



POWERING WHAT'S NEXT.

Futuristic Technologies. Innovative Products. Smarter Workforce.



Table of Contents

02	Our Story and Top 3 Priorities
03	Chairman's Letter to the Shareholders
04	Managing Director's Letter to the Shareholders
12	Board of Directors
14	Directors' Report and Annexure
99	Standalone and Consolidated Financial Statements
250	Business Responsibility Report

Our Story

Our Mission

Making people's lives better by powering a more prosperous world.

Our Vision

Innovating for our customers to power their success.

Our Values

Integrity, Diversity & Inclusion, Excellence, Caring and Teamwork.

Top 3 Priorities



Health and safety of our employees is paramount at all times.



We continue to serve our customers, who are providing critical elements to the economy.



Our Company continues into the future, it's really important that we continue.

Mark Levett
Chairman,
Cummins India Limited



Dear Shareholders,

This annual letter is intended to provide a review of 2019, which was a year of mixed sentiments for Cummins India Limited. I want to start by thanking you for all you did. The year marked Cummins Inc.'s centennial anniversary and we successfully celebrated this remarkable achievement in India with our employees, families, customers, suppliers, and community partners.

While 2019 will always remain a memorable year, it was also a difficult one in many ways. In the second half of the year, Cummins began to experience a decline in sales due to market challenges in much of the world. Demand for our on-highway products deteriorated faster and more severely than anticipated. Weakness was also evident in our off-highway businesses, where global power generation, construction and mining sales started to weaken as well.

In response, we worked towards restructuring several of the Company's operations to reduce costs, streamline operations and match capacity with market demand. Responding effectively to the challenges of market cycles has helped us perform steadily during periods of downturns.

As of this writing, several of our India plants and offices are temporarily closed or at reduced capacity and our community is being impacted in so many ways by the COVID-19 global pandemic. We had planned for 2020 to be a difficult year with decreased demand in most of our major markets, and that planning is serving us well as we now navigate additional pandemic-related challenges. Unfortunately, the worst is not over yet and this challenging situation will continue for longer than initially expected.

Cummins has always viewed challenges as opportunities and has successfully tackled these head-on with resilience and determination. As we look inwards towards improving our operational efficiencies that have a lasting impact, we also continue executing our strategy for long-term growth, investing in new technologies and

our core, which will position us to outperform our peers when markets come back. We have been through several downturns in the past and Cummins has a great track record of navigating the downturns and emerging even stronger.

While doing so, our commitment to our communities does not waiver. For example, in 2019, the Company surpassed our 80 percent employee participation goal in Cummins' community engagement program, with India achieving 83 percent. Employees took part in impactful work like the Monsoon Resilient Maharashtra project that addresses water scarcity and helps local communities, particularly farmers, be less dependent on monsoons. The Cummins Powers Women program, which focuses on accelerating gender equality, trained non-profit leaders in India through a partnership with Rise Up and has plans in place to continue this work in 2020.

In closing, Cummins has always been focused on powering a more prosperous world, be it financial stability or sustainability for our stakeholders. That focus and position of strength gives me great confidence in our ability to navigate all that lies ahead. I would like to take this opportunity to express my gratitude to all our shareholders for bestowing their trust on us and providing us with their support and foresight to help us grow profitably. I also hope that this note finds you and your families healthy and safe.

In closing, Cummins has always been focused on powering a more prosperous world, be it financial stability or sustainability for our stakeholders.

Thank You,
Mark Levett

Ashwath Ram
Managing Director,
Cummins India Limited



Dear Shareholders,

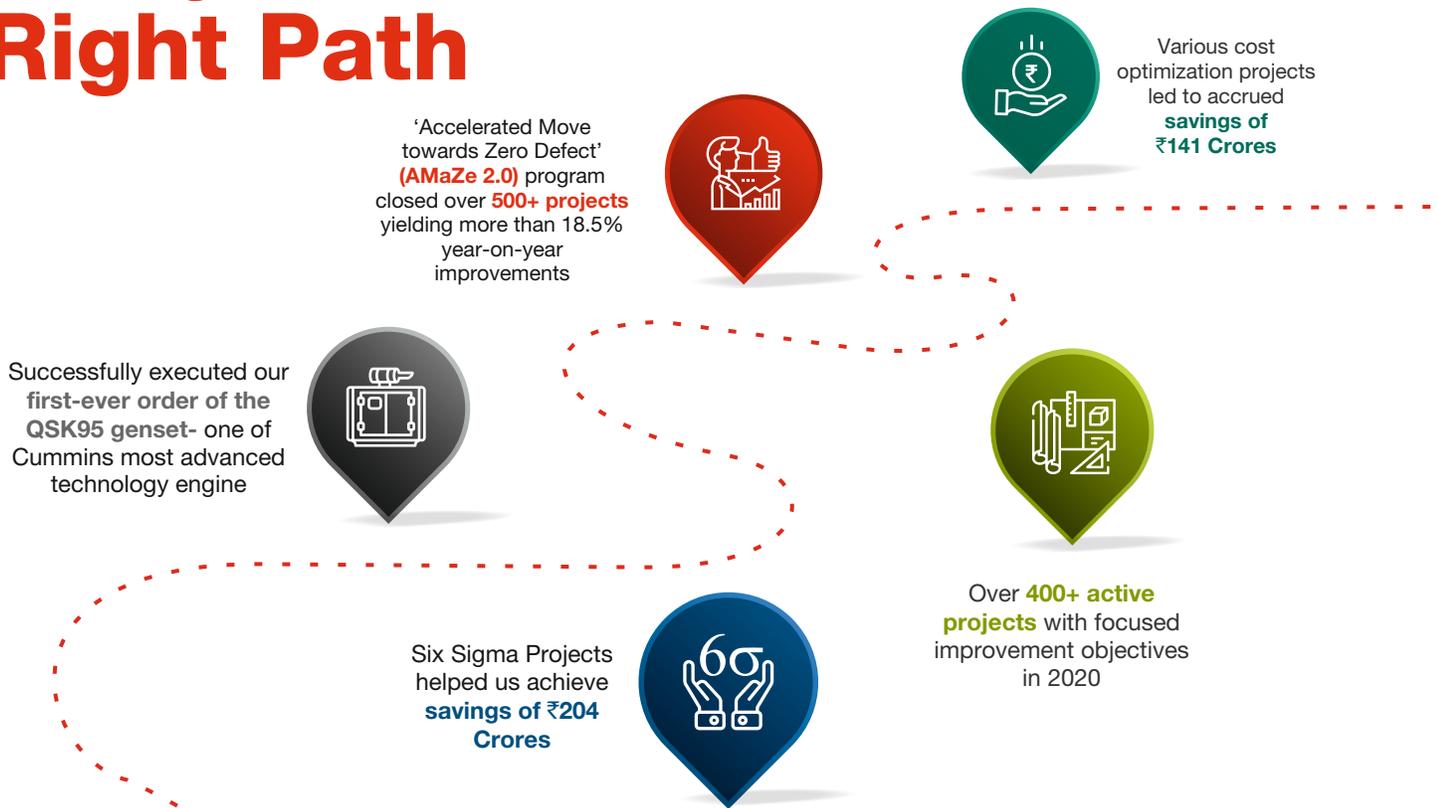
2019 has been a challenging year, with the slowing of economic growth rates across the globe. The Indian economy witnessed a major slowdown with domestic risks such as declining demand, the poor health of the banking sector, the liquidity crunch impacting businesses and, more recently, the COVID-19 global pandemic.

To manage these challenges and emerge a winner, we focused on successfully balancing the needs and interests of all our stakeholders - an approach that has been central to our strategy for success. That's why, despite the current market environment, your Company was able to demonstrate dependable performance in a year marked with economic uncertainties. While we monitored the impacts of these economic changes closely, we worked hard to

respond to the economic headwinds ahead of us and ensure that our investments were tightly aligned with current and future revenue opportunities. We undertook several global business optimization and cost-reduction actions that included combining teams, restructuring our workforce, targeted headcount actions, optimizing operations, eliminating non-core projects, and reducing discretionary spends.

In the current scenario, the COVID-19 pandemic has significantly impacted the global economy,

Taking the Right Path



operations, people, and communities. I would like to share that even during the stringent lockdown phases, Cummins did what it does best-making people's lives better. We achieved this by providing aftermarket support to critical essential services, as well as helping communities fight this crisis. Our sales and services teams went above and beyond to make this possible. From ensuring that hospital and medical services were always on to enabling the priority servicing of goods trains transporting essential commodities across India to offering timely support to the telecommunications segment, they worked round-the-clock to support our customers. In our community relief efforts, we

adopted a multi-pronged approach by partnering with industry bodies and local governments in the distribution of Personal Protective Equipment to frontline warriors, partnering with non-government organizations to provide police personnel near our facilities, and creating awareness about health and hygiene.

These are indeed difficult times and, while there is great uncertainty facing us, I am confident that as a nation and as a Company, we will get past this challenge.

Your Company's passion for best-in-class products and processes backed by our Mission, Vision, and Values translated into many awards and recognitions for Cummins.



Inclusive Workplace Award

at Excon Women Building India Awards



Active Customer Engagement Award

Confederation of Indian Industry



Ranked 50th out of the top 100 companies

listed by FUTUREScape in Sustainability and CSR



Golden Peacock Occupational Health and Safety Award

Innovative Environmental project title at Confederation of Indian Industry (CII) Environmental Best Practice Awards, 2019
Cummins Power Generation SEZ plant



Greentech Environment award for their 2018 environmental performance

India Parts Distribution Center

Financial Performance

2019-20



Net Sales

In the fiscal year 2019-20, net sales for your Company were at

₹5,062 Crores



Net Profit Before Tax

Net profit before tax (excluding exceptional items) at

₹779 Crores



Net Cash Generated from Operations

₹599 Crores

Revenue for the year ended March 31, 2020 at ₹5,062 Crores declined 8% over the sales of ₹5,526 Crores recorded during same period last year.

Domestic sales for the year ended March 31, 2020 at ₹3,771 Crores were lower by 3% over the sale of ₹3,873 recorded during same period last year.

Exports sales for the year ended March 31, 2020 at ₹1,291 Crores declined 22% over the export sales of ₹1,652 Crores recorded during last year.

Profit before tax (excluding exceptional items) was recorded at ₹779 Crores is 24% lower as compared to ₹1,030 Crores recorded during last year.

An interim dividend of ₹7 per fully paid-up equity share of ₹2 each (350%) was disbursed in FY 2019-20. The 2019-20 financial year concluded with the Board recommending a final dividend of ₹7 per share of ₹2 fully paid-up (350%) aggregating to ₹14 per share of ₹2 each fully paid-up (700%), subject to your approval at the Annual General Meeting.

Delivering Value to all Stakeholders

Your Company continued to deliver value successfully to its stakeholders by strengthening partnerships and launching innovative products and services to help customers win in their markets.



Industrial Business

We fortified partnerships and our presence in different markets strategically.

Indian Railways (IR)

Continuing our strong partnership with Indian Railways (IR).

- Your Company delivered record shipments of Power Car DA sets and power packs for Diesel Electric Tower Cars (DETCs) to various rail factories, winning appreciation for exemplary performance in project execution for the second consecutive year.
- We delivered Power Cars equipped with remote monitoring system capabilities for their generator sets in alignment with their digitization initiatives.
- Our 28-liter engine successfully powered the locomotive for a narrow-gauge heritage train intended for steep gradients and heavy haulage.

Mining

Strengthening our presence in different markets.

- We continued to make inroads into the high tonnage dump truck market.
- We entered a new segment in the Construction market by supplying power packs for the stone crusher application.

Marine

Maintaining key partnerships with a focus on upcoming projects.

- We maintained our strong partnership with major shipyards as well as the Indian Navy and Coast Guard to offer our main propulsion engines and diesel generator set offerings for upcoming naval projects.

Construction

Improving market share through customer partnerships and product development.

- Despite weak markets, we improved our market share through strong customer partnerships and focus on new product developments to meet market requirements.
- To address the onset of BSIV emission norms in April

2021 for Construction Equipment Vehicle (CEV) applications, we are looking to enhance our product offerings from mechanical to new generation electronic 4-cylinder and 6-cylinder engines. These new engines will be powered by Cummins' best-in-class globally-proven technology and will ensure higher uptime, installation simplicity, and cleaner emissions to deliver superior value to end-users.

- This will also help us establish our readiness for the emission norms in Construction, Earthmoving, Material Handling, and Mining Equipment (CEMM), which are likely to come into effect a couple of years down the line. (GSR notification awaited). These technologically-superior engines are expected to generate a higher revenue per unit, accelerating our growth in this segment.

Compressor

Catering to increased demand in the water well rigs market.

- In the water well drill rigs market, we witnessed a significant volume growth on account of a good monsoon last year.

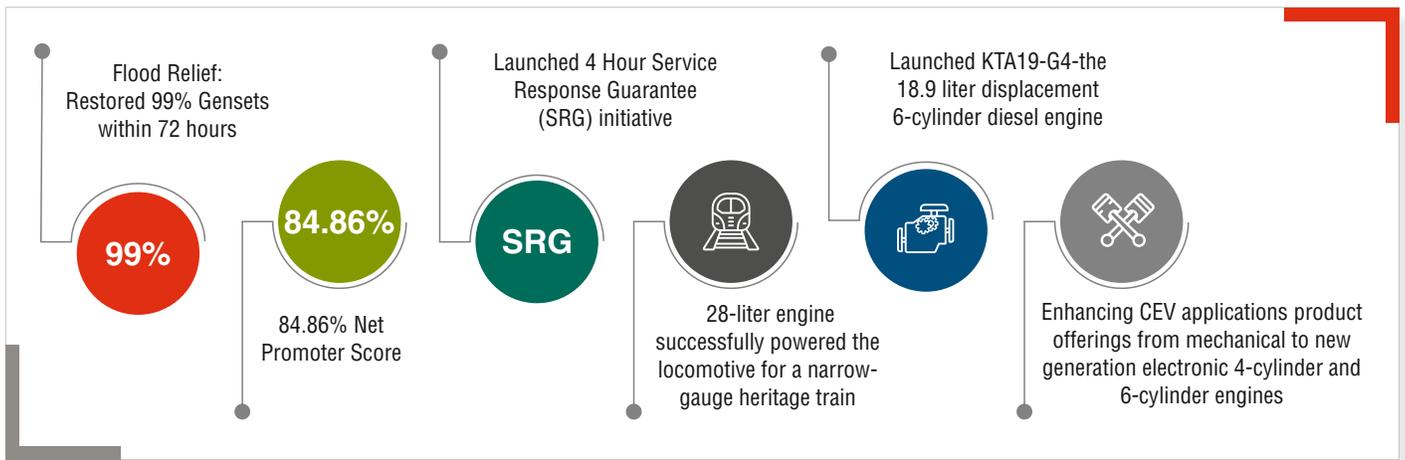


Power Generation

Your Company continued to deliver on its brand promise of innovation and dependability by introducing improved products that deliver better value to our customers across fast-growing segments.

Though the power deficit in the country continues its declining trend, the dependence on reliable power continues to increase. The strengthening macroeconomic fundamentals and increased investments in Infrastructure, Data Centers, and Commercial Realty will further drive the demand for backup power.

- In the Low Horsepower segment, we launched the new 40kVA generator to provide high power-density and reduced total cost of ownership (TCO) through significant footprint reduction.
- In the High Horsepower segment, we successfully executed our first-ever order of the QSK95 genset-one



of Cummins' most advanced technology engines-which offers advantages including a lower capital cost, a more compact installation, and exceptional fuel efficiency compared to other engines in this class.

- In an endeavor to leverage technology, we invested in the enhancement of digital controls technology and introduced the MLD (Masterless Load Demand) feature, enabling a cost-effective and technically-superior way for customers to manage multiple gensets in parallel.
- To strengthen our channel presence, we added 8 sales dealers pan India.

Exports Business

Meeting the needs of specific power generation markets.

