

Walker Chandiook & Co LLP

Walker Chandiook & Co LLP
(Formerly Walker, Chandiook & Co)
L-41 Connaught Circus
New Delhi 110001
India

T +91 11 4278 7070
F +91 11 4278 7071

Independent Auditor's Report

To the Members of Cummins Sales & Services Private Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Cummins Sales & Services Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, 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.
2. 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 Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Walker Chandiook & Co LLP

Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited, on the financial statements for the year ended 31 March 2020 (Cont'd)

Information other than the Financial Statements and Auditor's Report thereon

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The Annual Report is not made available to us at the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

5. The accompanying financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the 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 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.
6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
7. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



Walker Chandiok & Co LLP

Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited, on the financial statements for the year ended 31 March 2020 (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

11. Based on our audit, we report that the Company has not paid or provided for any managerial remuneration to its directors during the year. Accordingly, reporting under section 197(16) of the Act is not applicable.
12. 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 I a statement on the matters specified in paragraphs 3 and 4 of the Order.
13. Further to our comments in Annexure I, as required by section 143(3) of the Act, based on our audit, 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 purpose of our audit of the accompanying financial statements;
 - 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 2020 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 8 June 2020 as per Annexure II expressed unmodified opinion; and



Walker Chandiok & Co LLP

Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited, on the financial statements for the year ended 31 March 2020 (Cont'd)

- 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, as detailed in note 29 to the financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2020;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and
 - 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.

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



Arun Tandon
Partner
Membership No.: 517273



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:47:06 +05:30

UDIN: 20517273AAAABN6368

Place: New Delhi
Date: 8 June 2020

Walker Chandiook & Co LLP

Annexure I to the Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited on the financial statements for the year ended 31 March 2020

Annexure I

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 property, plant and equipments.
- (b) The property, plant and equipments have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the property, plant and equipment is reasonable having regard to the size of the Company and the nature of its assets.
- (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 and 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.
- (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.



Walker Chandiok & Co LLP

Annexure I to the Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited on the financial statements for the year ended 31 March 2020

- (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 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.

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

Arun Tandon
Partner
Membership No.: 517273



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:47:06 +05:30

UDIN- 20517273AAAABN6368

Place: New Delhi
Date: 8 June 2020

Walker Chandiook & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited) on the financial statements for the year ended 31 March 2020

Annexure II

Independent Auditor's Report on the internal financial controls with reference to the financial statements 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 & Services Private Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance 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 the 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 for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and 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 internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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 controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements 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 with reference to financial statements include 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



Walker Chandiok & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Cummins Sales & Services Private Limited) on the financial statements for the year ended 31 March 2020

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 with Reference to Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements 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 with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on 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 ICAI.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:47:06 +05:30

Arun Tandon

Partner

Membership No.: 517273

UDIN: 20517273AAAAABN6368

Place: New Delhi

Date: 8 June 2020

Cummins Sales & Service Private Limited			
Balance sheet as at March 31, 2020			
₹ Lacs			
Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	514.17	166.47
Other intangible assets	3	54.05	69.02
Financial assets			
Security deposits	4	50.09	33.08
Non-current tax assets (net)	5	107.84	62.54
Deferred tax assets (net)	6	188.55	150.05
		914.70	481.16
Current assets			
Inventories	7	965.87	1,149.96
Financial assets			
Trade receivables	8	1,486.95	1,738.72
Cash and cash equivalents	9	5.00	12.23
Security deposits	10	106.60	91.06
Other financial assets	11	20.16	3.91
Other current assets	12	159.85	101.20
		2,744.43	3,097.08
Total		3,659.13	3,578.24
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	1,200.00	1,200.00
Other equity	14	550.65	401.43
		1,750.65	1,601.43
Non-current liabilities			
Provisions	15	288.61	200.10
Non-current financial liabilities			
Lease liability		305.56	-
		594.17	200.10
Current liabilities			
Financial liabilities			
Borrowings	16	390.49	342.96
Lease liability		110.52	-
Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	17	15.42	29.19
- Total outstanding dues of creditors other than micro enterprises and small enterprises	17	143.06	649.56
Other financial liabilities	18	194.00	174.56
Other current liabilities	19	441.62	568.62
Provisions	15	19.20	11.81
		1,314.31	1,776.70
Total		3,659.13	3,578.24

1-41

For Walker Chandiok & Co LLP
Chartered Accountants
Firms Registration Number: 001076N/N500013



2020.06.08
20:57:55 +05:30

RAJIV
SARAV
BATRA

Date: 2020.06.08 14:19:14 +0530

Digitally signed
by SHVETA ARYA
Date: 2020.06.08
13:35:36 +05'30'

Ravinder Singh Rana Digitally signed by Ravinder Singh Rana
Date: 2020.06.08 13:29:57 +05'30'

Place: New Delhi
Date: 8 June 2020

Cummins Sales & Service Private Limited
Statement of profit and loss (including other comprehensive income) for the year ended March 31, 2020

₹ Lacs			
Particulars	Note No.	Year Ended March 31, 2020	Year Ended March 31, 2019
Revenue from operations	20	10,549.40	10,143.42
Other income	21	96.53	3.80
Total income		10,645.93	10,147.22
Expenses			
Purchase of traded goods and services	22	7,108.86	6,932.65
Change in inventories of traded goods	23	184.09	(25.30)
Employee benefit expenses	24	1,756.82	1,611.36
Finance costs	25	77.30	55.05
Depreciation and amortisation expense	3	191.63	77.75
Other expenses	26	1,074.55	1,170.87
Total expenses		10,393.25	9,822.38
Profit before tax		252.68	324.84
Tax expense			
Net Current tax		104.30	122.63
Tax expense pertaining to earlier years		(8.96)	(11.68)
Deferred tax credit	6	(26.77)	(29.49)
Total tax expense		68.57	81.45
Profit for the year		184.11	243.39
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent years :			
Remeasurement gain on defined benefit plans		(23.21)	(10.01)
Income tax effect		5.84	2.79
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years		(17.37)	(7.22)
Other comprehensive loss for the year, net of tax		(17.37)	(7.22)
Total comprehensive income for the year, net of tax		166.74	236.16
Earnings per equity share			
Basic and diluted earnings per share (₹)	27	1.53	2.03
(Nominal value per share ₹ 10)			

Summary of significant accounting policies and other explanatory information.

