	March 31, 2018	March 31, 2017
Statutory dues including tax deducted at source	38.69	63.79
Unearned revenue	283.69	244.91
Advances from customers	233.45	199.21
	555.83	507.91

20. Current tax Liability (net)

	₹ Lacs	
	As at	As at
	March 31, 2018	March 31, 2017
Provision for income tax (Net of advance tax: March 31 2018:Nil; March 31, 2017: 123.47 Lacs)	-	41.01
	-	41.01

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Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018
21. Revenue from operations

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Sale of traded goods*	6,651.46	6,412.81
Sale of services	1,702.79	1,509.53
	8,354.25	7,922.34

* The Company trades in numerous components which are used in the repair and maintenance of generator and related machinery. Since, these traded goods fall under the category of 'Spare Parts', thus a detailed disclosure of type of spare parts sold has not been given.

22. Other income

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Interest income on security deposits	3.82	4.54
Interest on income tax refunds	-	2.53
Miscellaneous income	0.69	16.73
	4.51	23.80

23. Purchase of traded goods and services

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Purchase of traded goods - spare parts and consumables*	5,804.50	5,587.42
Direct expenses - repair charges for job works	116.08	115.04
	5,920.58	5,702.46

* The Company trades in numerous components which are used in the repair and maintenance of generator and related machinery. Since, these traded goods falls under the category of 'Spare parts', thus a detailed disclosure of type of spare parts purchased has not been given.

24. Change in inventories of traded goods

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Inventories at the beginning of the year Traded goods	955.80	860.35
Inventories at the end of the year Traded goods	(1,124.66)	(955.80)
	(168.86)	(95.45)

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Cummins Sales & Service Private Limited
Significant accounting policies and notes to financial statements for the year ended March 31, 2018
25. Employee benefit expenses

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Salaries, wages and bonus	1,203.14	1,071.02
Contribution to provident and other funds	91.77	83.70
Staff welfare expenses	38.29	35.52
	1,333.20	1,190.24

26. Finance costs

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Interest cost	33.81	25.42
Bank charges	2.29	3.58
	36.10	29.00

27. Other expenses

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Communication expenses	51.79	44.88
Sales promotion and advertisement	4.80	1.71
Legal and professional fees	216.37	197.83
Travelling & conveyance	164.72	147.55
Repairs and maintenance		
-Buildings	6.52	2.33
-Others	27.00	20.04
Provision for doubtful debts and advances	17.60	30.59
Power and fuel consumed	20.12	22.19
Printing and stationery	9.92	7.96
Rent	113.83	115.65
Service charges for business support	48.09	40.78
Insurance	27.70	19.66
Freight outward	60.70	59.04
Wages to casual labour	56.95	69.65
Contracted security	36.67	36.00
Bad debts written off	21.72	6.72
Payment to auditors (refer details below)	10.14	9.58
Net loss on fixed assets sold	3.24	1.63
Miscellaneous expenses	69.24	53.54
	967.12	887.33

Payment to auditors

	₹ Lacs	
	Year ended March 31, 2018	Year ended March 31, 2017
Statutory audit	8.50	7.75
Tax audit	1.50	1.25
Out of pocket expenses	0.14	0.58
	10.14	9.58

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Cummins Sales & Service Private Limited**Significant accounting policies and notes to financial statements for the year ended March 31, 2018****28. 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 :

	Year ended March 31, 2018	Year ended March 31, 2017
Profit for the year after taxation (₹ Lacs)	155.86	104.96
Weighted average number of shares outstanding during the year	1,20,00,000	1,20,00,000
Face value per share (₹)	10.00	10.00
Earnings per share (Basic and Diluted) (₹)	1.30	0.87

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Cummins Sales & Service Private Limited**Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018****29. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimation on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Defined benefit plans (gratuity benefits):

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Discount rate is the parameter which is subject to change. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for India. Mortality tables change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in Note 31.

Fair value measurements of financial instruments:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where there is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument.

30. Contingent liabilities and commitments**(a) Contingent liabilities**

Bank guarantees
Show cause notice of service tax

₹ Lacs	
Year ended March 31, 2018	Year ended March 31, 2017
33.52	37.80
3.62	3.62
37.14	41.42

(b) Commitment

Estimated value of contracts remaining to be executed on capital account and not provided for: ₹8.50 Lacs (previous year : ₹36 Lacs)



Cummins Sales & Service Private Limited
Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018

31. Employee benefit plans

A. Defined contributions plans

The Company has recognised the following amounts in statement of profit and loss for the year :

Sr. No.	Particulars	₹ Lacs	
		Year ended March 31, 2018	Year ended March 31, 2017
i)	Employees provident fund*	67.40	59.45
ii)	Employees state insurance	18.06	17.63
		85.46	77.08

* This does not include provident fund administration charges.