- Your Company launched KTA19-G4-the 18.9 liter displacement 6-cylinder diesel engine for specific Power Generation markets. The product is based on the world-renowned Cummins K-series family, recognized for its robustness. It delivers a fit-for-market solution through a simple mechanical design for customers located in markets such as Africa and the Middle East.
- We also launched RoHS (Restriction of Hazardous Substances)-compliant low kVA products that meet the requirement of eliminating designated hazardous material from the products.



Distribution Business

Demonstrating dependability and enhancing process efficiencies

- Through significant efforts in leveraging technology, demonstrating dependability, and enhancing process efficiencies, we earned a Net Promoter Score (NPS) of 84.86%-an increase of almost 3% over last year.

Customer Support

- Living up to our brand promise of dependability, our service teams rendered unconditional support during Cyclone Fani and flash floods in Karnataka,

Maharashtra, and Kerala by proactively reaching out to over 850 flood-impacted customers. With hospitals, banks, and residential areas given priority, 99% generator sets were restored to working condition within 72 hours.

- Striving to enhance customer support using technology, we moved from 'break-fix' to 'predictive and preventive' maintenance for select customers for the immediate diagnosis of their equipment's system fault alert, using a convenient mobile app, email, or web portal.
- In addition to this, we leveraged technology using advanced remote diagnosis tools that enable hands-free, real-time data visualization, and collaboration to address critical issues on the ground.
- As a process improvement measure, we introduced automated, analytics-based sales and service reporting to enable efficient and real-time decision-making.
- Taking our service excellence to the next level, we launched the 4 Hour Service Response Guarantee (SRG) initiative to ensure a rapid response to service requests. The '24X7 Cummins Care India' initiative launched last year was centrally-integrated with our installed remote monitoring systems to enable better coordination and support for customers.

Our focus on the Construction, Ports, and Compressor segments yielded penetration improvement and enhanced engagement through customized product and service offerings. Initiatives around re-introducing gas engines as products for the automotive bus segment resulted in an increase in volumes. We successfully utilized our application engineering and project management capabilities to offer repowering services by providing cost-effective integrated solutions in different segments. This led to growth in the whole goods portfolio. We also ventured into servicing the growth-oriented, price-sensitive private Mining segment by launching competitively-priced value-added rebuild and parts packages that generated growth. To accelerate retail sales, we unveiled a range of retail products like clutches, coolants, Diesel Exhaust Fluid (DEF), and batteries for e-Rickshaw and inverters.

Focus on Continuous Improvement

Continuing steadfast in its journey towards delivering operational excellence, our next generation 'Accelerated Move towards Zero Defect' (AMaZe 2.0) program closed over **500+ projects** yielding more than **18.5% year-on-year improvements** across key quality performance indicators. With our supplier partners playing an integral role in our growth, we successfully outreached 23 of our key supplier partners for the adoption of AMaZe as their continuous improvement lever across their value chain. With over **400+ active projects** with focused improvement objectives in 2020, we will continue to cultivate a 'Preventive and Predictive' approach so as to achieve world-class quality standards.

Various cost-optimization projects undertaken to reduce the total cost of ownership for direct materials led to accrued savings of **₹141 Crores** (excluding JVs-VCPL & FFPL) through the implementation of 412 cost reduction projects.

The cornerstone of our cost reduction efforts, Six Sigma helped us achieve **savings of ₹204 Crores** with a conscious focus on fewer but superior quality projects. **We completed over 370 projects.**

Apart from driving the value chain to deliver on new emission requirements, our returnable packaging initiatives yielded a **CO₂ reduction of 327 tons** and amounted to cost savings of over **₹1 Crore.**

Your Company is constantly looking for ways to make a positive environmental impact while delivering economic value to its stakeholders. Your Company's plants and sales office locations generated **19,814 metric tons** of greenhouse gases (GHG), consumed **32,741 kilo gallons** of water, and generated 5,502 metric tons of waste. Out of the total waste generated, **5,030 metric tons** of waste have been recycled with a **recycling rate of over 91%**. Your Company ensures that all its sites comply with Health, Safety, and Environment Management System policies, procedures, and initiatives independent of certification status.

19,814 metric tons of Green House Gases (GHG), consumed 32,741 kilo gallons of water and generated 5,502 metric tons of waste.

Living Our Values

At Cummins, Corporate Responsibility is not just philanthropy. It is about playing our rightful role as responsible members of society in a way that is also beneficial to the Company. Far more than money, it involves the passion, time, and active involvement of our employees on a consistent basis in various sustainable initiatives in three focus areas of Higher Education, Energy & Environment, and Equality of Opportunity.

Higher Education

In our commitment to bridging the skill gap through our global **TEC (Technical Education for Communities)** initiative, we partnered with two vocational education institutes at Indore and Jamshedpur, in addition to our sites at Kolhapur and Phaltan.

Energy and Environment

To expand our reach in making farmers resilient against monsoon vagaries, the **Monsoon Resilient Maharashtra (MRM)** project scaled to 19 villages in Maan Taluka, a significantly drought-prone zone. The project touched a total of 45,000 lives with a focus on marginalized sections, ensuring water efficiency through watershed management and sustainable, improved agricultural practices.

In the Phaltan Town Development project, with a vision to make **Phaltan a "livable model town" by 2030**-the best in its category and size in India-we maintained our focus on solid waste management. A concerted effort was made to clean **70 chronic dumping spots, and 30 selected spots were beautified** and converted into usable spaces, which led to the overall improved hygiene of the town.

*Model Village
Water Management*



Our program addressing waste pollution during festival times reached over 20 lakh people in 2019, diverting close to **500 metric ton** waste to be composted. This organic compost was distributed to more than 200 farmers, which will help increase their yield. Our flagship **'Coach Them Young'** program has reached **56 lakh students** to date in **150 cities** across **15 states** in India, creating environmental stewards of tomorrow.

Continuing our partnership with CII and NITI Aayog for the **'Clean Air, Better Life'** initiative around NCR, the Crop Residue Management project was rolled out to 102 villages across Punjab and Haryana covering approximately 1 lakh acre farmland. With the active engagement of 20,000 farmers, more than 68 lakh tons of rice straw were saved from burning, and nearly 75% of the adopted cropland is managed using sustainable crop management methods which do not involve burning. Approximately 726 tons of fine Particulate matter (PM2.5) and 1.87 lakh tons of CO₂e GHG emissions are avoided due to the intervention.

In our endeavor to increase our reach and serve the communities better, we have doubled the villages in our Model Village Project from 12 to 25 in collaboration with other industries and institutes like NABARD, which helped us multiply our impact. The Government of India's National Kamdhenu Aayog recently recognized Cummins' CR initiative of organic farming in model

village projects.

Equality of Opportunity

This year marks the second anniversary of Cummins' global initiative **'Cummins Powers Women' (CPW)**. Since its inception, the CPW program has positively impacted more than **1 lakh women globally**. In India, we have made strong headway and have empowered 20 visionary social entrepreneurs to advance social justice, improve education, and provide economic empowerment for girls and women. Our program envisions the enabling of 200 such visionaries across the country over time and, thereby, catalyzes them into creating a large-scale positive impact on empowering women and girls in India.

Our collaboration with Cummins College of Engineering for Women, Pune has come a long way, with the 25th batch graduating in the year 2020. To date, over **9500 students** have graduated from the college. The students proved their mettle once again through their participation in BAJAJ organized by SAE at Tennessee, wherein they were the only all-women's team out of 130 to complete the event.

Project Udgam continues to create awareness in women about menstrual hygiene, in addition to supporting financial independence for women through the SHG model.

*Equality of Opportunity,
Cummins Model Village*



Udgam Project



*Employee Engagement
for GreEngage*



POWERING What's Next

The external environment is likely to get more uncertain in the near future. During these weak economic conditions, we will keep doing what's right for the Company's future. We will continue investing in new technologies and introducing new and improved products to power our customers' success and allow us to stay ahead in the markets we serve. With India gearing up for BSIV CEV (off-highway) emission norms and Central Pollution Control Board (CPCB) IV+ emission norms in 2021 for engines used in generators, your Company has evaluated numerous technologies and products, and developed fit-for-market solutions to best meet emissions regulations in a cost-effective manner.

At this juncture, I would like to emphasize that success at Cummins is measured by more than the bottom-line. If we do our job right, we can help build stronger communities, extend economic support to more people, and help address the growing economic challenges. We have successfully navigated downturn cycles in the past, and are continually evolving our strategic plan to ensure we emerge a winner in an economy with an ever-changing pulse.

In closing, I would like to express my gratitude to the Board Members for their unstinting support and guidance and our teams who have been working incredibly hard in this difficult period to keep the Company strong.

Stay Healthy. Stay Safe.

Sincerely,



Ashwath Ram

Board of Directors



Mark Levett
Chairman



Ashwath Ram
Managing Director



Nasser M. Munjee
Independent Director



Rajeev B. Bakshi
Independent Director



Venu T. Srinivasan
Independent Director



**Priya Shankar
Dasgupta**
Independent Director



Prakash M. Telang
Independent Director



Rama Bijapurkar
Independent Director



Norbert Nusterer
Non-Executive Director



Antonio Leitao
Non-Executive Director



Donald Jackson
Non-Executive Director



Lorraine Alyn Meyer
Additional Director

BANKERS :

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

ICICI Bank Limited

The Hongkong Shanghai Banking Corporation Limited

YES Bank Limited

J.P. Morgan Chase, N.A.

AUDITORS :

S. R. B. C. & Co. LLP

Chartered Accountants

C - 401, 4th Floor, Panchshil Tech Park,

Yerwada, (Near Don Bosco School),

Pune 411 006

REGISTRAR & TRANSFER AGENT :

Link Intime India Private Limited

C-101, 1st Floor, 247 Park,

L.B.S. Marg, Vikroli (West),

Mumbai 430 083

Phone : (022) 49186270

Fax : (022) 49186060

E-mail : rnt.helpdesk@linkintime.co.in

Website : www.linkintime.co.in

Cummins India Limited

[CIN : L29112PN1962PLC012276]

Regd. Office : Cummins India Office Campus,
Tower A, 5th Floor,
Survey No. 21, Balewadi,
Pune 411 045

Phone : (020) 67067000

Fax : (020) 67067015

E-mail : cil.investors@cummins.com

Website : www.cumminsindia.com

DIRECTORS' REPORT

The Directors take pleasure in presenting the Fifty-Ninth Annual Report together with *inter-alia* the audited financial statements for the year ended March 31, 2020. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

1. FINANCIAL RESULTS:

On Standalone basis:-

During the Financial Year 2019-20, revenue from operations was ₹ 515,773 Lacs as compared to ₹ 565,900 Lacs during the previous year (8.86% lower). Profit after tax decreased to ₹ 62,934 Lacs from ₹ 72,257 Lacs recorded for the previous year (12.90% lower).

On Consolidated basis:-

During the Financial Year 2019-20, revenue from operations was ₹ 519,145 Lacs as compared to ₹ 569,731 Lacs during the previous year (8.88% lower). Profit after tax decreased to ₹ 70,561 Lacs from ₹ 74,261 Lacs recorded for the previous year (4.98% lower).

Financial summary

Standalone		Consolidated	
2019-20 (₹ in Lacs)	2018-19 (₹ in Lacs)	2019-20 (₹ in Lacs)	2018-19 (₹ in Lacs)

APPROPRIATION OF PROFIT:

Profit before taxation	75,906	103,035	80,748	106,889
Net Profit for the year after tax	62,934	72,257	70,561	74,261
Tax on dividend	9,687	9,687	9,687	9,687
Dividend	47,124	47,124	47,124	47,124

2. RESERVES:

The closing balance of reserves, including retained earnings, of the Company as at March 31, 2020 was ₹ 411,952 Lacs.

3. COVID-19:

The outbreak of COVID-19 turned into global pandemic in March 2020 and held the world at its standstill. Consequent lockdown announced across India resulted in temporary suspension of operations and temporary closure of offices, branch offices and plants/manufacturing facilities of the Company in line with the government/local authorities' directions. During the lockdown, your Company continued to provide support to customers who were providing essential services. Your Company as a part of its safety policies ensured that its employees are working from home and necessary facilities as feasible were provided. As the restrictions were eased out, your Company while closely monitoring the situation and following safety guideline, started staggered manufacturing at its plants.

4. BUSINESS UPDATE AND STATE OF COMPANY'S AFFAIRS:

The information on Company's affairs and related aspects is provided under Management Discussion and Analysis report, which has been prepared, *inter-alia*, in compliance with Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 and forms part of this Report.

5. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 7/- per equity share of ₹ 2/- each fully paid-up share, in addition to the interim dividend of ₹ 7/- per equity share of ₹ 2/- each fully paid-up share declared on January 28, 2020, aggregating to ₹ 14/- (i.e. 700%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2020 (last year ₹ 17/- per equity share i.e. 850%). The final dividend payout is subject to approval of the Members at the ensuing Annual General Meeting.

6. SHARE CAPITAL:

The paid-up share capital of the Company is ₹ 554,400,000/- divided into 277,200,000 equity shares of ₹ 2/- each as on March 31, 2020. Your Company has not come out with any issue (public, rights or preferential) during the year.

7. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associates as on March 31, 2020 : -

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

CSSPL, a wholly-owned subsidiary, of the Company focuses on sales of Cummins engines, parts, accessories and providing service support to engines and generators in parts of Northern India close to the National Capital Region (NCR). CSSPL generated a revenue of ₹ 10,549 Lacs from its operations for the year ended March 31, 2020, as compared to ₹ 10,143 Lacs during the previous year (4.01% higher).

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

CRTI is a 50:50 joint venture between Cummins Inc., USA and your Company, which was formed in 2003 with an intent to provide Information Technology enabled Mechanical Engineering development services primarily to Cummins Inc., USA, its subsidiaries and joint ventures in all parts of the world. Since, April 01, 2016, CRTI closed its operations and your Board of Directors decided that the activity carried out by CRTI for your Company, shall be undertaken in-house by absorbing the appropriate number of employees from CRTI in your Company. The revenue from operations for the year ended March 31, 2020, and for the previous year was Nil.

c) Valvoline Cummins Private Limited (VCPL):

VCPL, a 50:50 joint venture between Valvoline International Inc., USA, a global leader in lubricants and engine oils, and your Company, generated a revenue of ₹ 129,544 Lacs from its operations for the year ended March 31, 2020, as compared to ₹ 133,276 Lacs during the previous year.

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

Your Company owns 48.54% shareholding in the Associate Company namely CGT which is in the business of design, manufacturing, marketing, sales and service of alternators and related spare parts. CGT generated revenue of ₹ 79,089 Lacs from its operations for the year ended March 31, 2020, as compared to ₹ 74,361 Lacs during the previous year (6.36% higher).

As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, consolidated financial statements of the Company, its subsidiary, joint ventures and associate companies, prepared in accordance with the applicable Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended, form part of the Annual Report and are reflected in the consolidated financial statements of the Company.

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

The Company will make the said financial statements and related detailed information of CSSPL available upon the request by any Member of the Company. These financial statements will also be kept open for inspection by any

Member at the Registered Office of the Company and of CSSPL. Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate financial statements in respect of CSSPL, are available on the website of the Company.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

No loan or guarantee was given, or investment was made by your Company during the Financial Year 2019-20.

9. DEPOSITS:

Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013 during the Financial Year 2019-20.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

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

The Policy on materiality of related party transactions as approved by the Board may be accessed on the Company's website at the link: <https://www.cummins.com/en/in/investors/india-corporate-governance>

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, related party transactions have been disclosed under significant accounting policies and notes forming part of the Financial Statements in accordance with relevant accounting standards.

11. CONSERVATION OF ENERGY:

During the Financial Year 2019-20, your Company strived to imbibe energy conservation principles and initiatives across all its facilities.

A 1000 kWp grid connected solar power plant was installed and made operational at the Kothrud Engine Plant at Pune in Financial Year 2019-20. The installation of solar power plant has helped us save approx. 3.7 lac units of purchased electricity and a financial saving of approx ₹ 37.15 lacs from December 2019 to March 2020.

The other key initiatives across multiple areas are highlighted below –

HVAC – Your Company has undertaken initiatives such as Installation of VFD with solenoid valves for Compressor cooling water system, AC optimum utilization through installation of timer control units, etc.