1-41

This is the statement of profit and loss referred to in our report of even date.

For Walker Chandiok & Co LLP

Chartered Accountants

Firms Registration Number: 001076N/N5C

Arun Tandon

Partner

Membership Number: 517273



Digitally signed
by Arun Tandon
Date: 2020.06.08
20:57:55 +05:30

RAJIV
SARAV
BATRA

Rajiv Batra

(Director)

DIN No:00082866

Digitally signed by RAJIV SARAV
BATRA
DN: cn=RAJIV SARAV BATRA, c=IN,
o=rajivbatra, ou=Personal,
serialNumber=D556D1408340784,
dnQualifier=rajivbatra,
email=rajivbatra@gmail.com
Date: 2020.06.08 14:20:14 +05'30'

Ravinder
Singh Rana

Ravinder Rana

(CFO)

Digitally signed by
Ravinder Singh
Rana
Date: 2020.06.08
13:30:49 +05'30'

For and on behalf of the Board of Directors of

Cummins Sales & Service Private Limited

SHVETA
ARYA

Shveta Arya

(Director)

DIN No:08540723

Digitally signed
by SHVETA ARYA
Date: 2020.06.08
13:36:15 +05'30'

Place: New Delhi

Date: 8 June 2020

Cummins Sales & Service Private Limited
Cash flow statement for the year ended March 31, 2020

	Year ended Mar 31, 2020	Year ended March 31, 2019
A Cash flow from operating activities		
Profit before tax	252.68	324.84
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	191.63	77.75
Interest expense	77.30	55.05
Loss/(gain) on disposal of property, plant and equipment/assets written-off	(0.17)	1.08
Provision for earlier years written back	(90.91)	-
Adjustment on adoption of Ind As 116	(23.42)	-
Interest income	(5.45)	(3.80)
Provision for doubtful advances	-	0.41
Provision for excess and obsolete inventory	90.92	(6.40)
Provision for doubtful debts	44.00	48.01
Operating profit before working capital changes	536.58	496.95
Working capital adjustments:		
Movement in trade receivables	298.68	(345.38)
Movement in inventories	93.16	(18.89)
Movement in security deposits	(32.56)	(28.21)
Movement in other current financial assets	(16.25)	0.85
Movement in other current assets	(58.65)	10.76
Movement in trade payables	(520.27)	280.13
Movement in employee payables	19.44	11.77
Movement in other current liabilities	(127.01)	12.79
Movement in provisions	95.91	38.12
Net cash flows from operating activities	289.03	458.88
Direct taxes paid	(140.08)	(136.46)
Net cash flows from operating activities	148.95	322.42
B Cash flow from investing activities		
Purchase of property, plant and equipment	(26.29)	(74.12)
Interest received	5.45	3.80
Net cash (used in) investing activities	(20.84)	(70.32)
C Cash flow from financing activities		
Proceeds from borrowings (net)	47.53	(186.60)
Lease Payments	(105.57)	-
Interest paid	(77.30)	(55.05)
Net cash (used in) financing activities	(135.34)	(241.65)
Net (decrease)/ increase in cash and cash equivalents	(7.24)	10.45
Cash and cash equivalents at the beginning of the year	12.24	1.79
Cash and cash equivalent at the year end	5.00	12.24
Components of cash and cash equivalents:		
Cash on hand	0.09	0.87
Cheques on hand	2.04	10.66
Balances with banks in current account	2.87	0.70
	5.00	12.24

Summary of significant accounting policies and other explanatory information.

1-41

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

For Walker Chandiok & Co LLP

Chartered Accountants

Firms Registration Number: 001076N/N500013

Arun Tandon

Partner

Membership Number: 517273



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:57:55 +05:30

Place: New Delhi

Date: 8 June 2020

For and on behalf of the Board of Directors of

Cummins Sales & Service Private Limited

RAJIV SARAV
BATRA

Rajiv Batra

(Director)

DIN No:00082866

Ravinder Singh Rana

Ravinder Rana
(CFO)

Digitally signed by RAJIV SARAV
BATRA
DN: cn=RAJIV SARAV BATRA, c=IN,
st=Maharashtra, o=Personal,
serialNumber=635b5a1a9a834b74b4a
1f033bf69c856bca458ea2aadd5d330e1
33ba01b4
Date: 2020.06.08 14:21:07 +05'30'

SHVETA
ARYA

Shveta Arva

(Director)

DIN No:08540723

Digitally signed by SHVETA ARYA
Date: 2020.06.08 13:36:53 +0530

Cummins Sales & Service Private Limited
Statement of changes in equity for the year ended March 31, 2020

A) Equity share capital			₹ Lacs
As at April 1, 2018			1,200.00
Changes in equity share capital			-
As at March 31, 2019			1,200.00
Changes in equity share capital			-
As at March 31, 2020			1,200.00
B) Other equity			₹ Lacs
	Reserves and surplus	Attributable to owners of the parent	
	Retained earnings		
Balance as at April 1, 2018	165.28		165.28
Profit for the year	243.39		243.39
Other comprehensive income	(10.01)		(10.01)
Income tax effect	2.79		2.79
Balance as at March 31, 2019	401.44		401.44
Adjustment on adoption of Ind AS 116	(23.42)		(23.42)
Income tax effect on IND AS 116 lease transition impact	5.89		5.89
Adjusted balance as on 1 April 2019	383.91		383.91
Profit for the year	184.11		184.11
Other comprehensive income	(23.21)		(23.21)
Income tax effect on above	5.84		5.84
Balance as at March 31, 2020	550.65		550.65

Summary of significant accounting policies and other explanatory information.

1-41

This is the statement of changes in equity referred to in our report of even date.