B. Defined benefits plans

The following figures are as per actuarial valuation, as at the Balance Sheet date, carried out by an independent actuary:

a. The amount recognised in the Statement of Profit and Loss:

Sr. No.	Particulars	₹ Lacs	
		Year ended March 31, 2018	Year ended March 31, 2017
i)	Current service cost	29.63	31.29
ii)	Interest cost	7.47	7.21
iii)	Actuarial (gains)/losses reclassified to other comprehensive income	(8.80)	(19.56)
		28.30	18.94

b. The amount recognised as other comprehensive income:

Sr. No.	Particulars	₹ Lacs	
		Year ended March 31, 2018	Year ended March 31, 2017
i)	Actuarial (gains)/losses	(8.80)	(19.56)
		(8.80)	(19.56)

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

Sr. No.	Particulars	₹ Lacs	
		As at March 31, 2018	As at March 31, 2017
	Opening DBO	108.76	90.52
i)	Current Service Cost	29.63	31.29
ii)	Interest Cost	7.47	7.21
iii)	Actuarial (Gains) / Losses	(8.80)	(19.56)
iv)	Benefits Paid	(7.06)	(0.70)
	Closing DBO	130.00	108.76
	Current DBO	9.12	6.95
	Non-current DBO	120.88	101.81

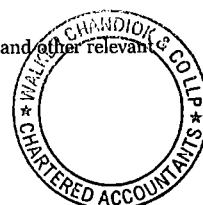
d. Expected contribution to the fund in the next year:

Sr. No.	Particulars	₹ Lacs	
		As at March 31, 2018	As at March 31, 2017
i)	Contribution to gratuity fund	9.46	7.19
		9.46	7.19

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

Sr. No.	Particulars	Year ended	
		March 31, 2018	March 31, 2017
i)	Discount rate	7.60%	7.10%
ii)	Salary escalation rate	9.00%	9.00%
iii)	Withdrawal rate	8.00%	8.00%
iv)	Mortality rate	Indian assured lives mortality (2006-08) (modified)ult	Indian assured lives mortality (2006-08) (modified)ult

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



Cummins Sales & Service Private Limited
Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018

31. Employee benefit plans (Contd.)

f. Experience adjustment history:

		₹ Lacs				
Sr. No.	Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
i)	Defined benefit obligation at end of the period	(130.00)	(108.76)	(90.52)	(69.53)	(34.43)
ii)	Funded status	(130.00)	(108.76)	(90.52)	(69.53)	(34.43)
iii)	Experience Gain/(Loss) adjustments on plan Liabilities	2.53	4.01	11.57	3.71	(1.36)
iv)	Actuarial Gain/(Loss) due to Change on assumptions	6.27	15.55	2.94	(14.05)	6.20

g. A quantitative sensitivity analysis for significant assumption as at March 31, 2018 is as shown below:

		₹ Lacs					
Sr. No.	Assumptions	Year ended March 31, 2018		Year ended March 31, 2018		Year ended March 31, 2018	
		Discount rate		Future salary increase		Withdrawal rate	
	Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
i)	Gratuity fund	(5.80)	6.27	6.17	(5.76)	(6.86)	11.77

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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Cummins Sales & Service Private Limited
Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018

32. Related party disclosures

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

Name of related party	Nature of relationship
Cummins India Limited	Holding Company
Valvoline Cummins Private Limited	Entity controlled by Holding Company
Cummins Technologies India Private Limited	Entity controlled by Holding Company
Cummins Inc.	Ultimate holding company
Mr. Rajiv Batra	Key management personnel
Ms. Bhavna Bindra	Key management personnel
Mr. Madankumar Kotragauda Patil	Key management personnel
Mr. Ritesh Dungarwal	Key management personnel (resigned on December 31, 2016)
Mr. Anmol Batra	Key management personnel (w.e.f on February 17, 2017)

b) The following table provides the total amount of transactions and balances with related parties pertaining to the relevant financial year:

Name of the party	Nature of transaction	₹ Lacs	
		Year ended March 31, 2018	Year ended March 31, 2017
Cummins India Limited	Purchase of genset spare parts	3,990.22	3,844.81
	Service charges for business support	48.09	41.66
	Professional charges (refer note (i) below)	203.33	177.01
	Training expenses	13.78	2.13
	Software charges	20.06	15.51
	Others	1.19	3.42
	Parts Sale	1,217.50	1,141.24
	Service Sale	392.30	392.22
Valvoline Cummins Limited	Purchase of oil and lubricants	1,343.02	1,343.17
	Service Sale	10.44	8.29
Cummins Technologies India Private Limited	Service Sale	0.13	0.12
	Parts Sale	1.02	0.04
	Professional Charges	2.13	2.56
	Others	-	1.15
Cummins Inc.	Purchase of software licenses	0.26	1.69

c) Outstanding balances

Particulars	Name of the Party	₹ Lacs	
		As at March 31, 2018	As at March 31, 2017
Cummins Technologies India Private Limited	Trade payable	0.65	0.70
Cummins India Limited	Trade payable	117.07	126.72
Valvoline Cummins Private Limited	Trade payable	92.99	46.86
		210.71	174.28
Cummins India Limited	Trade receivable	131.19	127.42
Cummins Technologies India Private Limited	Trade receivable	0.10	1.06
		131.29	128.48

i) This Includes amount of ₹ 63.26Lac paid towards managerial remuneration for Mr. Anmol Batra.

ii) Terms and conditions of transactions with related parties:

The sales to and purchases from related parties including services are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received from any related party receivables or payables. For the year ended March 31, 2018, the Company has not recorded any impairment of receivables relating to amounts owned by related parties (March 31, 2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii) The information given above, has been reckoned on the basis of information available with the Company and relied upon by the auditors.