Lighting – Similar to last year, your Company has continued the initiative to replace old lighting fittings with new-age energy efficient LED fittings within and outside some of our facilities. The installation of motion sensors at various locations has helped us to reduce the energy consumption at various sites.

Awareness Generation – This included improving awareness amongst employees to switch off major energy consuming equipment or units when idle as well as employing an energy review tool and energy balance tool to identify projects.

These key initiatives resulted in annual energy savings of approximately 18.47 Lacs units of electricity and ₹ 166.86 Lacs of saving in energy costs.

12. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

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

Your Company continues this endeavour by developing the next generation of systems in collaboration with the parent company - Cummins Inc., USA.

Improved technical productivity, through new methodologies and technologies, is being continuously pursued to reduce the costs associated with new product development and customer support. An example of this is the further enhanced use of analysis-led design through computer models that help minimize hardware testing and therefore accelerate product development cycle times with reduced product testing.

A. New Product Development: -

The following new Products were developed as part of the above initiatives during the year: -

1. Rail engine product families to support the growing Rail Business;
2. Marine engine product families to support the increasing commercial Marine Business;
3. Further enhancements of non-diesel product development capability such as use of alternative fuels are being explored in India;
4. Telematics and Analytics capabilities have been developed to improve uptime and fuel efficiency performance of our products;
5. To enhance the position of Cummins in the Low kVA market, your Company has introduced a new 40 kVA genset with X2.7 litre engine; and
6. Your Company continues to strengthen its channel presence in the market through its GOEM partners who have added 12 number of additional sales dealers across various geographies.

B. Benefits derived as a result of the above activities are:-

1. Enhanced product and service capabilities through use of electronic tools and simulation software to deliver improved engine performance;
2. Enhanced capability to tailor engine designs to improve value proposition for customers through delivering superior power output, fuel economy, transient response and reduced emissions;
3. Enhanced product and service capabilities through use of electronic tools and simulation software to control the engine performance and combustion process;
4. Enhanced capability to tailor engine designs to improve the value proposition for customers through delivering superior power output, fuel economy, transient response and reduced emissions;
5. Product and component availability to meet the new emission norms ahead of implementation;
6. Safer, recyclable, reliable, durable and performance-efficient products and critical components;
7. Component indigenization capability was improved through enhanced test capability, rig test and flow bench development and availability; and
8. Significant enhancements in measurement capability were made to pursue business opportunities in non-diesel markets to serve both the rural and international communities.

C. Future plans include:-

1. Developing local 'fit-for-market' solutions to meet upcoming emission regulations and market needs on commercial off-highway and power generation segments;
2. Technological innovation to add value to products in the areas of alternate fuels, fuel cells, power electronics, hybrid engines and recycle / re-use;
3. Continued expansion of the product range to serve the needs of both local and global market;
4. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives; and
5. Focused engine development for the Power Generation market for the upcoming emissions norms.

D. Your Company continues to draw benefits from Cummins Inc.'s technology, advanced engineering and research. With this support your Company is committed to develop advanced fuel-efficient and emission-compliant products that use a variety of energy sources and comply with future domestic emissions and carbon dioxide targets. These help to reduce Greenhouse Gas emissions and improve Air Quality, whilst also enabling the products to deliver superior performance, reliability, durability and recyclability.

E. Expenditure on Research & Development (R&D):-

The total expenditure on R & D was as follows:-

	2019-20 (₹ Lacs)	2018-19 (₹ Lacs)
Capital	14,534	83
Recurring	4,470	3,329
Total	19,004	3,412
Total R&D expenditure as a percentage of total sales turnover	3.68%	0.6%

13. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 6,176 engines and 4,027 generator sets. Foreign exchange earned in terms of actual inflows during the year 2019-20 and foreign exchange outgo in terms of actual outflows during the year 2019-20 were as follows:-

Particulars	FY 2019-20 (₹ Lacs)	FY 2018-19 (₹ Lacs)
Foreign exchange earnings*	155,025	200,745
Foreign exchange outgo*	103,391	102,425

* Equivalent value of various currencies

14. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT:

The Management Discussion and Analysis Report and the Corporate Governance Report which forms part of this Report are appended as **Annexure '3'** and **'4'** respectively.

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

The Company has obtained a Certificate from Practicing Company Secretary confirming that none of the Directors on the Board of the Company have been debarred or disqualified by MCA or SEBI or any such statutory authority from being appointed / continuing as Director and the same is appended as **Annexure '6'** which forms part of this Report.

15. EXTRACT OF THE ANNUAL RETURN:

Extract of the annual return as prescribed under Section 92(3) of the Companies Act, 2013 is appended as **Annexure '7'** which forms part of this Report.

16. RISK MANAGEMENT:

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

identified for each risk and metrics are developed for monitoring and reviewing the risk mitigation through Six Sigma Projects.

Risk Management Committee of the Board of Directors of your Company assists the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational, other risks have been identified and assessed, and there is an adequate risk management infrastructure in place capable of addressing those risks. The development and implementation of risk management policy has been covered in the Management Discussion and Analysis, which forms part of this Report.

17. INTERNAL FINANCIAL CONTROL:

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

18. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

Your Company's leadership culture is to inspire and encourage all employees to reach their full potential. A great leadership culture begins with outstanding leaders who create an outstanding place to work, inspiring and encouraging all employees to achieve their full potential. Leaders connect people and their work to the vision, mission, values, brand promise and strategies of the company, motivating them and giving them a higher sense of purpose. Leaders build trust in our teams and in our organizations and align on key goals and priorities.

Your Company has a 'Vigil Mechanism Policy' which *inter-alia* provides adequate safeguards against victimization of persons who may blow the whistle. Vigil Mechanism Policy may be accessed on the Company's website at the link: <https://www.cummins.com/en/in/investors/india-corporate-governance>.

In addition, your Company has complied with provisions relating to constitution of an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a stabilized well governed ethics investigations process. During the year under review, one complaint pertaining to sexual harassment of woman employee was reported to the Committee and the same was investigated in accordance with the procedures prescribed and adequate steps were taken to resolve it and no complaints were pending as on March 31, 2020.

The Company is committed to the highest possible standards of openness, integrity and accountability in all its affairs and to providing a workplace conducive to open discussion of its business practices. Your Company has laid out infrastructures and policy through which the employees can voice their concerns about suspected unethical or improper practice, or violation of Cummins Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the Company. Protected disclosures can be made by a whistle blower through an email or dedicated telephone line or letter to the Managing Director of the Company or Letter to the Chairman of Audit Committee or via the Ethics helpline /Webpage, details of which are available on website www.cumminsindia.com.

19. CODE OF CONDUCT COMPLIANCE:

All Members of the Board and Senior Management have affirmed compliance to the Code of Conduct for the Financial Year 2019-20. A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by the Board of Directors and Senior Management for the Financial Year 2019-20 as required under Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

20. DIRECTORS' RESPONSIBILITY STATEMENT:

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2019-20.

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

- (i) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed and there was no material departure from the same;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2020 and of the profit for the period April 01, 2019 to March 31, 2020;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

21. DIRECTORS:

a) Changes in the composition of the Board of Directors:

Appointments and Re-appointments

Mr. P. S. Dasgupta (DIN: 00012552), Mr. Venu Srinivasan (DIN: 00051523), Mr. Rajeev Bakshi (DIN: 00044621), Mr. Nasser Munjee (DIN: 00010180), and Mr. Prakash Telang (DIN: 00012562), were appointed as Non-Executive Independent Directors of the Company for a second term of five consecutive years at the 58th Annual General Meeting, effective August 01, 2019.

Mr. Ashwath Ram (DIN: 00149501) was appointed as an Additional Director designated as Managing Director of the Company with effect from August 17, 2019. On recommendation of the Nomination and Remuneration Committee, the Board of Directors have proposed appointment of Mr. Ashwath Ram as Director and Managing Director, not liable to retire by rotation, for a period of three (3) years from August 17, 2019. The resolution seeking shareholder's approval for his appointment forms part of the Notice.

Ms. Lorraine Meyer (DIN: 08567527) was appointed as an Additional (Non-Executive Non-Independent) Director of the Company with effect from October 01, 2019. On recommendation of the Nomination and Remuneration Committee, the Board of Directors have proposed appointment of Ms. Lorraine Meyer as a Non-Executive and Non-Independent Director, liable to retire by rotation. A resolution seeking shareholder's approval for her appointment forms part of the Notice.

Ms. Rama Bijapurkar (DIN: 00001835) was appointed as an Additional (Non-Executive Independent) Director of the Company with effect from June 17, 2020. On recommendation of the Nomination and Remuneration Committee, the Board of Directors have proposed appointment of Ms. Rama Bijapurkar as a Non-Executive and Independent Director, not liable to retire by rotation, for a period of five (5) years from June 17, 2020. The resolution seeking shareholder's approval for her appointment forms part of the Notice.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Antonio Leitao (DIN: 05336740), Director (Non-Executive Non-Independent) of the Company, retires by rotation and is eligible for re-appointment. The proposal seeking shareholder's approval for his re-appointment forms part of the Notice.

During the year, the Board at its meetings held on May 25, 2019, August 07, 2019, October 24, 2019 and January 28, 2020 noted the presence of Mr. Norbert Nusterer in India and consequent cessation of Mr. J. M. Barrowman as Alternate Director to Mr. Nusterer. The Board further confirmed appointment of

Mr. Barrowman as an Alternate Director to Mr. Nusterer upon the return of original Director Mr. Nusterer to U.S.A except on the conclusion of meeting of January 28, 2020.

As required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2, particulars of Directors seeking appointment/re-appointment at this Annual General Meeting are given in the Annexure to the Notice and the Board recommends the respective resolutions to the Members for approval.

Cessation

During the year, Mr. Sandeep Sinha (DIN: 02400175) resigned as Managing Director of the Company with effect from August 16, 2019, Ms. Suzanne Wells (DIN: 06954891) resigned as Director (Non-Executive Non-Independent) of the Company with effect from September 30, 2019 and Mr. J. M. Barrowman (DIN: 00668324) ceased to be Alternate Director (Non-Executive Non-Independent) to Mr. Norbert Nusterer, Director of the Company with effect from January 27, 2020.

Further, Ms. Anjuly Chib Duggal (DIN: 05264033) resigned as Non-Executive Independent Director of the Company with effect from April 06, 2020 on account of personal reasons. She had confirmed that there were no other material reasons for her resignation.

The Board places on record its appreciation for their invaluable contribution and guidance.

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

b) Committees of the Board:

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

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

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

c) Policy on Director's Appointment and Remuneration:

The Policy of the Company on Director's Appointment and Remuneration, including criteria for determining qualifications, positive attributes, independence of the Directors and other matters provided under Section 178(3) of the Companies Act, 2013, adopted by the Board is appended as **Annexure '8'** which forms part of this Report. Details of the remuneration paid to the Board of Directors are provided in the Corporate Governance Report. We affirm that the remuneration paid to the Directors is as per the terms laid down in the Nomination and Remuneration Policy of the Company.

d) Board Performance Evaluation Mechanism:

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance and the Directors individually, as well as the evaluation of the working of its Committees. Details of the evaluation mechanism is provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report.

e) **Familiarization Programme for Independent Directors:**

During the year, the Management provided various documents, background notes etc. to Independent Directors to have a better insight of the Company. The Chairman and the Managing Director also has a one-to-one discussion with the newly appointed Directors to provide details of initiatives for the Director to understand the Company, its business and the regulatory framework in which the Company operates and equip him/ her to effectively fulfil his/ her role as a Director of the Company. The details of familiarization programmes imparted are available at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

f) **Declarations from the Independent Directors:**

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) and 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and adherence to Schedule IV of the Companies Act, 2013. There has been no change in the circumstances affecting their status as Independent Directors of the Company. The said Certificate(s) were taken on record by the Board after requisite assessment.

22. NUMBER OF MEETINGS OF THE BOARD:

Four meetings of the Board of Directors were held during the year. The details of the meetings held and attendance by Directors are provided in the Corporate Governance Report which is appended as **Annexure '4'** and forms part of this Report. The maximum interval between any two meetings did not exceed 120 days, as prescribed by the Companies Act, 2013.

23. KEY MANAGERIAL PERSONNEL:

During the year, Mr. Sandeep Sinha (DIN: 02400175) resigned as the Managing Director and Key Managerial Personnel of the Company with effect from August 16, 2019. Consequent to the resignation of Mr. Sinha, Mr. Ashwath Ram (DIN: 00149501) was appointed as Additional Director designated as Managing Director and Key Managerial Personnel of the Company with effect from August 17, 2019.

Mr. Rajiv Batra retired as the Chief Financial Officer and Key Managerial Personnel of the Company with effect from March 31, 2020. Consequent to retirement of Mr. Batra, Mr. Ajay S. Patil was appointed as the Chief Financial Officer and Key Managerial Personnel of the Company with effect from April 01, 2020.

Ms. Hemiksha Bhojwani (ACS 22170) resigned as the Company Secretary and Key Managerial Personnel of the Company with effect from May 11, 2020. Consequent to resignation of Ms. Bhojwani, Ms. Vinaya A. Joshi (ACS 25096) was appointed as the Company Secretary and Key Managerial Personnel of the Company with effect from June 17, 2020.

24. PARTICULARS OF EMPLOYEES:

The details in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, is appended as **Annexure '10'** which forms part of this Report. Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

25. INDUSTRIAL RELATIONS:

Industrial relations at all the plants of the Company continue to be cordial. Multiple initiatives have been rolled out for shop, office and field technician employees under 'Advancing our workforce Strategy' (AWS) for its establishments across the globe. Key purpose of AWS is to inspire and encourage 'All Employees' to reach their full potential by implementing similar talent management policies and processes for all the shop, office and field technician employees similar to that implemented for our managerial employees. Implementation of different initiatives under this strategy are in progress.

During the Financial Year 2019-20, your Company had announced a Voluntary Retirement Program (VRP) for its professional / exempt employees, who have completed minimum 10 years of service and are above 45 years of age. The objective was to reduce headcount to manage the cost structure based on the business cycles. 73 employees of the Company opted for VRP and the overall pay-out cost for Company was Rs. 1604.92 Lacs. The Company had submitted relevant stock exchange disclosures in this behalf.

26. AUDITORS:**STATUTORY AUDITORS:**

At the 55th Annual General Meeting held on August 04, 2016, M/s. S R B C & Co. LLP (Firm Registration No. 324982E), were appointed as Statutory Auditors of the Company to hold office till the conclusion of Sixtieth Annual General Meeting. In terms of the Section 139(1) of the Companies Act, 2013, the appointment of statutory auditors does not require ratification by the shareholders in Annual General Meeting, Accordingly, the Board noted the continued appointment of M/s. S. R. B. C. & Co. LLP as the Statutory Auditors of the Company for the Financial Year 2020-21.

M/s. S R B C & Co. LLP have informed the Company vide letter dated June 04, 2020 that their appointment, is within the limits prescribed under Section 141 of the Companies Act, 2013.

There are no qualifications, reservations, adverse remarks or disclaimers made by the auditors in the Audit Report for the year 2019-20. There was one instance of delay in transfer of interim dividend declared for the FY 2011-12, to the Investor Education and Protection Fund by an associate company during the year ended March 31, 2020 and it had no financial implication.

SECRETARIAL AUDITOR:

M/s Pramod Shah & Associates, (FCS 334), was appointed to conduct the secretarial audit of the Company for the Financial Year 2019-20, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 and Secretarial Audit Report pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Financial Year 2019-20 is appended as **Annexure '11'** which forms part of this Report. Both the reports do not contain any qualification, reservation or adverse remark.

The Annual Secretarial Compliance Report has been submitted to the stock exchanges as required under Regulation 24A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The Board has re-appointed M/s Pramod Shah & Associates to conduct the secretarial audit of the Company for the Financial Year 2020-21.