For Walker Chandiok & Co LLP

Chartered Accountants

Firms Registration Number: 001076N/N500013

Arun Tandon
Partner

Membership Number: 517273



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:57:55 +05:30

For and on behalf of the Board of Directors of

Cummins Sales & Service Private Limited

**RAJIV
SARAV
BATRA**

Rajiv Batra
(Director)

DIN No:00082866

Digitally signed by RAJIV SARAV BATRA
DN: cn=RAJIV SARAV BATRA, o=CSCS, email=saravbatra@cummins.com, serial=10000000000000000000, c=IN
Date: 2020.06.08 14:21:58 +05'30'

**SHVET
A ARYA**

Shveta Arya
(Director)

DIN No:08540723

Digitally signed by SHVETA ARYA
Date: 2020.06.08
13:37:29 +05'30'

**Ravinder
Singh
Rana**

Ravinder Rana
(CFO)

Digitally signed by Ravinder Singh Rana
Date: 2020.06.08
13:32:01 +05'30'

Place: New Delhi
Date: 8 June 2020

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020

1. BACKGROUND AND NATURE OF OPERATIONS

Cummins Sales & Service Private Limited (*formerly known as Cummins Svam Sales & Service Private Limited*) (the 'Company') 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. a) New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standard. As a result, Company has changed its accounting policies, which has been detailed below:

Ind AS 116 "Leases"

This standard replaces Ind AS 17, Leases and related interpretations. Key changes include:

- a. Eliminates the requirement to classify a lease as either operating or finance lease in the books of lessee
- b. Introduces a single lessee accounting model, whereby requires lessee to recognize assets and liabilities for all leases. Entity may elect not to apply this accounting requirement to short term leases and leases for which underlying asset is of low value
- c. Requires lessee to classify cash payments for principal and interest portion of lease arrangement within financing activities and financing/operating activities respectively in the cash flow statements
- d. Requires entities to determine whether a contract conveys the right to control the use of an identified asset to assess whether that contract is, or contains, a lease

Ind AS 116 substantially carries forward lessor accounting requirements in Ind AS 17, Leases. The adoption of the standard had a significant impact on the financial statements of the Company. For detailed impact, please refer note number 36. For detailed accounting policy, please refer note 2(f).

b) Standards issued but not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the Ministry of Corporate Affairs. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

2A. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended 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. The financial statements are presented in Indian Rupee ('INR'), which is also the functional currency of the Company.

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.

The financial statements for the year ended March 31, 2020 were authorised and approved for issue by the Board of Directors on June 08, 2020.

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. Important judgments and estimates relate largely to provisions, pensions, tangible and intangible assets (lives, residual values and impairment), deferred tax assets and liabilities, estimated lease term and valuation of financial instruments.

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 other explanatory information for the year ended March 31, 2020**

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

A customer of the Company is a party that has contracted with the Company to obtain goods or services that are an output of the Company's ordinary activities in exchange for consideration. The core principle of recognizing revenue from contracts with customers is that the Company recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

At contract inception, the Company assesses the goods or services promised in a contract with a customer to identify as a performance obligation each promise to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, indirect taxes)) and net off trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

If there is variable consideration, the Company includes in the transaction price some or all of that amount of estimated variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated by the Company to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer.

For each performance obligation identified, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time. The Company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

For each performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The Company recognised revenue on a straight-line basis as inputs are expended evenly throughout the performance period. The Company defers unearned revenue, including payment received in advance, until the related subscription period is complete as per the terms of the agreement with customers.

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 other explanatory information for the year ended March 31, 2020

f) Leases

Effective April 1, 2019, the Company has adopted Ind AS 116, "Leases". As a result, the Company has changed its accounting policy for accounting of leasing arrangements, which has been detailed below.

The Company applied the "Modified Retrospective Approach" on the date of initial application (April 1, 2019) and made cumulative adjustments to retained earnings. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted. The most significant effects of this new standard on the Company relate to the recognition of new right-of-use ("ROU") assets and lease liabilities on its financial position for various real estate operating leases.

The Company assesses whether a contract contains a lease at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset, (2) the Company has substantially all of the economic benefits from the use of the asset through the period of the lease, and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a ROU asset and a corresponding lease liability for all lease arrangements under which it is a lessee, except for short-term leases and low value leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

For short-term leases and low value leases, the Company recognizes the lease payments as an expense on a straight-line basis over the term of the lease. The lease arrangements include options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the date of commencement of the lease on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. For leases under which the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the date of commencement of the lease in determining the present value of lease payments. Lease liabilities are re measured with a corresponding adjustment to the related ROU asset if the Company changes its assessment as to whether it will exercise an extension or a termination option.

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 other explanatory information for the year ended March 31, 2020

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. The cash flow statement is prepared using indirect method.

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.

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 34 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.

p) Rounding off amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest lakhs as per the requirements of Schedule III of the Act unless otherwise stated.

(This space has been intentionally left blank)

Cummins Sales & Service Private Limited

3. Property, plant and equipment and intangible assets

Particulars	Gross block (at cost)			Depreciation and amortisation			Net block				
	As at April 1, 2019	Adjustment on transition to IndAS-116	Additions	Deductions / Write-off	As at Mar 31, 2020	As at April 1, 2019	Adjustment on transition to IndAS-116	For the year	Deductions / Write-off	As at Mar 31, 2020	As at March 31, 2019
Tangible assets:											
Buildings (ROU)	-	485.60	161.91	-	647.50	-	149.25	113.82	-	263.07	384.43
Leasehold Improvements	109.32	-	2.42	(0.03)	111.71	78.20	-	8.76	(0.03)	86.92	24.79
Tools	84.18	-	6.16	-	90.33	58.82	-	13.28	-	72.10	25.36
Computers	97.94	-	5.62	(4.43)	99.13	70.49	-	14.54	(4.32)	80.71	18.42
Plant and machinery	12.34	-	-	-	12.34	5.30	-	0.80	-	6.24	7.04
Office Equipment	68.34	-	7.11	(1.99)	73.46	42.49	-	10.23	(1.92)	50.79	22.67
Furniture and fittings	62.42	-	2.15	-	64.57	36.23	-	6.80	-	21.54	26.19
Vehicles	47.57	-	-	-	47.57	24.11	-	5.60	-	29.71	17.85
	482.11	485.60	185.37	(6.45)	1,146.61	315.64	149.25	173.83	(6.27)	632.43	514.17
Intangible assets:											
Software	155.92	-	2.83	-	158.75	86.90	-	17.79	-	104.70	54.05
	155.92	-	2.83	-	158.75	86.90	-	17.79	-	104.70	69.02
											69.02