Cummins Sales & Service Private Limited
Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018

33. Segment information

The Company is of the view that it operates in one segment viz. 'Sale of Engine Spare Parts & related Services' and hence no disclosure has been made.

34. Fair value disclosures

(i) Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and liabilities measured at fair value - recurring fair value measurements

The Company does not have any financial instruments which are measured at Fair value either through statement of profit and loss or through other comprehensive income.

(iii) Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows:

Particulars	Level	31 March 2018		31 March 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Security deposits	Level 3	38.07	38.07	45.66	45.66

The management assessed that cash and cash equivalents, trade receivables, other short term financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The fair values for security deposits received were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

35. Financial risk management

Financial risk factors:

The Company has an Audit and Risk Management Committee (ARMC) to manage risks including financial risks. The ARMC provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investments in liquid funds which focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

a) Market risk

i) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which will fluctuate because of changes in the market interest rates.

₹ Lacs			
Interest rate	% change	Year ended March 31, 2018 Effect on Profit before tax	Year ended March 31, 2017 Effect on Profit before tax
7.90%	1% Increase	(4.01)	
	1% Decrease	(4.01)	
8.15%	1% Increase		(3.12)
	1% Decrease		3.12

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily from trade receivables and other receivables. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at year end, as summarised below:

	₹ Lacs	
	As at March 31, 2018	As at March 31, 2017
Non-current financial assets		
Security Deposit	38.07	45.66
Current financial assets		
Trade receivables	1,441.34	1,055.74
Cash and cash equivalents	1.79	18.38
Security deposits	58.26	47.24
Other financial assets	4.76	3.16
	1,544.22	1,170.18



Cummins Sales & Service Private Limited

Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018

The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

An impairment analysis is performed at each reporting date on an individual basis for all customers.

c) Liquidity risk

Cash flow forecasting is performed by treasury function. Treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the compliance with internal cash management policy.

					₹ Lacs	₹ Lacs
March 31, 2018	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
Borrowings	529.60	-	-	-	-	529.60
Trade payables	-	398.62	-	-	-	398.62
Other financial liabilities	-	162.79	-	-	-	162.79

March 31, 2017	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
Borrowings	135.68	-	-	-	-	135.68
Trade payables	-	303.81	-	-	-	303.81
Other financial liabilities	-	139.79	-	-	-	139.79

d) Capital Management

The Company's objectives when managing capital are to provide maximum returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments in light of changes in economic conditions.

The gearing ratio is calculated as net debt divided by total capital. Net Debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus all other equity reserves attributable to equity holders of the Parent Company.

		₹ Lacs	₹ Lacs
		As at March 31, 2018	As at March 31, 2017
Borrowings		529.60	135.68
Less: Cash and cash equivalents		(1.79)	(18.38)
Net Debt		527.81	117.30
Equity and other equity		1,365.28	1,203.06
Equity+Net debt		1,893.09	1,320.36
Gearing ratio		38.66%	9.75%

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Cummins Sales & Service Private Limited**Significant Accounting Policies & Notes to Financial Statements for the year ended March 31, 2018****36. Expenditure in foreign currency (on accrual basis)**


Purchase of software licenses

₹ Lacs	
Year ended March 31, 2018	Year ended March 31, 2017
0.26	1.69
0.26	1.69

37. Transfer pricing

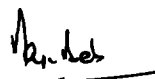
Per transfer pricing legislations, the Company is required to use certain specific methods in computing arm's length prices of domestic transactions with associated enterprises and maintain adequate documentation in this respect. The legislations require such information and documentation to be contemporaneous in nature. The Company has appointed independent consultants (the 'Consultant') for conducting the Transfer Pricing Study (the 'Study') to determine whether the transactions with associate enterprises undertaken during the financial year are on an "arm's length basis". Management is of the opinion that the Company's transactions are at arm's length and requires no transfer pricing adjustments.

For Walker Chandio & Co LLP
Chartered Accountants


per Anamitra Das
Partner



For and on behalf of the Board of Directors of
Cummins Sales & Service Private Limited


Rajiv Batra
(Director)
DIN No: 00082866


Madankumar Patil
(Director)
DIN No: 05149115


Ravinder Rana
(CFO)

Place: Gurugram
Date: 16th May 2018