COST AUDITORS:

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, as amended from time to time, the cost audit records maintained by the Company in respect of its manufacturing activity is required to be audited. Your Directors, on the recommendation of the Audit Committee, appointed M/s. Ajay Joshi & Associates (Firm Registration No. 101542), Pune, to audit the cost accounts of the Company for the Financial Year 2019-20 at a remuneration of ₹ 950,000 plus taxes as applicable and re-imbursalment of out of pocket expenses. The remuneration was ratified by shareholders in the 58th Annual General Meeting held on August 07, 2019.

The Board has re-appointed M/s. Ajay Joshi & Associates to audit the cost accounts of the Company for the Financial Year 2020-21 at a remuneration of ₹ 950,000 plus taxes as applicable and re-imbursalment of out of pocket expenses. As required under the Companies Act, 2013, the shareholders ratification for the remuneration payable to M/s. Ajay Joshi & Associates, Cost Auditors, is being sought at the ensuing Annual General Meeting.

M/s. Ajay Joshi & Associates, Cost Auditors, under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder, have furnished a certificate of their eligibility and consent for appointment.

27. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

Your Company is an early adopter of the Corporate Social Responsibility (CSR) initiatives. Corporate Social Responsibility continues to be the core value of your Company embedded in the core value of caring, which focuses on 'serving and improving the communities in which we live'. Your Company works with 'Cummins India Foundation' towards three broad focus areas viz. Higher Education, Energy and Environment and Equality of Opportunity.

Details about the CSR Policy and initiatives taken by the Company during the year are available on our website <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Annual Report on our CSR Activities is appended as **Annexure '12'** which forms part of this Report.

28. BUSINESS RESPONSIBILITY REPORT:

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

29. SECRETARIAL STANDARDS:

The Company is in compliance with the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

30. DIVIDEND DISTRIBUTION POLICY:

The Board of Directors of the Company have formulated a Dividend Distribution Policy which is appended as **Annexure '9'** and forms part of this Report. The policy is also available on our website <https://www.cummins.com/en/in/investors/india-corporate-governance>

31. INVESTOR EDUCATION AND PROTECTION FUND (IEPF):

Pursuant to Section 124 and Section 125 of Companies Act, 2013 and IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, during the year under review, the Company has transferred the following unclaimed and unpaid dividend and corresponding shares to IEPF, upon completion of period of seven years:

Date of Declaration	Type of Dividend	Amount transferred (₹)	No of shares transferred
August 02, 2012	Final Equity Dividend	6,889,866	27,398
January 31, 2013	Interim Equity Dividend	5,654,110	10,952

32. GENERAL:

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

- Issue of equity shares with differential rights as to dividend, voting or otherwise;
- Issue of shares (including sweat equity shares) by the Company to its employees;
- Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;
- No frauds were reported by auditors under Section 143(12) of the Companies Act, 2013;
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations. However, Members attention is drawn to the Statement on Contingent Liabilities, commitments in the notes forming part of the Financial Statement; and
- No material changes and commitments occurred during April 01, 2020 till the date of this Report which would affect the financial position of your Company.

ACKNOWLEDGEMENT:

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

On behalf of the Board of Directors,

Place : Pune
Date : June 17, 2020

Mark Levett
Chairman
DIN: 00368287

Ashwath Ram
Managing Director
DIN: 00149501

Note: All the Annexures referred in the Directors' Report form an integral part of the same. The entire Annual Report along with the Notice convening the AGM and Financial Statements (Standalone and consolidated) shall be read together.

Annexures to the Directors' Report

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

[Pursuant to first proviso to Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 – Form AOC - 1]

Part “A”: Subsidiaries: -

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

Sr. No.	Particulars	
1.	Name of the subsidiary :	Cummins Sales & Service Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period :	Financial Year 2019-20
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Indian Rupees (₹)
4.	Share capital :	₹ 1,200.00 Lacs
5.	Reserves & surplus :	₹ 550.65 Lacs
6.	Total assets :	₹ 3,659.13 Lacs
7.	Total Liabilities :	₹ 1,908.48 Lacs
8.	Investments :	Nil
9.	Turnover :	₹ 10,549.40 Lacs
10.	Profit before taxation :	₹ 252.68 Lacs
11.	Provision for taxation :	₹ 68.57 Lacs
12.	Profit after taxation :	₹ 184.11 Lacs
13.	Proposed Dividend :	Not Applicable
14.	% of shareholding :	100

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

Annexures to the Directors' Report

Part "B": Associates and Joint Ventures :-

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

Name of Associates / Joint Ventures	Cummins Research and Technology India Private Limited	Valvoline Cummins Private Limited	Cummins Generator Technologies India Private Limited
1. Date of the latest audited Balance Sheet	March 31, 2020	March 31, 2020	March 31, 2020
2. Shares of Associates / Joint Ventures held by the Company on the year end			
No.	114,600 equity shares of ₹ 10/- each	9,500,000 equity shares of ₹ 10/- each	779,997 equity shares of ₹ 10/- each
Amount of Investment in Associates / Joint Ventures	₹ 11 Lacs	₹ 804 Lacs (Please refer note no. 1)	₹ 1,720 Lacs (Please refer note no. 2)
Extent of holding %	50%	50%	48.54%
3. Description of how there is significant influence	Joint Venture	Joint Venture	Associate Company with control of more than 20% of total share capital
4. Reason why the associates / joint ventures is not consolidated	NA	NA	NA
5. Net worth attributable to Shareholding as per latest audited Balance Sheet	₹ 271 Lacs	₹ 11,405 Lacs	₹ 13,489 Lacs
6. Profit/Loss for the year			
i. Considered in Consolidation	₹ 32.50 Lacs	₹ 7,953.12 Lacs	₹ 4,114.25 Lacs
ii. Not Considered in Consolidation	₹ 32.50 Lacs	₹ 7,953.12 Lacs	₹ 4,361.75 Lacs

Notes: -

1. The Company invested ₹ 8.46/- per share in Valvoline Cummins Private Limited.
2. The Company invested ₹ 220.50/- per share in Cummins Generator Technologies India Private Limited.
3. The Company invested ₹ 9.60/- per share in Cummins Research and Technology India Private Limited.
4. There is neither any Associate Company/ Joint Venture which is yet to commence operations nor any Associate Company/ Joint Venture which has been liquidated or sold during the year.
5. Share of profit of Subsidiary Company, Joint Venture and Associate Company have been considered in consolidation.

For and on behalf of the Board

Mark Levett
Chairman
DIN : 00368287

Vinaya A. Joshi
Company Secretary
PAN : AMQPJ5216P

Ashwath Ram
Managing Director
DIN : 00149501

Ajay S. Patil
Chief Financial Officer
PAN : AAJPP9246Q

Nasser Munjee
Director
DIN : 00010180

Place : Pune
Date : June 17, 2020

Annexures to the Directors' Report

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

[Pursuant to clause (h) of Section 134(3) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014 – Form AOC - 2]

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

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

No contracts or arrangements or transactions were entered into during the year ended March 31, 2020, which were not at arm's length basis.

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

(₹ in Lacs)

Nature and Particulars of transactions	Name of the Related Party/s	Nature of Relationship	Salient Terms	Amount of the transaction
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2019-20	Tata Cummins Private Limited (TCPL)	<ul style="list-style-type: none"> - 50-50% joint venture company between Cummins Inc., USA and Tata Motors Limited. Cummins Inc., USA is the parent company of Cummins India Limited. - Mr. Ashwath Ram, Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also Managing Director of TCPL. - Mr. Rajiv Batra, erstwhile Chief Financial Officer (also, the erstwhile Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL. 	Purchase of B, C & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	90,775

* Material related party transactions (RPTs) i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements are provided in the above table. As a part of its regular business, the

Company transacts with various companies owned or managed under Cummins Group for sale and/ or purchase of different series of internal combustion engines along with parts and accessories. Out of such companies, the transactions with TCPL are Material RPT. It may be noted that during the FY 2019-20 the total annual consolidated turnover of the Company was ₹ 509,587 Lacs and that the Company had transactions with TCPL of ₹ 90,775 Lacs (i.e. of 17.81%). A similar trend of transactions with TCPL is expected in the current year. Therefore, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee and the Board of Directors have approved these transactions on January 28, 2020 and shall present the same for approval by the shareholders at the ensuing Annual General Meeting.

On behalf of the Board of Directors,

Place : Pune
Date : June 17, 2020

Mark Levett
Chairman
DIN: 00368287

Ashwath Ram
Managing Director
DIN: 00149501

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- The year 2019 was a difficult year for the Global economy as the growth decelerated to 2.4% amid continued weakness in global trade and investment¹.
- Global headwinds and challenges in the domestic financial sector moderated the growth of Indian economy in FY 2019-20. The GDP growth of India reduced to 5.0% in FY 2019-20 as compared to 6.1% in FY 2018-19².
- In response to the slowing economic growth, Government of India announced a slew of economic measures - capital infusion and consolidation of public sector banks, cut in the corporate tax rate and liberalization of FDI norms for select sectors. These measures are expected to improve credit growth, increase capital inflows, reinvigorate private investments, and thereby boost economic growth.
- With the goal to make India a \$5 trillion economy by 2025, Government of India has rolled out a National Infrastructure Pipeline (NIP) under which ₹ 102 lakh crore³ of infrastructure projects will be implemented in the next 5 years. National Infrastructure Pipeline is expected to give a massive boost to infrastructure development across sectors such as roads, railways, airports, energy etc.
- The Economic Survey of India 2020 forecasted India's economic growth to rebound strongly to 6.0% - 6.5%⁴ in FY 2020-21. However, the recent outbreak of coronavirus (Covid-19) has brought considerable human suffering and economic disruption. Severe restrictions to slow the spread of coronavirus are taking a toll on both domestic and global economy. Amid expectation of sharp contraction in the global economy, International Monetary Fund (IMF) has slashed India's economic growth estimate for FY 2020-21 from 5.8% to 1.9%⁵.
- Governments and Central Banks across the globe are taking fiscal and monetary measures to counter the economic fallout caused by Covid-19 and stabilize the world economy.

Note:

1. World Bank: Global Economic Prospects January 2020
2. Second Advance Estimates from National Statistical Office (NSO)
3. Press Information Bureau - Government of India
4. Ministry of Finance - Government of India
5. International Monetary Fund (IMF)

2. Opportunities and Threats

Key Opportunities

Power Generation

- Rapid urbanization, infrastructure development and need for power assurance for all will continue to drive the demand for power back-up solutions.
- While the power deficit of the Country continues its declining trend, your Company expects the power generation business to grow owing to Government's significant emphasis on key segments data centre, healthcare, infrastructure and commercial realty.

- With the emission norms getting more stringent for the power back up industry, your Company is focused on developing and bringing forward best-in class products for the customers.

Industrial

- Indian Government has been emphasising on 'Make in India' clause in tenders of Public Sector Undertakings (PSU) establishments to promote local manufacturing, thus posing entry barriers to players with imported offerings. Your Company continues to leverage this opportunity across various industrial markets with PSU participation.
- **Railways:** Indian Railways continues to focus on 100% electrification of its broad-gauge track routes. This is expected to drive the demand for Diesel Electric Tower Cars (DETCs) for the next 2-3 years, which are used for installation and maintenance of overhead electric equipment.

Increasing focus on safety has prompted Indian Railways to increase its fleet of Self-Propelled Accident Relief Trains (SPART) to improve the accident relief coverage for its entire network. Emphasis on track safety is also fuelling the demand for track maintenance vehicles, especially considering the increasing rail network and dedicated freight corridors becoming operational. The demand for these applications is expected to grow for next 4-5 years.

- **Mining:** Coal India Ltd. has set itself an annual production target of 1 billion tonnes by 2024 and is expected to spend the bulk of its capex in the next few years on acquiring heavy machinery and transport wagons. Your Company anticipates that these stiff targets would drive an increased demand for higher tonnage mining equipment.
- **Marine:** With Indian Navy working to boost its operational capability by inducting new warships and auxiliary vessels and Defence Ministry pushing PSU shipyards to focus on export orders, there has been sustained flow of projects to defence PSU shipyards with many shipyards having a healthy order book for the upcoming years.

The Blue Revolution scheme announced by the Indian Government for growing fish production in India aims to offer various subsidies for the organized fishing boat building industry. This is expected to provide impetus to the market for fishing boat engines in long term.

- **Oil & Gas and Pumps:** In Budget 2020, Indian Government has announced plans to increase share of natural gas in India's energy basket from 6.2% to 15%. Accordingly, Government is pushing for massive investment in the City Gas Distribution (CGD) network in India over the next decade, as evident from the recent (9th and 10th) rounds of CGD bidding. As per LOIs awarded in the CGD bidding rounds, the Government is aiming to increase the number of CNG stations from 1,758 nos. currently (covering 11% of the country's geographical area) to 8,181 CNG stations (covering 53% of geographical area) by 2030.
- **Construction:** Under "National Infrastructure Pipeline", more than 60% of infrastructure projects are from construction intensive sectors like Roads, Railways, Irrigation, Urban infrastructure and Ports. These would contribute to the growth of excavators and other earth moving equipment.

With stricter Construction Equipment Vehicle (CEV) Bharat Stage (BS) IV emission norms announced for wheeled construction equipment (from October 2020) and non-wheeled BSIV CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) under discussion, your Company will strengthen its leadership position by leveraging global experience, technology leadership and strong partnerships with all major equipment manufacturers.

Distribution

- Your Company expects to maintain its position even in these testing times on the back of increased government spending and foreign investments in the infrastructure sector and our business development initiatives.
- Mining is another segment in which growth is expected to be driven by demand of new dump trucks from Coal India and penetration in the growing private mining sub-segment through higher engagement.

- Focus on sub-segments like Data Centres, IT/ITEs, Pharma, etc. where customers' willingness to pay is high.
- Increased focus on the on-highway segment through new and improved products and ensuring availability in the market via. improved footprint.

Exports

- The roll out of higher speed, more reliable & faster 5G mobile network as well as expansion of Internet of Things (IoT) infrastructure offers growth prospects for Power Generation products. Especially in Asia Pacific and Africa regions, your Company has opportunities for growth in Telecom segment.
- Your Company is also tapping into opportunities available in Industrial Rail market in specific Asia Pacific region, where we can build upon our existing local presence in those markets.

Key Threats

Power Generation

- With the domestic players expanding their product ranges and international players gaining foothold in the market, competition is intense in the segment.

Industrial

- **Railways:** As Indian Railways shifts its focus onto electric-powered platforms from diesel-driven ones, DEMUs (Diesel Electric Multiple Units), which are used for short-to-medium distance intercity passenger transport, will gradually be replaced by MEMUs (Mainline Electric Multiple Units). Hence, DEMU market is expected to continue its decline.

Electrification focus of Indian Railways is also leading to adoption of HOG system (Head-On Generation) in mainline trains, which will render the power car DA sets as a standby option. Consequently, trains are expected to have 1 power car instead of the current 2 power cars, which will bring down the power car market by ~50%.

- **Mining:** Indian Government has allowed 100% FDI in coal mining, opening doors for foreign private coal mining players to enter India. This is likely to increase outsourcing of mining activities to private contractors and equipment sourced from outside India.
- **Construction:** An increase in equipment cost is foreseen as the market transitions from current mechanical products to electronic platforms in the future due to change in emission norms. This could temporarily impact the demand in immediate years of implementation. Your Company is working to mitigate the impact by improving the total ownership cost for the end user by improving fluid efficiency.

Distribution

- Growing environment concerns leading to bans on the use of DG sets in other cities, in line with the DG ban in Delhi-NCR region, and better availability and quality of grid power could result in lower utilization of DG sets.
- Railways focus on electrification is leading to adoption of Head-On-Generation (HOG) system that would result in lower utilization of Power cars.
- Competition from global OEMs as well as Multichannel Parts Suppliers is expected to intensify.

Exports

- Your Company anticipates volatility in demand due to economic slowdown, rising geopolitical tension, foreign currency fluctuation and increased protectionism.

- Your Company is experiencing strong competitive activity in Powergen markets, Global OEMs as well as Genset assemblers are driving increased competition.
- Lower Commodity Prices, specifically Crude Oil, would continue to dampen demand from Africa and Middle East markets.
- In future, stringent emission norms in countries like China could result in lower demand for Powergen HHP engines and will necessitate investments in new engines.