Particulars	Gross block (at cost)			Depreciation and Amortisation			Net block	
	As at April 1, 2018	Additions	Deductions / Write-off	As at March 31, 2019	As at April 1, 2018	For the year	As at March 31, 2019	As at March 31, 2018
Leasehold Improvements								
Tools	94.63	14.69	-	109.32	71.68	6.52	78.20	22.95
Computers	67.39	16.79	-	84.18	47.32	11.50	58.82	20.07
Plant and machinery	89.51	9.49	(1.06)	97.94	56.31	15.19	70.49	33.20
Office Equipment	12.34	-	-	12.34	4.50	0.80	5.30	7.84
Furniture and fittings	64.57	5.46	(1.70)	68.34	34.77	9.32	42.49	29.80
Vehicles	60.06	5.45	(3.09)	62.42	31.81	6.51	36.23	28.25
	33.80	13.77	-	47.57	16.38	7.73	24.11	17.42
	422.30	65.65	(5.85)	482.11	262.77	57.57	315.64	159.53
Intangible Assets:								
Software	73.39	82.53	-	155.92	66.72	20.18	86.90	6.66
	73.39	82.53	-	155.92	66.72	20.18	86.90	6.66

4. Non-Current security deposits

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Unsecured, considered good		
Security deposits*	50.09	33.08
	50.09	33.08

* The security deposits are measured at amortised cost.

5. Non-current tax assets (net)

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Advance income-tax (net of provisions: March 31 2020: ₹454.99 Lacs; March 31, 2019: ₹ 359.44 Lacs))	107.84	62.54
	107.84	62.54

6. Deferred tax

A Deferred tax assets (net)

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Deferred tax asset		
Provision for doubtful debts	12.98	20.43
Provision for employee benefits	83.31	58.95
Depreciation	24.94	24.38
Other timing differences	53.46	46.29
Lease liability	13.86	-
	188.55	150.05

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)

	₹ Lacs				
	April 1, 2019	Adoption of INDAS 116	As at March 31, 2020 Recognised in other comprehensive income	Recognised in profit and loss	March 31, 2020
Deferred tax assets on the account of					
Provision for doubtful debts	20.43	-	-	(7.45)	12.98
Provision for employee benefits	58.95	-	5.84	18.52	83.31
Depreciation	24.38	-	-	0.56	24.94
Other timing differences	46.29	-	-	7.17	53.46
Lease liability	-	5.89	-	7.97	13.86
	150.05	5.89	5.84	26.77	188.55

	₹ Lacs				
	April 1, 2018	Adoption of INDAS 116	As at March 31, 2019 Recognised in other comprehensive income	Recognised in profit and loss	March 31, 2019
Deferred tax assets on the account of					
Provision for doubtful debts	7.18	-	-	13.25	20.43
Provision for employee benefits	45.56	-	2.79	10.61	58.95
Depreciation	25.26	-	-	(0.88)	24.38
Other timing differences	39.78	-	-	6.52	46.29
	117.78	-	2.79	29.50	150.05

* Net of adjustment for change in tax rates.

(This space has been intentionally left blank)

6. Deferred tax (Contd.)

B The major components of income tax expenses for the years ended March 31, 2020 and March 31, 2019 are:

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Statement of profit and loss:		
Current income tax		
Current income tax charge	104.30	122.63
Tax expense pertaining to earlier years	(8.96)	(11.68)
Deferred tax		
Relating to originating and reversal of temporary differences	(26.77)	(29.49)
Income tax expenses reported in the statement of profit and loss	68.57	81.46
Other comprehensive income:		
Income tax related to items recognised in OCI during the year:	5.84	2.79
Net gain on remeasurements of defined benefit plans	5.84	2.79

C Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2019 and March 31, 2018

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Accounting profit before tax	252.68	324.84
At India's statutory Income tax rate of 25.168% (March 31, 2019: 27.82 %)	63.60	90.37
Adjustment in respect of income tax related to earlier year	(8.96)	(11.68)
Others	13.93	2.77
Income tax expenses reported in the statement of profit and loss	68.57	81.46

7. Inventories

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Traded goods [including stock-in-transit ₹ 62.25 lacs ; (March 31, 2019: ₹ 221.52 lacs)]	965.87	1,149.96
	965.87	1,149.96

Note:

- During the year ended March 31, 2020, ₹ 6.63 lacs (March 31, 2019: ₹ 7.88 lacs) was recognised as an expense for inventories carried at net realisable value. The carrying amount of inventories is carried at fair value less costs to sell.
- Cumulative provision made for excess and obsolete inventories upto year March 31, 2020, ₹ 212.53 lacs (upto March 31, 2019: ₹ 121.60 lacs).
- Inventory is pledged as security against limit sanctioned by HDFC bank(Refer note 16).

(This space has been intentionally left blank)

8. Trade receivables

Trade receivables considered good - secured
Trade receivables considered good - unsecured
Trade receivables from related parties considered good - unsecured
Trade receivables which have significant increase in credit risk
Trade receivables-credit impaired

₹ Lacs	
As at Mar 31, 2020	As at March 31, 2019
-	-
1,368.84	1,567.89
153.59	228.16
(35.48)	(57.33)
-	-
1,486.95	1,738.72

Reconciliation of provision for doubtful debts

Opening provision
Add: Additions
Less: Write-offs*

Closing provision

₹ Lacs	
As at Mar 31, 2020	As at March 31, 2019
57.34	10.12
44.00	48.01
(65.86)	(0.79)
35.48	57.34

* Total bad debts written-off during the year ended March 31, 2020 was ₹ 65.86 lacs out of which ₹ 57.34 Lacs has been written-off from opening provision and balance ₹ 8.52 Lacs from current year provision.

Expected credit loss for trade receivables

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables:

Particulars	As at March 31, 2020			
	Gross Carrying amount	Expected probability of default	Expected credit loss	Carrying amount (net of expected credit loss)
0-1 years past due	1,225.58	1%	18.09	1,207.49
1-2 years past due	100.69	2%	1.78	98.91
2-3 years past due	21.73	20%	4.43	17.30
More than 3 years past due	20.84	54%	11.18	9.66
Total	1,368.84		35.48	1,333.36

Particulars	As at March 31, 2019			
	Gross Carrying amount	Expected probability of default	Expected credit loss	Carrying amount (net of expected credit loss)
0-1 years past due	1,381.23	1%	19.52	1,361.71
1-2 years past due	92.62	2%	1.60	91.02
2-3 years past due	41.97	20%	8.37	33.60
More than 3 years past due	52.07	53%	27.84	24.23
Total	1,567.89		57.33	1,510.56

(This space has been intentionally left blank)

9. Cash and cash equivalents

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Cash on hand	0.09	0.87
Cheque on hand	2.04	10.66
Balance with banks in current accounts	2.87	0.70
	5.00	12.23

10. Current security deposits

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Unsecured, considered good		
Security deposits*	104.09	88.23
Interest accrued on security deposits	2.51	2.83
Unsecured, considered doubtful		
Security deposits*-Credit Impaired	16.10	16.10
Less: Provision for credit impaired	(16.10)	(16.10)
	106.60	91.06

* The security deposits are measured at amortised cost.

Reconciliation of provision for doubtful security deposits

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Opening provision	16.10	15.69
Add: Additions	-	0.41
Closing provision	16.10	16.10

11. Other current financial assets

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Unsecured, considered good		
Employee advances	3.07	2.11
Others	17.09	1.80
	20.16	3.91

12. Other current assets

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Unsecured, considered good		
Balances with statutory/government authorities	21.44	42.06
Prepaid expenses	37.66	42.09
Advance to suppliers	100.75	17.05
	159.85	101.20

(This space has been intentionally left blank)

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020

13. Share capital

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
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 Mar 31, 2020		As at March 31, 2019	
	Nos.	₹ Lacs	Nos.	₹ Lacs
Balance as at the beginning of the year	12,000,000	1,200.00	12,000,000	1,200.00
Balance as at the end of the year	12,000,000	1,200.00	12,000,000	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, 2019: 11,999,990) shares of ₹ 10 each are held by the Holding Company, Cummins India Limited. Of the remaining 10 equity shares, 5 equity shares each are held by Mr. Rajiv Batra and Cummins India Limited jointly and 5 equity shares each are held by Mr. Madankumar Kotragauda Patil and Cummins India Limited jointly.

- 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.

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

	As at Mar 31, 2020		As at March 31, 2019	
	Nos.	%	Nos.	%
Equity shares of ₹ 10 each fully paid				
Cummins India Limited (Refer note c above)	11,999,990	100.00%	11,999,990	100.00%

14. Other equity

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Opening balance	401.43	165.28
Adjustment on adoption of Ind As 116	(17.52)	-
Profit for the year	184.11	243.39
Other comprehensive loss for the year	(17.37)	(7.22)
Closing balance	550.65	401.43

Description of nature and purpose of each reserve

Retained earnings:

Retained earnings are created from the profit of the Company, as adjusted for distribution to owners, transfer to other reserve, remeasurement of defined benefit plans etc.

15. Provisions

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Provision for post retirement benefit and compensated absences (Refer note 30)	307.81	211.91
	307.81	211.91
Current provisions	19.20	11.81
Non-current provisions	288.61	200.10
	307.81	211.91

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020
16. Borrowings

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
Loans repayable on demand	390.49	342.96
	390.49	342.96

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 Mar 31, 2020	As at March 31, 2019
- Total outstanding dues of Micro enterprises and small enterprises	15.42	29.19
- Total outstanding dues of Creditors other than Micro enterprises and small enterprises	143.06	649.56
	158.48	678.75

Trade payables to related party amounts to .66 lakh (430.88 lakh last year). Refere note 31.

The dues to micro, small and medium enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the company is given below:

	As at Mar 31, 2020	As at March 31, 2019
a) The principal amount and the interest due thereon remaining unpaid to supplier as at the end of year		
- Principal amount due to micro, small and medium enterprises	15.32	29.1
- Interest due	0.1	0.1
b) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 (27 of 2006) along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	0.1	0.1
d) The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.1	0.1
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-

Note: 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 31.

18. Other financial liabilities
Employee payables

Salaries, wages and bonus payable

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
	194.00	174.56
	194.00	174.56

19. Other current liabilities

Statutory dues including tax deducted at source
Unearned revenue
Advances from customers

	₹ Lacs	
	As at Mar 31, 2020	As at March 31, 2019
	40.32	46.63
	346.17	334.02
	55.13	187.97
	441.62	568.62

20 Revenue from operations

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Sale of traded goods*	8,208.62	7,875.76
Sale of services	2,340.78	2,267.66
	10,549.40	10,143.42

* 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.

21 Other income

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Interest income on security deposits	5.45	3.80
Gain on sale of property, plant and equipment	0.17	-
Advances received written back	90.91	-
	96.53	3.80

22 Purchase of traded goods and services

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Purchase of traded goods - spare parts and consumables*	6,742.21	6,589.54
Direct expenses - repair charges for job works	366.65	343.11
	7,108.86	6,932.65

* 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.