3. Product-wise Performance

Power Generation

- Your Company continues to improve and enhance current products in the portfolio across the nodes to ensure best offerings for the customers.
- Enhanced digital controls technology introducing MLD (Master less Load Demand) feature with our High-Horsepower genset controllers has been developed for the ease of customers.
- In low horse power, a 40kVA product with a reduced footprint (~15%) and height (~3%) has been developed – optimizing the total cost of ownership of the product for the customers.

Industrial

- Based on value-additions and integrated solutions introduced over the previous year, Industrial Projects business across rail, mining, marine, oil & gas, pumps and defence segments witnessed healthy growth in FY 2019-20.
- The Rail segment reported strong growth in FY 2019-20 on the back of integrated solutions in the Diesel Electric Tower Car segment and offerings in the Power Car segment.
- The Construction segment reported de-growth in FY 2019-20 due to decline in demand from earthmoving equipment and road machinery industry.

Distribution

- Witnessed growth in New Engines business by focusing on the Distributor OEMs and re-introducing Gas engines as a product for Automotive Bus segment.
- Focused on increasing engagement with OEMs and supplied customized batteries to OEMs for the first time.
- To bolster growth, your Company introduced new products such as clutches, coolants, DEF and batteries for E-rickshaw for the On-Highway market.

Exports

- Low Horsepower Power Generation business witnessed sluggish growth in the markets and increased competitive pressure, in addition to factors outlined in the Threats section above. These factors have resulted in downward pressure on price and decline in revenue.

4. New Business initiatives for Financial Year 2019-20

Power Generation

- To improve the service and reach of the products, your Company focused on improving the reach of the channel with the appointment of 8 new dealerships across the country.
- Focusing on customer needs, significant steps were taken to improve the power density of products to reduce the total cost of ownership, lower the maintenance cost and provide the benefit of a smaller installation footprint.
- Programs for developing products for readiness of upcoming tighter emission norms in power generation have been initiated.

Industrial

- Your Company developed QSN14 engine for multi-purpose tamping machines application, which are used for maintenance of railway tracks.
- In line with Indian Railway's digitization plan of introducing smart trains, your company has developed and delivered power cars equipped with Remote Monitoring System (RMS). RMS would help the Railways in real-time monitoring of the condition of the power car DA sets.
- Your Company has supplied its VTA28 engine to Central Railways for powering the locomotive (ZDM-3) of the narrow-gauge heritage train, which operates in the Kangra valley terrain between Kalka and Shimla.
- Your Company has successfully entered into the high tonnage dump truck market by supplying QSK50 and QSK60 engines for indigenously manufactured dump trucks. This would pave way for your Company to establish its presence in the high tonnage equipment market, which has robust growth prospects in the upcoming years.
- With a view to fortify its presence in the construction market, your Company has begun supplying power packs for stone crusher application thus entering in to a new market segment.
- To address the upcoming BSIV emission norms for the Off-highway segment in the Indian Market, your Company has initiated programs to launch BSIV certified global electronic engine platforms for all customers. There is growing acceptance from key Off-Highway partners in India for Cummins new 4 and 6 cylinder engine offerings.

Distribution

- Pilot telematics devices were installed on select customers' DG sets and real time data from these DG sets was transmitted to the Command Centre in Head Office. Data was monitored and analysed to generate insights that were passed on to the customers as a part of preventive and predictive maintenance.
- Rapid Response team addressed critical issues in the field and reduced the engine downtime using advance remote diagnosis tools such as Virtual Engineer and Real wear Head-Mounted Tab that enables us to carry out two-way communication with the site.
- To reduce the customer response time, your Company launched 'Service Response Guarantee' that entitles customers to one free service, if the engineer fails to reach the site within 4 hours.

Exports

- Given competitive pressures, your Company has undertaken several product enhancement actions to strengthen our position in the marketplace. This includes enhancements to existing products along with cost optimization.
- Your Company has launched KTA19-G4; 18.9 Litre displacement 6-cylinder Diesel Engine for specific Power Generation markets with ratings of 550kVA/500kWe.

- Your Company has also launched Low kVA products that are RoHS (Restriction of Hazardous Substances) compliant for Europe and other markets.
- In addition, your Company continues to improve robustness of its products through specific actions in the Quality area.

5. Achievements

Power Generation

- The Power Generation business has achieved volumes of nearly 22,000 generator sets in FY 2019-20, providing nearly 4,000 MW of backup power to customers across India.
- In high horse power, the first 95L product sale and installation was successfully executed in the Indian market for a prestigious public sector entity for their fertilizer manufacturing plants.

Industrial

- Your Company has supported the production plans of Indian Railways with record shipments of power car (327 sets) and DETC (137 sets) to various rail factories along with installation and commissioning (I&C) of 910 engines.
- Your Company has won appreciation letter from Integral Coach Factory for the second consecutive year for exemplary performance in I&C (Installation and Commissioning) execution. Your Company has secured the order from a major shipyard in the country for supply of 800 kWe DG sets for Indian Navy Survey Vessels (4 shipsets).
- Your Company has shipped prototype engines, for the upcoming BS IV emission norms in Off-highway segment, to multiple OEMs and for multiple applications. Your Company is working with XCMG, a key global customer, in their launch of India-manufactured excavators. Further our existing customers enhanced their market presence by launching new equipment variants powered with our engines.

Distribution

- The Net Promoter Score (NPS) which is a measure of customer loyalty, has improved to 84.86% this year which has resulted in placing the Distribution Business in the first place across all Cummins regions globally, consecutively for 3 years.

Exports

- Your Company has successfully shipped newly launched KTA19 G-drive to Africa & Middle East markets. The product delivers efficient solution and enhanced derating performance through a simple mechanical design for Power Generation customers.
- Your Company recently showcased QSB7 Fit for Market (FFM) Genset at the Middle East Energy Show, Dubai. The product offers fully integrated system with compact footprint allowing lower shipping & logistics cost.

6. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

- Focus on enhancing current products particularly in the high horsepower range and developing value added offerings for the customers.
- Energy storage technologies are expected to enter the power generation landscape in the coming years. Your Company sees these technologies as opportunities to serve customers as they become more viable.

- With greater focus on more stringent environmental norms in the future, your Company is positioned favourably as a pioneer in producing engines with cleaner technology.

Industrial

- With increased focus of Indian Railways on electrification, your Company is looking to leverage the growth in electrical equipment market by exploring new opportunities in EMUs, MEMUs, train sets and auxiliary power for locomotives.
- Your Company maintains its strong partnership with major shipyards and continues to liaison with Indian Navy and Coast Guard to offer its main propulsion engines and diesel generator set offerings for upcoming naval projects and pursuing new opportunities. Your Company also plans to expand its presence in the fishing boats market.
- Your Company aims to maintain its market leadership in the compression gas engines market with product improvements and further grow the market share in the CGD market.
- Your Company continues to invest in new technologies in the mining segment for higher capacity equipment and emission regulations.
- Your Company is committed to strengthen its position as technology leader and partner with major equipment manufacturers for their new product launches for the BSIV CEV (Construction Equipment vehicle) and CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) emission norms changes. Business development is being pursued actively with new customers for existing and new applications.

Distribution

- Your Company would continue to provide support to its customers even during these challenging times of Covid-19 pandemic.
- Your Company expects to maintain its current position into next year with the focus on leveraging technology to enhance customer support.
- Your Company will look to leverage adjacencies with its channel and improve last-mile reach by strengthening its retail presence and increasing the service touchpoints.

Exports

- Your Company is focused on increasing the exports of its products and is positioned strongly in the marketplace.
- Focusing on customer needs, your Company took significant steps to improve the development of Fit for Market products. Your Company has received a positive response for the Fit for Market KTA19-G4 product, specifically from Africa and Middle East markets. Your Company is working on additional Fit for Market products in the Low Horsepower segment to be introduced later this year.
- Your Company is experiencing high demand from Data Centre market and is well positioned to meet the same.
- Your Company continues to improve the support provided to its customers and distributors located around the world through enhanced Account Management Structure, Factory Fly-in programs as well as other Marketing assistance.

7. Risks and Concerns the Management Perceives

- Volatility in oil prices, financial market instability and potential trade wars posed a threat to the economic outlook.

- NBFC crisis impacted grassroots level economic activity in turn affecting industrial businesses. Government's active steps to revive NBFC sector will be much needed to bring back growth in Construction and Compressor segments.
- Your Company's export growth hinges on the increase in demand in partner countries, which continues to be uncertain and weak. Because of our international business presence, we are exposed to foreign currency exchange rate risks.
- By the end of Q4 FY 2019-20, the novel Covid-19 disease emerged across the globe and was declared as a pandemic by WHO. Your Company followed instructions given by various State and Central Government and implemented lockdown across offices, manufacturing locations, dealerships and partner sites. Considering the lockdown, we expect our operations to be affected depending on the tenure of the lockdown and revival of economic activity.

Measures to mitigate risks

- To counter the slowdown in global economic growth and demand, it is imperative to maintain focus and leadership in the domestic market. New product and market development, overall portfolio diversification and better market penetration for existing products will continue to be the focus areas for your Company.
- Various restructuring projects combined with cost reduction programs, which leverage Six Sigma approach, such as 'Accelerated Cost Efficiency' (ACE) V, Accelerated Move towards Zero Defects (AMAZE), Accelerated Supply Chain Excellence and Transformation (ascent) have had a significant positive influence on your Company's profitability. Continued focus on these efforts will help your Company to maintain cost leadership in the domestic market and remain the preferred source for exports.
- Your Company's utmost priority continues to be safety and well-being of its employees and other stakeholders. Your Company continues to closely monitor the economic impact of Covid-19 and the impact on revenue growth rates. Your Company is taking appropriate measures to ensure that ensuing economic impact is effectively managed. While economic implications of Covid-19 are evolving, your Company believes that there are no significant risks associated with the assets, including property, plant and equipment, receivables and inventories among others.

8. Internal Control Systems and its Adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. These controls have been designed to provide a reasonable assurance regarding maintenance of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. Your Company has continued its efforts to align all its processes and controls with global best practices.

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

The Board takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management program, the Company's business units and corporate functions address opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. The business risk

is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the senior management. The Risk Management Committee reviews business risk areas covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, legal & environmental compliances, data security, product quality and product planning.

9. Key Financial Ratios

- i) Details of changes in key financial ratios including significant changes i.e. change of 25% or more as compared to the immediately previous financial year along with detailed explanations:

Particulars	FY 2019-20	FY 2018-19	Explanation for significant change
Debtor Turnover	4.21	4.25	NA
Inventory Turnover	5.62	6.21	NA
Interest Coverage Ratio	56.49	85.87	Reduced by 29.38 due to reduction in Profit Before Tax of 26%
Current Ratio	2.16	2.24	NA
Debt Equity Ratio	0.43	0.39	NA
Operating Profit Margin (%)	15.11%	18.49%	NA
Net profit Margin (%)	12.20%	12.77%	NA

- ii) Details of any change in Return on Net Worth as compared to the immediately previous financial year:

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Return on Net Worth (%)	15.15%	17.80%	16.25%	17.68%

Return on net worth is computed as net profit by average net worth. The details for change in return on net worth are explained in relevant sections above.

10. Human Resources Development and Industrial Relations

The total number of employees stands at 3,447 as on March 31, 2020.

Leadership Excellence

Your Company focuses on investing & building capabilities in leaders at all levels through various initiatives to develop Future Ready Leaders and build leadership talent for future needs.

In building leadership excellence across the organization, 159 managers underwent the 'Leadership Conversations – Building Success in Others' program. In FY 2019-20, 19 employees were sponsored for higher education at your Company's partner institutions such as the S. P. Jain Institute of Management and Research (SPJIMR) for post graduate management program and the two-year master's in Technology course in partnership with BITS Pilani for our professional employees.

Structured initiatives are being offered with a focus to develop and nurture women leaders across business units. The 'Women Leadership Development Program' focuses on enhancing leadership capabilities of high performing women employees and encompasses career conversations, gap analysis, mentoring sessions and function specific learning interventions.

Hire-To-Develop and Seamless Talent Deployment

Your Company is continuing with the important initiative of hire-to-develop which presents growth opportunities to employees for self-development by taking up responsibilities across functions and businesses. At least 89 professional employees have moved into different roles or functions internally within the Organisation. There were 14% employees who were promoted to the next salary grade due to change in their job profiles and relative advancement in career growth.

As your Company continues to grow and expand, it becomes increasingly important to get visibility to talent insights. By standardizing, integrating and automating talent management processes, your Company has provided Leaders with an efficient technology-based process called Integrated Talent Management (ITM). ITM touches the key stakeholders - employees, managers and businesses and enables all to work together to achieve their goals and helps employees reach their full potential with a two-way communication and feedback.

Recruitment

Continuing the focus around employing the right and diverse talent at both entry & experienced level and developing them for future roles within the organization, this year, your Company hired 18 entry level employees from partnered Engineering & Management Institutes supplemented with 16 experienced hires.

Around 12 women were hired (which is 35% of total hires in FY 2019-20), thus showcasing the commitment towards gender equality. Your Company has increased its focus on diversity beyond gender by hiring workforce from diverse backgrounds viz. region, differently abled & LGBTQ.

Your Company has made some good investments in attracting talent from the industry and hired Engineering Technical Experts, Technical and Business Leaders & Experts in emerging technologies thereby continuing with our commitment to invest in upscaling technology.

This year your Company also forayed its presence on Social Media Platforms viz. LinkedIn, Facebook & Instagram and will continue to focus on increasing our engagement with the digital media. This will help us enhance our Employer Brand Image on digital platforms and help us attract potential talent for your organization.

Diversity and Inclusion

Diversity and Inclusion is in the DNA of your Company. Your Company had launched four (4) new Employee Resource Groups (ERG) focusing on the primary dimensions of diversity namely: Generation, Culture, Person with Disability (PwD), LGBTQ+ in the year 2018. Promoting the Organisation's Diversity and Inclusion agenda, these ERGs work on initiatives that contribute in making the Organisation's environment 'Inclusive' in every sense so that the employees bring in their full potential at workplace. Projects and initiatives undertaken by these ERGs range from revisiting internal policies and processes, introducing new policy or guidelines to support a diverse dimension, rolling out effective workshops and awareness events focusing on 'inclusion', conducting infrastructural audits and recommending workplace adjustments. We continue to focus on increasing our gender (female) talent, which is today at 31%. As the next step, your Company is working to achieve gender parity in our workforce, by moving the needle to 50% representation of female talent. In this journey, the WE Network (Women Empowerment Network) ERG will continue to be a strong partner with the business. As we continue the hiring primarily through our campus and lateral hiring, we would also focus on the pool of talent who have taken a career break but are now all geared up to restart their career.

Reiterating Mr. J Irwin Miller's (Cummins Chairman, 1951-1977) famous quote "*Character, ability and intelligence are not concentrated in one sex over the other, nor in persons with certain accents or in certain races or in persons holding degrees from universities*", in our Diversity & Inclusion philosophy, your Company is also focusing on hiring Person with Disability (PwD) talent and also looking at how we can create a safe and inclusive environment in our Company to also attract the LGBTQ+ talent.

Your Company continues to be sensitive to the fact that today's working couples live in nuclear family setups and depend a lot on the Corporate on-site child-care facility. The Creche facility at all our sites are in demand and demonstrates

on how much trust our employees have on the operations of these centres. For your Company, creches are not just a legal compliance. Reiterating our Company value 'Caring', the Company has taken steps to ensure that the prime focus of these centres is not just to provide a safe & child friendly environment, but also ensure that there are various interventions planned throughout the year that stimulates the child's development and also gives opportunity to the parent (employee) in participating and playing an active role in the same, thus making them feel engaged in their child's key growing years. These onsite creche facilities contribute greatly in attracting and retaining talent.