23 Change in inventories of traded goods

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Inventories at the beginning of the year Traded goods	1,149.96	1,124.66
Inventories at the end of the year Traded goods	(965.87)	(1,149.96)
	184.09	(25.30)

(This space has been intentionally left blank)

24. Employee benefit expenses

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Salaries, wages and bonus	1,596.31	1,443.93
Contribution to provident and other funds	116.46	108.06
Staff welfare expenses	44.05	59.37
	1,756.82	1,611.36

25. Finance costs

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Interest cost	41.79	55.05
Interest expense on lease liability	35.51	-
	77.30	55.05

26. Other expenses

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Communication expenses	46.62	49.09
Sales promotion and advertisement	2.43	0.64
Legal and professional fees	254.83	236.35
Travelling & conveyance	205.99	204.17
Repairs and maintenance		
-Buildings	2.11	5.30
-Others	46.32	42.25
Provision for doubtful debts and advances	44.00	48.42
Power and fuel consumed	22.25	22.50
Printing and stationery	8.53	12.69
Rent(Refer note 36 (vii))	41.34	165.40
Service charges for business support	55.46	53.21
Insurance	56.20	51.62
Freight outward	66.57	68.25
Wages to casual labour	66.40	58.61
Contracted security	53.02	47.33
Payment to auditors (refer details below)	10.35	10.72
Asset written off /net loss on sale of property, plant and equipment	-	1.08
Bank charges	3.30	3.05
Miscellaneous expenses	88.83	90.19
	1,074.55	1,170.87

Payment to auditors*

	₹ Lacs	
	Year ended Mar 31, 2020	Year ended March 31, 2019
Statutory audit	8.50	8.50
Tax audit	1.50	1.50
Out of pocket expenses	0.35	0.72
	10.35	10.72

* excluding applicable taxes

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020

27. 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 Mar 31, 2020	Year ended March 31, 2019
Profit for the year after taxation (₹ Lacs)	184.11	243.39
Weighted average number of shares outstanding during the year	12,000,000	12,000,000
Face value per share (₹)	10.00	10.00
Earnings per share (Basic and Diluted) (₹)	1.53	2.03

(This space has been intentionally left blank)

Cummins Sales & Service Private Limited

Significant accounting policies and other explanatory information for the year ended March 31, 2020

28. 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.

1 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 30.

2 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.

3 Contingent liabilities

The Company is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Company often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

4 Allowance for doubtful debts

The allowance for doubtful debts reflects management's estimate of losses inherent in its credit portfolio. This allowance is based on Company's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or even worsen, there could be a further deterioration in the financial situation of the Company's debtors compared to that already taken into consideration in calculating the allowances recognized in the financial statements.

5 Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

Cummins Sales & Service Private Limited**Significant Accounting Policies & Notes to Financial Statements for the year ended 31st March, 2020****6 Leases**

The Company determines the lease term as the non-cancellable period of a lease including any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to operations, taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. The Company has applied an incremental borrowing rate for the purpose of computing lease liabilities based on the rate prevailing in India. The incremental borrowing rate used was 8.90%.

29. Contingent liabilities and commitments

	₹ Lacs	
	Year ended March 31, 2020	Year ended March 31, 2019
(a) Contingent liabilities		
Bank guarantees	30.18	22.33
Show cause notice of service tax	-	3.62
	30.18	25.95

(b) Commitment

Estimated value of contracts remaining to be executed on capital account and not provided for: nil (Previous year Nil)

(This space has been intentionally left blank)

30. 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, 2020	Year ended March 31, 2019
i)	Employees provident fund	103.69	90.42
ii)	Employees state insurance	12.77	17.64
		116.46	108.06

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, 2020	Year ended March 31, 2019
i)	Current service cost	38.23	33.58
ii)	Interest cost	12.55	9.39
iii)	Actuarial (gains)/losses reclassified to other comprehensive income	23.21	10.01
		73.99	52.98

b. The amount recognised as other comprehensive income:

Sr. No.	Particulars	₹ Lacs	
		Year ended March 31, 2020	Year ended March 31, 2019
i)	Actuarial (gains)/losses	23.21	10.01
		23.21	10.01

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, 2020	As at March 31, 2019
	Opening defined benefit obligation	169.98	130.00
i)	Current service cost	38.23	33.58
ii)	Interest Cost	12.55	9.39
iii)	Actuarial (gains) / losses	23.21	10.01
iv)	Benefits Paid	(5.21)	(13.00)
	Closing defined benbenefit obligation	238.76	169.98
	Current defined benefit obligation	13.69	11.81
	Non-current defined benefit obligation	225.07	158.17

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

Sr. No.	Particulars	₹ Lacs	
		As at March 31, 2020	As at March 31, 2019
i)	Contribution to gratuity fund	14.15	4.21
		14.15	4.21

e. Following are the Principal Actuarial Assumption used for gratuity and compensated absences as at the balance sheet date:

Sr. No.	Particulars	₹ Lacs	
		Year ended March 31, 2020	Year ended March 31, 2019
i)	Discount rate	6.70%	7.50%
ii)	Salary escalation rate	10.00%	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 and other explanatory information for the year ended March 31, 2020

30. Employee benefit plans (Contd.)

f. Experience adjustment history:

Sr. No.	Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
i)	Defined benefit obligation at end of the period					
ii)	Funded status	238.76	(169.98)	(130.00)	(108.76)	(90.52)
iii)	Experience Gain/(Loss) adjustments on plan Liabilities	238.76	(169.98)	(130.00)	(108.76)	(90.52)
iv)	Actuarial Gain/(Loss) due to Change on assumptions	14.50	(8.44)	2.53	4.01	11.57
		(37.71)	(1.57)	6.27	15.55	2.94

g. A quantitative sensitivity analysis for significant assumption as at March 31, 2020 is as shown below:

Sr. No.	Assumptions	Year ended March 31, 2020	Year ended March 31, 2020	Year ended March 31, 2020	Year ended March 31, 2020
		Discount rate	Future salary increase	Withdrawal rate	
	Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
i)	Gratuity fund	(11.64)	12.63	-11.37	46.30

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.

(This space has been intentionally left blank)

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020
31. 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	Director
Mr. Anubhav Kapoor	Director
Mr. Ashish Taneja	Director
Mr. Madankumar Kotragauda Patil	Director
Ms. Shveta Arya	Director (w.e.f 13 September 2019)
Ms. Bhavna Bindra	Key management personnel (upto 4 July 2019)
Mr. Anmol Batra	Key management personnel (upto 18th March 2020)
Mr.Naresh Dua	Key management personnel (w.e.f 19 March 2020)
Mr. Ravinder Singh Rana	Chief financial officer

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, 2020	Year ended March 31, 2019
Cummins India Limited	Purchase of genset spare parts (refer note (ii) below)	4,526.76	4,537.45
	Service charges for business support	55.46	53.21
	Professional charges (refer note (i) below)	220.38	183.73
	Training expenses	29.26	14.94
	Software charges	30.20	11.10
	Others	10.95	7.54
	Parts Sale	1,991.81	1,319.00
	Service Sale	643.08	634.70
Valvoline Cummins Private Limited	Purchase of oil and lubricants	1,428.11	1,586.95
	Service Sale	9.33	10.46
Cummins Technologies India Private Limited	Service Sale	0.81	0.06
	Parts Sale	37.69	30.03
	Professional Charges	5.59	4.07
Cummins Inc.	Purchase of software licenses	2.55	2.19
Directors sitting fees	Directors sitting fees	0.45	0.45

c) Outstanding balances

Name of the Party	Nature of transaction	₹ Lacs	
		As at March 31, 2020	As at March 31, 2019
Cummins Technologies India Private Limited	Trade payable	0.66	0.71
Cummins India Limited	Trade payable/(Receivable)	(82.03)	430.17
Valvoline Cummins Private Limited	Trade payable/(Receivable)	(3.04)	-
		(84.41)	430.88
Cummins India Limited	Trade receivable	152.79	227.23
Cummins Technologies India Private Limited	Trade receivable	0.80	0.07
Valvoline Cummins Private Limited	Trade receivable	-	0.86
		153.59	228.16

Terms and conditions of transactions with related parties:

- Includes remuneration paid to key managerial personnel
- Includes INR 51.83 lakhs (previous year – INR 33.98 lakh) towards engine business commission
- KMP's also participate in post-employment benefit plans and other long term benefits provided by the company. The amounts in respect of these towards the KMP's cannot be segregated as these are based on actuarial valuation for all employees of the Company.
- Company is confident of obtaining approval of appointment and the remuneration paid to one of its managers from its shareholders in the upcoming Annual General Meeting

32. 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.

33. 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

All financial assets and financial liabilities are recorded at amortised cost the details of which are given below:

		₹ Lacs	
Particulars	March 31, 2020	March 31, 2019	
Financial assets			
Non current financial assets			
Security deposits	50.09	33.08	
Current financial assets			
Trade receivables	1,486.95	1,738.72	
Cash and cash equivalents	5.00	12.23	
Security deposits	106.60	91.06	
Other financial assets	20.16	3.91	
Total	1,668.80	1,879.00	
Financial liabilities			
Non-current financial liabilities			
Lease liability	305.56	-	
Current financial liabilities			
Borrowings	390.49	342.96	
Lease liability	110.52	-	
Trade payables	158.48	678.75	
Other financial liabilities	194.00	-	
Total	1,159.05	1,021.70	

34. Financial risk management**Financial risk factors:**

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. The Company's investments in fixed deposits pay interest at fixed interest rates.

₹ Lacs			
Interest rate	% change	Year ended 31-Mar-20 Effect on Profit before tax	Year ended March 31, 2019 Effect on Profit before tax
8.90%	1% Increase 1% Decrease	(4.70) 4.70	
7.90%	1% Increase 1% Decrease		(6.15) 6.15

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, 2020	As at March 31, 2019
Non-current financial assets			
Security Deposit	50.09	33.08	
Current financial assets			
Trade receivables	1,486.95	1,738.72	
Cash and cash equivalents	5.00	12.23	
Security deposits	106.60	91.06	
Other financial assets	20.16	3.91	
	1,668.80	1,879.00	

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, 2020	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
Borrowings	390.49	-	-	-	-	390.49
Trade payables	-	158.48	-	-	-	158.48
Other financial liabilities	-	194.00	-	-	-	194.00
Lease liability	-	27.00	83.52	305.56	-	416.08

March 31, 2019	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
Borrowings	342.96	-	-	-	-	342.96
Trade payables	-	678.75	-	-	-	678.75
Other financial liabilities	-	174.56	-	-	-	174.56

d) Foreign currency risk

The Company is not exposed to foreign currency sensitivity as it does not have any financial assets or liabilities denominated in foreign currency.

e) 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	
	As at March 31, 2020	As at March 31, 2019
Borrowings	390.49	342.96
Less: Cash and cash equivalents	(5.00)	(12.23)
Net Debt	385.49	330.73
Equity and other equity	1,750.65	1,601.43
Equity+Net debt	2,136.14	1,932.16
Net Gearing ratio	22.02%	20.65%

(This space has been intentionally left blank)

35 Revenue related disclosures

A Disaggregation of revenue

Revenue recognised mainly comprises of sale of traded goods and sale of services. Set out below is the disaggregation of the Company's revenue from contracts with customers:

Particulars	₹ Lacs	
	Year Ended 31 March 2020	Year Ended 31 March 2019
Revenue from contracts with customers		
(i) Sale of products	8,208.62	7,875.76
(ii) Sale of services	2,340.78	2,267.66
Total revenue covered under Ind AS 115	10,549.40	10,143.42

B Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contract with customers:

Particulars	₹ Lacs	
	As at 31 March 2020	As at 31 March 2019
Contract assets		
Accrued income	-	-
Total contract assets	-	-
Contract liabilities		
Advances from consumers	55.13	187.97
Unearned revenue	346.17	334.02
Total contract liabilities	401.30	521.99
Receivables		
Trade receivables	1,486.95	1,738.72
Less : Allowances for expected credit loss	(35.48)	(57.33)
Net receivables	1,451.47	1,681.39

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. Contract liability is the entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer in advance. Contract assets (unbilled receivables) are transferred to receivables when the rights become unconditional and contract liabilities are recognised as and when the performance obligation is satisfied.

C Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

Particulars	As at 31 March 2020			As at 31 March 2019		
	Contract Assets	Contract Liabilities		Contract Assets	Contract Liabilities	
	Unbilled revenue	Advances from consumers	Unearned revenue	Unbilled revenue	Advances from consumers	Unearned revenue
Opening balance	-	187.97	334.02	-	199.21	244.91
Addition during the year	-	55.13	346.17	-	121.64	334.02
Reversed during the year	-	(40.00)		-		
Revenue recognised during the year	-	(147.97)	(334.02)	-	(132.88)	(244.91)
Closing balance	-	55.13	346.17	-	187.97	334.02

D The Company has allocated transaction price of Rs. 401.30 Lacs to unsatisfied performance obligation related to service which will be satisfied in next year.

(This space has been intentionally left blank)

Cummins Sales & Service Private Limited
Significant accounting policies and other explanatory information for the year ended March 31, 2020

36 Lease accounting

- A Effective 1 April 2019, the Company has adopted Ind As - 116, "Leases" ("Ind As 116"). As a result, the Company has changed its accounting policy for accounting of leasing arrangements, which has been detailed below.

The Company applied the "Modified Retrospective Approach" on the date of initial application (1 April 2019) and made cumulative adjustments to retained earnings. Accordingly, comparatives for the year ended 31 March, 2019 have not been retrospectively adjusted. The Company has elected the available practical expedients which allows the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company has also elected the practical expedient on non-capitalization of short-term leases (leases with a term of twelve months or less) and low value leases (leases for which the underlying asset is of low value). The most significant effects of this new standard on the Company relate to the recognition of new right-of-use ("ROU") assets and lease liabilities on its financial position for various real estate operating leases.

Lease liability and ROU assets have been separately presented in the financial position and the payment of principal portion of lease liabilities has been classified as financing cash flows. The adoption of this standard resulted in the recognition of ROU assets and lease liabilities for operating leases of Rs 336.34 lakhs and Rs 359.76 lakhs, respectively, as at 1 April 2019. The cumulative effect of applying the standard of Rs 17.52 lakhs (net of tax) was debited to retained earnings as at 1 April 2019.

The Company assesses whether a contract contains a lease at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset, (2) the Company has substantially all of the economic benefits from the use of the asset through the period of the lease, and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a ROU asset and a corresponding lease liability for all lease arrangements under which it is a lessee, except for short-term leases and low value leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

For short-term leases and low value leases, the Company recognizes the lease payments as an expense on a straight-line basis over the term of the lease. The lease arrangements include options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the date of commencement of the lease on a straight-line basis over the lease term.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. For leases under which the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the date of commencement of the lease in determining the present value of lease payments. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment as to whether it will exercise an extension or a termination option.

i) Lease Liabilities presented in Balance Sheet

Particulars	₹ Lacs	
	As at 31 March 2020	As at 31 March 2019
Lease Liabilities (Current)	110.52	-
Lease Liabilities (Non-Current)	305.56	-
Total	416.08	-

ii) Future minimum finance lease payments as at 31 March 2020 were as follows:

Particulars	₹ Lacs		
	Within 1 year	One to five years	After 5 years
Lease Payments	148.46	353.29	-
Finance charges	(37.95)	(47.73)	-
	110.51	305.56	-

iii) Reconciliation of lease liabilities as on 01 April 2019

Particulars	₹ Lacs	
	Amount	
Total operating lease commitments disclosed at 31 March 2019		
Recognition exemptions:		
• Leases of low value assets		
• Leases with remaining lease term of less than 12 months		
Variable lease payments not recognised		
Other minor adjustments relating to commitment disclosures		
Operating lease liabilities before discounting		
Discounted using incremental borrowing rate		
Total lease liabilities recognised under Ind AS 116 as on 01 April 2019		

- iv) Total cash outflow for leases for the year ended 31 March 2020 was Rs. 143.69 lacs.

- v) Additional Information on the right-of-use assets is as follows:

Particulars	₹ Lacs	
	Carrying Amount	Depreciation Expense
Buildings	384.43	113.82
Total	384.43	113.82

vi) The nature of Company's leasing activities by type of right to use assets recognised in balance sheet is as follows:

Right to use	Number of right-of-used assets leased	Range of remaining lease term	Average of remaining lease term	No of lease with extention options	No of lease with options to purchase	No of lease with variable payments linked to an index	No of lease with termination option
Building	11	2-5 years	3.5 Years	-	-	-	2

vii) **Operating leases**

The Company has entered into cancellable lease for office premises and machinery. Lease expense for the year ended 31 March 2020 amounts to Rs. 41.34 lakh (previous year – Rs. 165.40 lakh).

37. Expenditure in foreign currency (on accrual basis)

	₹ Lacs	
	Year ended March 31, 2020	Year ended March 31, 2019
Purchase of software licenses	2.55	2.19
	2.55	2.19

38. 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.

39. The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, inventories, receivables and other current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources on the expected future performance of the Company. The Company expects the carrying amount of these assets will be recovered and sufficient liquidity is available to fund the business operations for at least another 12 months. Given the uncertainty because of COVID-19, the final impact on the Company's assets in future may differ from that estimated as at the date of approval of these financial statements

40. Effective April 1, 2017, the Company adopted the amendment to Ind AS-7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirements. The adoption of the amendment did not have any material impact on the financial statements and accordingly, the reconciliation is not disclosed.

41. The Company is in the process of appointing a whole time company secretary at an appropriate cost.

For Walker Chandiok & Co LLP

Chartered Accountants

Firms Registration Number: 001076N/N500013

Arun Tandon

Partner

Membership Number: 517273



Digitally signed
by Arun Tandon
Date:
2020.06.08
20:57:55 +05:30

Place: New Delhi

Date: 8 June 2020

For and on behalf of the Board of Directors of

Cummins Sales & Service Private Limited

RAJIV
SARAV
BATRA

Rajiv Batra
(Director)

DIN No:00082866

Ravinder
Singh
Rana

Ravinder Rana
(CFO)

SHVET
A ARYA

Shveta Arya
(Director)

DIN No:08540723