Megasite Update

At the Cummins Megasite, Phaltan, living up to the spirit of 'One Cummins', your Company continues to move talent seamlessly within all the plants based on employee & business needs. Your Company believes in "Hire to Develop" and acts by providing internal opportunities as well as recruitment of fresh talent through campus recruitment. Right talent balance is achieved through hiring special skills from outside to meet business talent needs. Multiple initiatives are rolled out & some are in planning phase to attract & retain talent at Megasite. Your Company hosted multiple events wherein families of employees were invited to show our plants followed by a cultural program. These events were in addition to our broad employee engagement plan. Cummins residential campus housing has more than 55% female employees out of total 400 beneficiaries, is equipped with gymnasium, yoga room, indoor & outdoor sports facility. This facility also houses a convenience shop for daily needs which is run by a self-help group through our Corporate responsibility initiatives.

At Cummins Megasite, Your Company has achieved 21% female representation amongst the shop-floor employees and 23.3% female representation amongst the professional employees. The creche facility was expanded to double its capacity to cater to the growing need. Around 96 kids are getting benefited through state of art facility, balanced diet & care through expert staff. Your organization is supporting Government's skill enhancement program through Apprentice, Diploma and Vocational trainees. Your Company has received a special approval to train apprentices in all the shifts which also helped to double the apprentice number as trainee. Automated biometric attendance system helps to improve governance of flexi workforce along with a systematic internal audit mechanism for compliances in this area.

Right Environment

The Right Environment Philosophy for Cummins in India talks about - "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that, breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently." Your Company's efforts to drive awareness & commitment amongst employees towards the 'Cummins Code of Business Conduct', 'Treatment of Each Other at Work' Policy and other Ethics and Compliance policies continue year on year through various communication platforms, trainings, emailers, portals, posters etc. which help us in creating and sustaining the right environment for all the company's stakeholders, both internal and external to the organization. Every year, your Company utilizes its learnings via various speak up channels and ensures to upgrade all relevant policies to help its employees unleash their full potential. In addition to the other policy awareness and trainings, the Company also focusses its efforts in creating awareness, through training, posters, email communications etc. in the Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act").

Other Update

During the FY 2019-20, your Company had announced a Voluntary Retirement Program (VRP) for its professional / exempt employees, who have completed minimum 10 years of service and are above 45 years of age. The objective was to reduce headcount to manage the cost structure based on the business cycles. 73 employees of the Company opted for VRP and the overall pay-out cost for Company was ₹ 1604.92 Lacs.

11. Cautionary Statement

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

Annexures to the Directors' Report

Annexure 4 – CORPORATE GOVERNANCE REPORT

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

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

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

2. BOARD OF DIRECTORS:

a) Composition of the Board of Directors, attendance at Meetings and other details:

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors. As on the date of this report, the Board comprises of 12 Directors, with 1 Promoter (Executive) Director, 5 Promoter (Non-Executive) Directors, 6 Independent (Non-Executive) Directors that include 1 Woman Independent Director.

Mr. Mark Levett (DIN 00368287), Non-Executive Director is the Chairman of Board of Directors of the Company effective March 02, 2018. Mr. Ashwath Ram (DIN 00149501) is the Managing Director of the Company effective August 17, 2019.

During the Financial Year under review, four Board Meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on May 22, 2019, August 07, 2019, October 24, 2019 and January 28, 2020 for which requisite quorum was present.

All the Independent Directors attended the separate meeting of Independent Directors held on January 28, 2020 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The names and categories of the Directors on the Board and their attendance at Board Meetings held during the year under review and at the last Annual General Meeting ("AGM") and other details as on date of this report are hereunder:

Name of Directors	Category	Dates of Board Meetings				Date of AGM ¹
		May 22, 2019	August 07, 2019	October 24, 2019	January 28, 2020	August 07, 2019
Mr. Mark Levett (DIN: 00368287)	Promoter, Non-Executive, Non- Independent	✓	✓	✓	✓	✓
Mr. Sandeep Sinha ² (DIN: 02400175)	Promoter, Executive	✓	✓	NA	NA	✓
Mr. Ashwath Ram ³ (DIN: 00149501)	Promoter, Executive	NA	NA	✓	✓	NA
Ms. Anjuly Chib Duggal ⁴ (DIN: 05264033)	Non-Executive, Independent	✓	✓	✓	✓	✓

Name of Directors	Category	Dates of Board Meetings				Date of AGM ¹
		May 22, 2019	August 07, 2019	October 24, 2019	January 28, 2020	August 07, 2019
Mr. Nasser Munjee ⁵ (DIN: 00010180)	Non-Executive, Independent	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta ⁵ (DIN: 00012552)	Non-Executive, Independent	✓	✓	X	✓	✓
Mr. Prakash Telang ⁵ (DIN: 00012562)	Non-Executive, Independent	X	✓	✓	X	✓
Mr. Rajeev Bakshi ⁵ (DIN: 00044621)	Non-Executive, Independent	✓	✓	✓	✓	✓
Mr. Venu Srinivasan ⁵ (DIN: 00051523)	Non-Executive, Independent	✓	X	✓	✓	X
Mr. Antonio Leitao (DIN: 05336740)	Promoter, Non-Executive, Non-Independent	✓	X	✓	✓	X
Ms. Suzanne Wells ⁶ (DIN: 06954891)	Promoter, Non-Executive, Non-Independent	X	✓	NA	NA	✓
Mr. Donald Jackson (DIN: 08261104)	Promoter, Non-Executive, Non-Independent	✓	✓	✓	✓	✓
Mr. J. M. Barrowman ⁷ (DIN: 00668324)	Promoter, Non-Executive, Non-Independent	✓	✓	✓	✓	✓
Mr. Norbert Nusterer (DIN: 07640359)	Promoter, Non-Executive, Non-Independent	✓	✓	✓	✓	✓
Ms. Lorraine Meyer ⁸ (DIN: 08567527)	Promoter, Non-Executive, Non-Independent	NA	NA	✓	✓	NA
Ms. Rama Bijapurkar ⁹ (DIN: 00001835)	Independent Non-Executive,	NA	NA	NA	NA	NA

Notes: -

1. Mr. Nasser Munjee, Non-Executive and Independent Director, attended the Annual General Meeting in capacity as the Chairperson of Audit Committee of the Board of Directors of the Company. Mr. Prakash Telang, Non-Executive and Independent Director, attended the Annual General Meeting in capacity as the Chairperson of Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee of the Board of Directors of the Company. Mr. Rajeev Bakshi, Non-Executive and Independent Director, attended the Annual General Meeting in capacity as the Chairperson of Risk Management Committee of the Board of Directors of the Company.
2. Mr. Sandeep Sinha resigned as Managing Director of the Company effective August 16, 2019.
3. Mr. Ashwath Ram was appointed as an Additional Director and Managing Director of the Company effective from August 17, 2019.
4. Ms. Anjuly Chib Duggal resigned as Non-Executive Independent Director of the Company effective April 06, 2020 on account of personal reasons. Further, she had confirmed that there were no other material reasons for her resignation.
5. Mr. P. S. Dasgupta, Mr. Venu Srinivasan, Mr. Rajeev Bakshi, Mr. Nasser Munjee and Mr. Prakash Telang, Non-Executive and Independent Directors, were appointed as Independent Directors of the Company for a second term of five consecutive years at the 58th Annual General Meeting, effective August 01, 2019.

6. Ms. Suzanne Wells resigned as Director (Non-Executive and Non-Independent) of the Company effective September 30, 2019.
7. Mr. J. M. Barrowman, Alternate Director to Mr. Norbert Nusterer attended the Board Meetings and the Annual General Meeting as stated in the above table by special invitation. He ceased to be an Alternate Director effective January 27, 2020.
8. Ms. Lorraine Meyer was appointed as an Additional Director (Non-Executive and Non-Independent Director) of the Company effective October 01, 2019.
9. Ms. Rama Bijapurkar has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective June 17, 2020.

The composition of the Board is in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 read with Section 149 of the Companies Act, 2013.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. There has been no change in the circumstances affecting their status as Independent Directors of the Company during the Financial Year and till the date of this report and are independent of management.

The Independent Directors of the Company have confirmed compliance of relevant provisions of Rule 6 of the Companies (Appointments and Qualifications of Directors) Rules, 2014. Requisite disclosures have been received from the Directors in this regard.

The details of the familiarisation programmes imparted to the Independent Directors can be viewed at <https://www.cummins.com/en/in/investors/india-corporate-governance>

None of the Directors of the Company are related to each other.

b) Details of Directorship and Committee Memberships:

The name of other listed entities in which the Director is a director and the number of Directorships and Committee Chairmanships / Memberships held by them in other public limited companies as on date of this report are stated in the below table:

Name of Directors	Category	No. of Directorships in other public limited Companies		No. of Committee positions in other public limited Companies		Directorship in other listed Companies (Category of Directorship)
		Chairman	*Member	Chairman	**Member	
Mr. Mark Levett (DIN: 00368287)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Mr. Sandeep Sinha ¹ (DIN: 02400175)	Promoter, Executive	-	-	-	-	NA
Mr. Ashwath Ram ² (DIN: 00149501)	Promoter, Executive	-	-	-	-	-
Ms. Anjuly Chib Duggal ³ (DIN: 05264033)	Non-Executive, Independent	-	1	-	1	1. Gillette India Limited (Non-Executive, Independent)
Mr. Nasser Munjee (DIN: 00010180)	Non-Executive, Independent	1	5	2	4	1. DCB Bank Limited 2. Ambuja Cements Limited (Chairman) (Non-Executive, Independent) 3. ABB India Limited (Non-Executive, Independent)

Name of Directors	Category	No. of Directorships in other public limited Companies		No. of Committee positions in other public limited Companies		Directorship in other listed Companies (Category of Directorship)
		Chairman	*Member	Chairman	**Member	
						4. Housing Development Finance Corporation Limited (Non-Executive, Independent) 5. The Indian Hotels Company Limited (Non-Executive, Independent)
Mr. P. S. Dasgupta (DIN: 00012552)	Non-Executive, Independent	-	5	2	4	1. RSWM Limited (Non-Executive, Independent) 2. Maral Overseas Limited (Non-Executive, Independent) 3. Bhilwara Technical Textiles Limited (Non-Executive, Independent) 4. Ester Industries Limited (Non-Executive, Independent) 5. Timken India Limited (Non-Executive, Independent)
Mr. Prakash Telang (DIN: 00012562)	Non-Executive, Independent	-	1	-	1	1. Persistent Systems Limited (Non-Executive, Independent)
Mr. Rajeev Bakshi (DIN: 00044621)	Non-Executive, Independent	-	1	-	-	1. Marico Limited (Non-Executive, Independent) (ceased w.e.f. April 01, 2020)
Mr. Venu Srinivasan (DIN: 00051523)	Non-Executive, Independent	1	3	-	1	1. Sundaram-Clayton Limited (Chairman and Managing Director) 2. TVS Motor Company Limited (Chairman and Managing Director) 3. The Indian Hotels Company Limited (Non-Executive, Independent)
Mr. Antonio Leitao (DIN: 05336740)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Ms. Suzanne Wells (DIN: 06954891)	Promoter, Non-Executive, Non-Independent	-	-	-	-	NA
Mr. Donald Jackson (DIN: 08261104)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Mr. J. M. Barrowman ⁴ (DIN: 00668324)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Mr. Norbert Nusterer (DIN: 07640359)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Ms. Lorraine Meyer (DIN: 08567527)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Ms. Rama Bijapurkar ⁵ (DIN: 00001835)	Independent Non-Executive	-	5	3	5	1. Nestle India Limited (Non-Executive, Independent) 2. Emami Limited (Non-Executive, Independent) 3. ICICI Bank Limited (Non-Executive, Independent) 4. Mahindra & Mahindra Financial Services Limited (Non-Executive, Independent) 5. VST Industries Limited (Non-Executive, Independent)

* Number of Membership of Board includes Chairmanship of Board.

**Number of Membership of Committees include Chairmanship of Committees.

¹Mr. Sandeep Sinha resigned as Managing Director of the Company effective August 16, 2019.

²Mr. Ashwath Ram was appointed as an Additional Director designated as Managing Director of the Company effective August 17, 2019.

³Ms. Anjuly Chib Duggal resigned as Non-Executive Independent Director of the Company effective April 06, 2020.

⁴Mr. J. M. Barrowman, Alternate Director to Mr. Norbert Nusterer, ceased to be an Alternate Director effective January 27, 2020.

⁵Ms. Rama Bijapurkar has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective June 17, 2020.

As per the records available with the Company, none of the Directors hold the office of Independent Director in more than seven listed companies and ten public companies.

The details given in the table are as per Regulation 26 and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

c) Disclosure of Expertise or Skills of Directors:

Following are the core skills / expertise / competencies as required in the context of its business(es) and sector(s) for it to function effectively:

General Management, Corporate Social Responsibility, Distribution, Finance and Accounting, Joint Venture, Licensing and Corporate Laws, Automotive Industry, Operations, Corporate Strategy, Marketing, Supply Chain Management, Public Policy with specific reference to Public Finance and Corporate Affairs, Turnaround Management and Business Process Transformation, Mergers and Acquisitions, Finance and Corporate Treasury, Reorganization and Restructuring, Infrastructural Project Development, Manufacturing, Quality, Purchasing, Engineering, Business Management, Human Resources and Talent Management.

The following table states the identified core skills/expertise/competencies mapped for each of the Director:

Sr.	Name of Directors	Expertise/Skills in specific functional area
1	Mr. Mark Levett	General Management, Corporate Social Responsibility and Distribution
2	Mr. Sandeep Sinha ¹	Management, Operations and Corporate Strategy
3	Mr. Ashwath Ram ²	General Management, Operations and Corporate Strategy
4	Mr. Nasser Munjee	Finance and Accounting
5	Mr. P.S. Dasgupta	Mergers and Acquisitions, Reorganization & Restructuring, Infrastructural Project Development, Financing, Joint Venture, Licensing and Corporate Laws
6	Mr. Prakash Telang	Automotive Industry, General Management and Operations
7	Mr. Rajeev Bakshi	Marketing and Supply Chain Management
8	Mr. Venu Srinivasan	Automotive Industry and General Management
9	Ms. Anjuly Chib Duggal ³	Public Policy with specific reference to Public Finance and Corporate Affairs
10	Mr. Norbert Nusterer	Supply Chain Management, Turnaround Management and Business Process Transformation
11	Mr. Antonio Leitao	Strategy and Management
12.	Mr. Donald Jackson	Finance and Corporate Treasury
13.	Ms. Lorraine Meyer	Human Resources and Talent Management

Sr.	Name of Directors	Expertise/Skills in specific functional area
14.	Ms. Suzanne Wells ⁴	Manufacturing, Quality, Purchasing, Finance and General Management
15.	Mr. J. M. Barrowman ⁵	Manufacturing, Engineering and Business Management
16.	Ms. Rama Bijapurkar ⁶	Operations and Corporate Strategy, Finance and Accounting, Mergers and Acquisitions, Infrastructural Project Development

¹Mr. Sandeep Sinha resigned as Managing Director of the Company effective August 16, 2019.

²Mr. Ashwath Ram was appointed as an Additional Director designated as Managing Director of the Company effective August 17, 2019.

³Ms. Anjuly Chib Duggal resigned as Non-Executive Independent Director of the Company effective April 06, 2020.

⁴Ms. Suzanne Wells resigned as Non-Executive Non-Independent Director of the Company effective September 30, 2019.

⁵Mr. J. M. Barrowman, Alternate Director to Mr. Norbert Nusterer, ceased to be an Alternate Director effective January 27, 2020

⁶Ms. Rama Bijapurkar has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective June 17, 2020.

d) Details of equity shares of the Company held by the Directors as on March 31, 2020 are given below:

Name of Director	Category of Director	Number of Equity Shares
Mr. Ashwath Ram	Promoter, Executive	13,600 fully paid shares of ₹ 2/- each
Mr. Prakash Telang jointly with Mrs. Anjali Telang	Non-Executive, Independent	1,400 fully paid shares of ₹ 2/- each

Other than the above mentioned two Directors, none of the other Directors hold any shares in the Company.

3. COMMITTEES OF THE BOARD:

a) AUDIT COMMITTEE:

As on the date of this report, the Audit Committee comprised of 6 Directors including 1 Promoter (Non-Executive) Director – Mr. Mark Levett and 5 Independent Directors – Mr. Nasser Munjee (Chairperson), Mr. Prakash Telang, Mr. P.S. Dasgupta, Mr. Rajeev Bakshi and Mr. Venu Srinivasan.

Attendance at the Audit Committee meetings for F.Y. 2019-20:

Name of Directors	Dates of Audit Committee Meeting			
	May 22, 2019	August 07, 2019	October 24, 2019	January 28, 2020
Mr. Mark Levett	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. Prakash Telang	X	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	X	✓	✓

The Committee reviewed the audited financial statements for the year ended March 31, 2020 and unaudited financial results for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019. The Committee also reviewed (i) appointment of Statutory, Secretarial and Cost Auditors of the Company; (ii) performance of Subsidiary, Joint Ventures & Associates; (iii) reports of the Internal Auditor; (iv) Cost Audit Report

for the year 2018-19; (v) acquisition/ sale of assets; (vi) Directors' Responsibility Statement; (vii) Related Party Transactions; (viii) performance of Statutory and Internal Auditors; (ix) Legal Compliance Reports; (x) major litigations; (xi) Monitoring of the Code of Conduct; (xii) Forex Management Policy; (xiii) Prohibition of Insider Trading Policies and (xiv) Ethics and related matters.

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

All recommendations of the Committee made during the year were accepted by the Board of Directors from time to time.

Broad Terms of Reference of the Audit Committee:

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

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

b) NOMINATION AND REMUNERATION COMMITTEE:

As on the date of this report, the Committee comprised of 6 Directors including 2 Promoters (Non-Executive) Director - Mr. Mark Levett and Ms. Lorraine Meyer and 4 Independent Directors – Mr. Prakash Telang (Chairperson), Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Nasser Munjee.

Attendance at the Nomination and Remuneration Committee meetings for F.Y. 2019-20:

Name of Directors	Dates of Noination & Remuneration Committee Meeting			
	May 22, 2019	August 07, 2019	October 23, 2019	January 28, 2020
Mr. Prakash Telang	X	✓	✓	✓
Mr. P.S. Dasgupta	✓	✓	X	✓
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Mark Levett	✓	✓	✓	✓
*Ms. Lorraine Meyer	NA	NA	NA	NA

*Ms. Lorraine Meyer was appointed as Member of the Committee effective January 28, 2020.

The Committee reviews appointment of Directors and Key Managerial Personnel. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of a Director. The Board upon recommendation from the Committee have formulated a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees. The Nomination and Remuneration Policy of the Company is available at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

Broad Terms of Reference of the Nomination and Remuneration Committee:

The role and terms of reference of the Committee primarily covers the areas as contemplated under Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- To formulate and recommend to the Board, a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees; and
- To develop a succession plan for the Board and to regularly review the plan.

Performance evaluation criteria for Directors including Independent Directors:

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

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

The Head - HR contacts each Director annually with respect to performance of the Directors, Board and its Committees and Board dynamics. These comments relate to the broad question of how the Board can improve its key functions of overseeing financials, other major issues of strategy, risk, integrity and governance.

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

Remuneration of Directors:

The Non-Executive Independent Directors are paid sitting fees and annual commission. The annual commission is paid on an equal basis to all Non-Executive Independent Directors at a rate not exceeding 1% of Net Profits computed in accordance with Section 198 of the Companies Act, 2013 and pursuant to ordinary resolution passed by the Members at their 56th Annual General Meeting of the Company. The Managing Director is paid remuneration subject to approval by the shareholders.

There is no pecuniary relationship or transactions of any of the Non-Executive Directors apart from the remuneration as detailed in this Report.

Criteria for making payment to Non-Executive Independent Directors:

- Non-Executive Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they are Members) and commission as per limits prescribed in the applicable provisions of Companies Act, 2013, as amended from time to time. Quantum of sitting fees may be subject to review on a periodic basis, as may be required.
- The payment of sitting fees and commission shall be recommended by the Nomination and Remuneration Committee and approved by the Board based on the study of comparable companies and within the limits

prescribed under the applicable provisions of Companies Act 2013, as amended from time to time. Overall remuneration practices shall be consistent with recognised best practices.

- In addition to the sitting fees and commission, the Company may pay/reimburse to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company.

Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 01, 2019 to March 31, 2020:

(₹ in Lacs)			
Name of Directors	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	4.75	15.00	19.75
Mr. P. S. Dasgupta	3.00	15.00	18.00
Mr. Prakash Telang	3.75	15.00	18.75
Mr. Rajeev Bakshi	4.75	15.00	19.75
Mr. Venu Srinivasan	3.75	15.00	18.75
*Ms. Anjuly Chib Duggal	4.75	15.00	19.75

* Ms. Anjuly Chib Duggal resigned as Non-Executive Independent Director of the Company effective April 06, 2020.

Details of remuneration paid to Managing Director(s) of the Company during the Financial Year April 01, 2019 to March 31, 2020:

(₹ in Lacs)								
Name	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
*Mr. Sandeep Sinha	-	75	-	-	-	-	-	75
**Mr. Ashwath Ram	-	184.47 [^]	-	-	-	-	-	184.47

*Mr. Sandeep Sinha ceased to be Managing Director of the Company effective August 16, 2019. The consolidated remuneration paid to Mr. Sinha is for the period April 01, 2019 till August 16, 2019.

**Mr. Ashwath Ram was appointed as Additional Director designated as Managing Director of the Company effective August 17, 2019. Mr. Ashwath Ram's remuneration is effective from August 17, 2019 till March 31, 2020.

[^]The value includes stock options of Holding Company.

Notes: -

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of the Managing Director and other Directors.
3. Appointment of Mr. Ashwath Ram as Director and Managing Director of the Company is proposed in the ensuing Annual General Meeting. The requisite disclosures in this behalf is forming part of Notice of ensuing Annual General Meeting.

c) STAKEHOLDERS RELATIONSHIP COMMITTEE:

As on date of this report, the Stakeholders Relationship Committee comprised of 4 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 3 Independent Directors – Mr. Prakash Telang, Mr. P. S. Dasgupta (Chairperson), Mr. Venu Srinivasan.

Attendance at the Stakeholders Relationship Committee meetings for F.Y. 2019-20:

Name of Directors	Dates of Stakeholders Relationship Committee Meeting			
	May 22, 2019	August 07, 2019	October 23, 2019	January 28, 2020
#Mr. Prakash Telang	X	✓	✓	✓
##Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	X	✓	✓
*Mr. Sandeep Sinha	NA	✓	NA	NA
**Mr. Ashwath Ram	NA	NA	✓	✓

*Mr. Sandeep Sinha resigned as Managing Director of the Company effective August 16, 2019 and consequently ceased to be the Member of the Committee.

**Mr. Ashwath Ram was appointed as Member of the Committee effective October 24, 2019.

#Mr. Prakash Telang ceased to be Chairperson of the Committee effective January 28, 2020.

##Mr. P.S. Dasgupta was appointed as Chairperson of the Committee effective January 28, 2020.

Broad Terms of Reference to the Stakeholders Relationship Committee:

The Committee primarily acts in line with the Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee reviews and advises the Company on any grievance in relation to:-

- Non-transfer of shares;
- Non-receipt of Annual Report;
- Non-receipt of dividend/ interest warrants;
- Oversee the performance of the Registrar and Share Transfer Agent and ensure setting of proper controls;
- Oversee compliances in respect of dividend payments, transfer of unclaimed amounts to the Investor Education and Protection Fund and ensure timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company;
- Review of measures taken for effective exercise of voting rights by shareholders;
- Recommend measures for overall improvement of the quality of investor services; and
- Any other investors' grievance raised by any shareholder.

Compliance Officer: Ms. Hemiksha Bhojwani, Company Secretary and Compliance Officer resigned effective May 11, 2020. Ms. Vinaya A Joshi was appointed as the Compliance Officer of the Company effective May 12, 2020.

The following shareholder complaints were received and resolved during the year April 01, 2019 to March 31, 2020:

Sr. No.	Nature of Complaint	No. of Complaints
1.	Non-receipt of Annual Reports	0
2.	Non- receipt of Dividend Warrants	0
3.	Non-receipt of Share Certificates	0
4.	Non-receipt of Bonus Certificates	0
5.	Others	3
	Total	3

Number of complaints pending with the Company: NIL

Number of pending share transfers: NIL

Pursuant to a Circular dated March 27, 2019, the Securities and Exchange Board of India (SEBI) had, effective from April 01, 2019, mandated the transfer of shares only in dematerialized form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior April 01, 2019 and returned due to deficiency in the document. The Company has acted upon all valid requests for share transfer received during the Financial Year 2019-20.

Insider Trading Code: The Company has a separate Insider Trading Code in line with SEBI (Prohibition of Insider Trading) Regulations, 2015 which was last amended by the Board of Directors on January 28, 2020. The said Code is applicable to all Directors and Connected Persons, as defined under the said Regulations. The Code governs sale and purchase of shares of the Company by Directors and Connected Persons. In terms of this Code, Directors and Connected Persons can deal in shares of the Company only when the Trading Window is open and not otherwise, except with the prior approval of the Compliance Officer appointed under the Code i.e. Chief Financial Officer.

d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

As on the date of the report, the Corporate Social Responsibility Committee comprised of 5 Directors including 1 Promoter (Executive) Director – Mr. Mark Levett and 4 Independent Directors – Mr. Prakash Telang, Mr. Nasser Munjee, Mr. P. S. Dasgupta (Chairperson) and Mr. Venu Srinivasan.

Attendance at the Corporate Social Responsibility Committee meetings for F.Y. 2019-20:

Name of Directors	Dates of Corporate Social Responsibility Committee Meeting			
	May 22, 2019	August 07, 2019	October 23, 2019	January 28, 2020
Mr. Prakash Telang	X	✓	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓
**Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. Venu Srinivasan	✓	X	✓	✓
Mr. Mark Levett	✓	✓	✓	✓
*Ms. Anjuly Chib Duggal	NA	NA	NA	NA

*Ms. Anjuly Chib Duggal was appointed as a Member and Chairperson of the Committee effective January 28, 2020. She resigned as Non-Executive Independent Director effective April 06, 2020 and consequently ceased to be Member and Chairperson of the Committee effective April 06, 2020.

**Mr. P. S. Dasgupta was appointed as the Chairperson of the Committee effective June 17, 2020.

Broad Terms of Reference of Corporate Social Responsibility Committee:

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Companies Act, 2013.

- To formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
- To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company; and
- To monitor the CSR policy of the Company from time to time.

e) **RISK MANAGEMENT COMMITTEE:**

As on date of this report, the Risk Management Committee comprised of 4 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 3 Independent Directors – Mr. Rajeev Bakshi (Chairperson), Mr. P. S. Dasgupta and Mr. Nasser Munjee.

Attendance at the Risk Management Committee meetings for F.Y. 2019-20:

Name of Directors	Dates of Risk Management Committee Meeting			
	May 22, 2019	August 07, 2019	October 23, 2019	January 28, 2020
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	X	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
*Mr. Sandeep Sinha	NA	✓	NA	NA
#Mr. Ashwath Ram	NA	NA	NA	✓

* Mr. Sandeep Sinha resigned as the Managing Director of the Company effective August 16, 2019 and consequently has ceased to be the Member of the Committee.

Mr. Ashwath Ram was appointed as a Member of the Committee effective October 24, 2019

Broad terms of reference to the Risk Management Committee:

The roles and responsibilities of the Committee are as prescribed under Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- To periodically assess risks to the effective execution of business strategy and review key leading indicators in this regard;
- To periodically review and approve the Risk Management Framework including the risk management processes and practices of the Company;
- To evaluate significant risk exposures of the Company and assess management’s actions to mitigate the exposures in a timely manner;
- To co-ordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice); and
- To review and periodically re-assess the adequacy of its Charter and recommend any proposed changes to the Board for approval.

4. **ANNUAL GENERAL MEETING ('AGM'):**

a) **Location, Date and Time, where previous three (3) AGMs were held:**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Date and Time	August 03, 2017 At 12 noon	August 09, 2018 At 12 noon	August 07, 2019 At 12 noon
Venue	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Special resolutions passed	No special resolution was passed		At the General Meeting of August 07, 2019, the Members of the Company passed the Special Resolutions for re-appointment of Mr. P. S. Dasgupta, Mr. Venu Srinivasan, Mr. Rajeev Bakshi, Mr. Nasser Munjee and Mr. Prakash Telang as Non-Executive Independent Directors of the Company.

- b) **Postal Ballot:** No resolution was passed through Postal Ballot during the Financial Year 2019-20 or is being proposed at the ensuing Annual General Meeting.

5. DISCLOSURES:

- a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>
- b) The Company has disclosed the Material Subsidiary Policy on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>
- c) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last 3 years.
- d) The Company has complied with the mandatory Corporate Governance requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- e) The Company has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- f) The Company follows a Vigil Mechanism Policy (earlier known as Whistle Blower Policy) since Financial Year 2003-04 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No person has been denied access to the Audit Committee under the Vigil Mechanism Policy.
- g) The Managing Director and Chief Financial Officer of the Company have certified to the Board of Directors, *inter alia*, the accuracy of financial statements and adequacy of internal controls for the financial reporting as required under Regulation 17(8) read with Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- h) Foreign exchange risk and hedging activities:
- During the Financial Year 2019-20, the Company has managed foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of the sensitivity analysis on the foreign currency exposure are disclosed in Note No. 46(a)(i) to the Annual Accounts (Standalone Financial Statement).
- i) The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge, there are no deviations in the accounting treatments that require specific disclosure.

- j) There were no recommendations of Committees of the Board mandatorily required in a financial year which were not accepted by the Board.
- k) Details relating to fees paid to the Statutory Auditors are given in Note 31 to the Standalone Financial Statements and Note 31 to the Consolidated Financial Statements.
- l) In the opinion of the Board, the Independent Directors fulfill the conditions specified in these regulations and are independent of the Management.
- m) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013: The details of number of complaints filed and disposed of during the year and pending as on March 31, 2020 is given in the Directors' Report.

6. MEANS OF COMMUNICATION:

- a) The quarterly shareholding pattern and quarterly / half-yearly / yearly un-audited / audited financial results were posted on the Company's website www.cumminsindia.com. and also on <https://www.nseindia.com/> and <https://www.bseindia.com/>
- b) The official news releases of the Company were displayed on the Company's website www.cumminsindia.com. and also on <https://www.nseindia.com/> and <https://www.bseindia.com/>
- c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2019 and quarters ended June, September and December 2019 were published in Business Standard (All editions) and Loksatta (Pune Edition).
- d) Transcript of Conference calls with the Analysts held on May 24, 2019, August 08, 2019, October 25, 2019 and January 29, 2020 and the Managing Director's Presentation to the Shareholders made at the Annual General Meeting held on August 07, 2019 were displayed on the Company's website www.cumminsindia.com

7. GENERAL SHAREHOLDER INFORMATION:

Registered Office	Cummins India Office Campus, Tower A, 5 th Floor, Survey No. 21, Balewadi, Pune 411 045, Maharashtra, India Phone No. : (020) 67067000 Fax No. : (020) 67067015 Website : www.cumminsindia.com
Annual General Meeting	Date and Time : August 25, 2020 at IST 3:30 P.M. Mode : Video conference and other audio-visual means Venue : Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411045
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.
Financial calendar (Tentative)	<ul style="list-style-type: none"> ■ Results for quarter ending June 30, 2020 – By second week of August, 2020 ■ Results for quarter and half year ending September 30, 2020 – By first week of November 2020 ■ Results for quarter and nine months ending December 31, 2020 – By first week of February 2021 ■ Results for the year ending March 31, 2021 – By third week of May, 2021
Interim Dividend payment date	February 26, 2020
Record Date	August 18, 2020

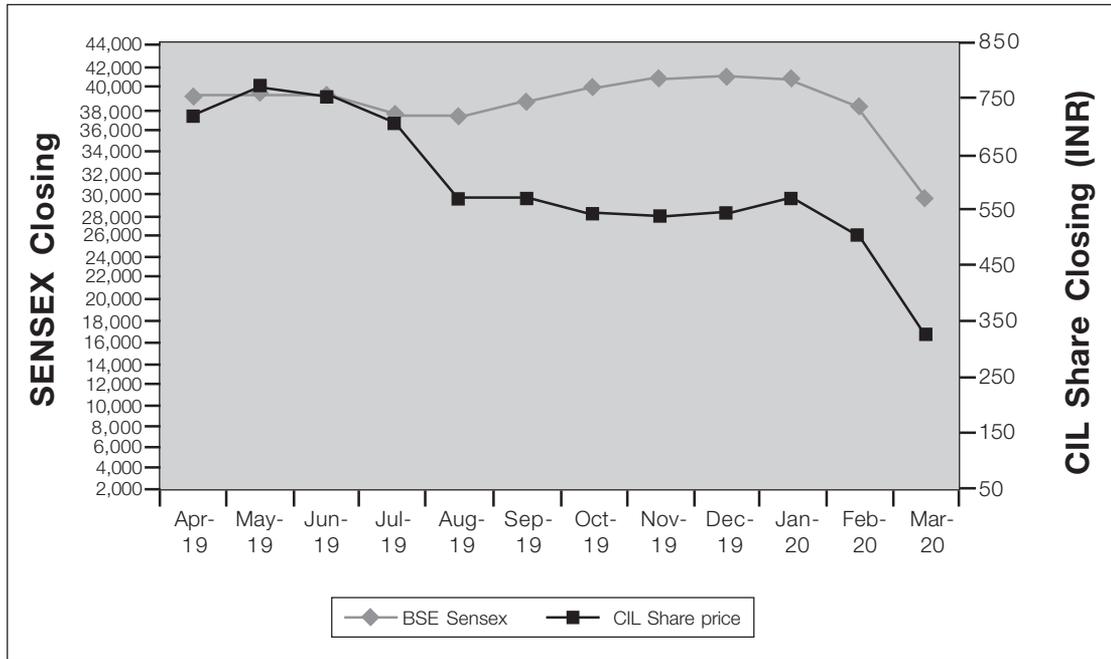
Final Dividend payment date	September 21, 2020 (subject to approval of shareholders in the ensuing Annual General meeting)	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai: 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai: 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the FY 2020-21.	

Market price data: High, Low during each month in the FY 2019 – 20:

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2019	758.60	708.40	April 2019	759.40	706.65
May 2019	799.50	682.00	May 2019	801.05	682.35
June 2019	793.00	730.45	June 2019	794.70	729.75
July 2019	782.95	685.35	July 2019	782.90	684.45
August 2019	713.00	554.45	August 2019	712.95	555.25
September 2019	634.90	555.45	September 2019	635.00	555.65
October 2019	594.95	532.55	October 2019	594.90	532.20
November 2019	577.00	538.25	November 2019	577.35	538.00
December 2019	569.90	498.05	December 2019	568.55	504.00
January 2020	652.80	548.80	January 2020	652.80	548.40
February 2020	585.00	496.30	February 2020	585.00	496.60
March 2020	525.00	323.00	March 2020	550.40	322.75

Performance in comparison to broad-based indices such as BSE Sensex.	The below Chart depicts the comparable movement of the Company's Equity Shares against BSE Sensex, during the year ended March 31, 2020.
--	--

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) 2019-20:



<p>Registrar and Transfer Agent</p>	<p>The Company has appointed Link Intime India Private Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended to and processed at the office of the Registrar and Transfer Agent:-</p> <p>Link Intime India Private Limited Unit : Cummins India Limited C-101, 1st Floor, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai 400083. Phone No. (022) 49186270 Fax No. (022) 49186060 Contact Person : Mrs. Sujata Poojary E-mail: sujata.poojary@linkintime.co.in / rnt.helpdesk@linkintime.co.in Time:- 10:00 to 16:00 hours (Mon. to Fri. excl. public holidays)</p>
<p>Share Transfer System</p>	<p>In terms of Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, securities can be transferred only in dematerialized form with effect from April 01, 2019, except in case of request received for transmission or transposition of securities. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Transfers of equity shares in electronic form are undertaken by depositories with no involvement of the Company. The Managing Director and certain Company Officials (including Chief Financial Officer and Company Secretary) are authorized by the Board severally, to approve transfers, which are noted at subsequent Board Meetings.</p> <p>During the year, the Company had obtained, on half-yearly basis, a certificate, from a Company Secretary in Practice, certifying that all certificates have been issued within thirty days of the date of lodgement of the transfer (for cases lodged prior to April 01, 2020), sub-division, consolidation and renewal as required under Regulation 40(9) of the Listing Regulations and filed a copy of the said certificate with the Stock Exchanges.</p>

Distribution of shareholding as on March 31, 2020	Category	No. of shares of ₹ 2/- each	% of shareholding	
	Promoters	141,372,683	51.00	
	Mutual Funds	58,419,367	21.07	
	Banks/ Financial Institutions/ Insurance Companies	25,002,425	9.02	
	Foreign Institutional Investors (FIIs)	20,670,071	7.46	
	Corporate Bodies	3,011,426	1.09	
	Indian Public	25,252,834	9.11	
	NRIs	1,409,146	0.51	
	Others	2,062,048	0.74	
	TOTAL	277,200,000	100.00	
Distribution of shareholding within various categories (as on March 31, 2020)				
Category (shares)	No. of shareholders	No. of Shares	% of shareholders to total shareholders	% of shares to total shares
1-1,000	80,917	8,486,924	94.56	3.06
1,001-2,000	1,799	2,511,553	2.10	0.91
2,001-4,000	1,228	3,453,838	1.43	1.24
4,001-6,000	494	2,401,516	0.58	0.87
6,001-8,000	261	1,789,038	0.31	0.65
8,001-10,000	307	2,808,532	0.36	1.01
10,001-20,000	232	3,212,074	0.27	1.16
20,001 and above	331	252,536,525	0.39	91.10
Total	85,569	277,200,000	100.00	100.00
Dematerialisation of shares and liquidity (as on March 31, 2020)	99.15% shares are in demat form.			
Sub-divided share certificate in lieu of old certificates	The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 04, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Shareholders who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each.			
Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.			

Plant locations	<ol style="list-style-type: none"> 1. Kothrud, Pune – 411 038, Maharashtra. 2. Gat No. 311/1B, At Post Kasar Amboli, Taluka Mulshi Pirangut, Dist. Pune – 412 111, Maharashtra. 3. MIDC Phaltan, Village Survadi, Nandal, Taluka Phaltan, Satara – 415523, Maharashtra. 4. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai – 600 060, Tamilnadu
Address for correspondence	<p>Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune – 411 045, Maharashtra, India. Tel: +91 20 6706 7000, 3019 7000 Fax : +91 20 6706 7011</p> <ol style="list-style-type: none"> 1. Ms. Vinaya A. Joshi, Company Secretary & Compliance Officer E-mail companysecretarial.CIL@cummins.com 2. Registrar and Transfer Agent: Link Intime India Private Limited Please refer details above for address / contact details etc.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

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

9. CERTIFICATE FROM PRACTICING COMPANY SECRETARY:

The Company has received a certificate from M/s Pramod Shah & Associates confirming that none of the Directors on the Board of the Company have been debarred or disqualified by MCA or SEBI or any such statutory authority from being appointed / continuing as Director and the same is appended as **Annexure '6'** to the Directors' Report.

Declaration – Code of Conduct

As per Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the Financial Year 2019-20.

For Cummins India Limited

Place : Pune
Date : June 17, 2020

Ashwath Ram
Managing Director
DIN: 00149501

Annexures to the Directors' Report

Annexure 5 – CERTIFICATE ON COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015 RELATING TO CORPORATE GOVERNANCE REQUIREMENTS BY CUMMINS INDIA LIMITED

I have examined compliance by Cummins India Limited (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) relating to corporate governance requirements for the year ended on 31st March 2020.

In my opinion and to the best of my information and according to the explanations given to me and the representation by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance under the Listing Regulations. The examination is neither an audit nor an expression of opinion on the financial statements of the Company or the Corporate Governance Report of the Company.

I further state that no investor's grievance is pending unresolved by the Company for a period exceeding one month against the Company as per the records maintained by the Stakeholders Relationship Committee.

I further state that such compliance is neither an assurance to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Pramod S. Shah & Associates
(Practicing Company Secretaries)

Pramod S. Shah -Partner
Pramod S. Shah & Associates
Membership No.: FCS 334
C.P No.: 3804
UDIN: F000334B000367206

Place : Mumbai
Date : June 23, 2020

Annexures to the Directors' Report

Annexure 6 – CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

{Pursuant to Regulation 34(3) and Schedule V Part C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015}

To,
The Members
Cummins India Limited
Cummins India Office Campus,
Tower A, 5th Floor,
Survey no. 21, Balewadi,
Pune - 411045

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Cummins India Limited having CIN L29112PN1962PLC012276 and having registered office at Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune - 411045 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending on 31st March, 2020, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Directors	Director Identification Number	Date of appointment in the Company
1	Mr. Nasser Mukhtar Munjee	00010180	29.03.2001
2	Mr. Priya Shankar Dasgupta	00012552	26.02.1998
3	Mr. Prakash Manjanath Telang	00012562	31.01.2013
4	Mr. Rajeev Bakshi	00044621	20.10.2000
5	Mr. Venu Srinivasan	00051523	27.01.2000
6	Mr. Ashwath Ram	00149501	17.08.2019
7	Mr. Mark Levett	00368287	02.03.2018
8	Mr. Casimiro Antonio Vieira Leitao	05336740	03.08.2012
9	Mr. Norbert Nusterer	07640359	26.10.2016
10	Ms. Lorraine Alyn Meyer	08567527	01.10.2019
11	Mr. Donald Jackson Gray	08261104	30.10.2018

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these, based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Pramod S. Shah & Associates
(Practicing Company Secretaries)

Pramod S. Shah -Partner
Pramod S. Shah & Associates
Membership No.: FCS 334
C.P No.: 3804
UDIN: F000334B000367195

Place : Mumbai
Date : June 23, 2020

Annexures to the Directors' Report

Annexure 7 – EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2020

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

I. Registration and other details

i) CIN:	L29112PN1962PLC012276
ii) Registration Date:	17.02.1962
iii) Name of the Company:	Cummins India Limited
iv) Category / Sub-Category of the Company: (Company Limited by shares/ Indian Non-Government Company)	Company Limited by shares
v) Address of the Registered office and contact details	Cummins India Office Campus, Tower A, 5th Floor, Survey no. 21, Balewadi, Pune 411 045 Maharashtra India Tel: +91 20 67067000, 30197000 Fax: +91 20 67067011
vi) Whether listed company (Yes / No):	Yes
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any:	Link Intime India Private Limited C-101, 1 st Floor, 247 Park, L.B.S. Marg, Vikroli (West), Mumbai 400 083 Phone: (022) 49186270 Fax: (022) 49186060

II. Principal business activities of the Company

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

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Engines	281	90%
2.	Generator Sets	271	10%

III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1.	Cummins Inc. 500 Jackson Street, Columbus, State of Indiana, IN 47201 United States of America	Foreign Company	Holding	51%	2(46)
2.	Cummins Sales & Service Private Limited DPT 009, Prime Towers, F79 - 80, Okhla Phase 1, New Delhi 110020 India	U29190DL2012PTC230162	Subsidiary	100%	2(87)
3.	Valvoline Cummins Private Limited 50/8, 1st Floor, Tolstoy Lane, Janpath, New Delhi 110001 India	U74899DL1994PTC062425	Associate	50%	2(6)

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

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

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year 2019-20				No. of Shares held at the end of the year 2019-20				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(A) Shareholding of Promoter and Promoter Group									
[1] Indian									
(a) Individuals / Hindu Undivided Family	-	-	-	0	-	-	-	0	0
(b) Central Government / State Government(s)	-	-	-	0	-	-	-	0	0
(c) Financial Institutions / Banks	-	-	-	0	-	-	-	0	0
(d) Any Other (Specify)									
Bodies Corporate	683	-	683	0	683	-	683	0	0
Sub Total (A)(1)	683	-	683	0	683	-	683	0	0
[2] Foreign									
(a) Individuals (Non-Resident Individuals / Foreign Individuals)	-	-	-	0	-	-	-	0	0
(b) Government	-	-	-	0	-	-	-	0	0
(c) Institutions	-	-	-	0	-	-	-	0	0
(d) Foreign Portfolio Investor	-	-	-	0	-	-	-	0	0
(e) Any Other (Specify)									
Bodies Corporate	141,372,000	-	141,372,000	51.00	141,372,000	-	141,372,000	51.00	0
Sub Total (A)(2)	141,372,000	-	141,372,000	51.00	141,372,000	-	141,372,000	51.00	0
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	141,372,683	-	141,372,683	51.00	141,372,683	-	141,372,683	51.00	0
(B) Public Shareholding									
[1] Institutions									
(a) Mutual Funds	56,474,245	1,575	56,475,820	20.38	57,482,114	1,575	57,483,689	20.74	0.36
(b) Venture Capital Funds	-	-	-	0	-	-	-	0	0
(c) Alternate Investment Funds	426,038	-	426,038	0.15	930,303	-	930,303	0.34	0.18
(d) Foreign Venture Capital Investors	-	-	-	0	-	-	-	0	0

Category of Shareholders	No. of Shares held at the beginning of the year 2019-20				No. of Shares held at the end of the year 2019-20				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(e) Foreign Portfolio Investor	25,343,992	4,985	25,348,977	9.14	20,665,346	4,725	20,670,071	7.46	-1.68
(f) Financial Institutions / Banks	517,390	10,795	528,185	0.19	416,635	10,795	427,430	0.15	-0.04
(g) Insurance Companies	17,148,992	-	17,148,992	6.19	24,574,895	-	24,574,895	8.87	2.68
(h) Provident Funds/ Pension Funds	-	-	-	0	-	-	-	0	0
(i) Any Other (Specify)									
Foreign Mutual Fund	-	-	-	-	-	-	-	-	0
UTI	-	5,375	5,375	0	-	5,375	5,375	0	0
Sub Total (B)(1)	99,910,657	22,730	99,933,387	36.05	104,069,293	22,470	104,091,763	37.55	1.50
[2] Central Government/ State Government(s)/ President of India									
Central Government / State Government(s)	736,398	-	736,398	0.27	736,398	-	736,398	0.27	0
Sub Total (B)(2)	736,398	-	736,398	0.27	736,398	-	736,398	0.27	0
[3] Non-Institutions									
(a) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh.	20,835,139	2,342,054	23,177,193	8.36	21,689,701	1,988,869	23,678,570	8.54	0.18
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1,716,038	142,590	1,858,628	0.67	1,431,674	142,590	1,574,264	0.57	-0.10
(b) NBFCs registered with RBI	49,380	-	49,380	0.02	100	-	100	0	-0.02
(c) Employee Trusts	-	-	-	0	-	-	-	0	0
(d) Overseas Depositories (holding DRs) (balancing figure)	-	-	-	0	-	-	-	0	0
(e) Any Other (Specify)									
IEPF	70,982	-	70,982	0.03	98,375	-	98,375	0.04	0.01
Trusts	113,296	-	113,296	0.04	245,461	-	245,461	0.09	0.05
Foreign Nationals	240	-	240	0	240	-	240	0	0
Hindu Undivided Family	629,391	-	629,391	0.23	667,463	-	667,463	0.24	0.01
Non Resident Indians (Non Repat)	907,151	42,940	950,091	0.34	871,329	42,850	914,179	0.33	-0.01
Other Directors	1,400	-	1,400	0	15,000	-	15,000	0.01	0
Non Resident Indians (Repat)	384,786	-	384,786	0.14	494,967	-	494,967	0.18	0.04
Office Bearers	25,732	-	25,732	0.01	12,214	-	12,214	0	0
Clearing Member	495,157	-	495,157	0.18	1,023,295	-	1,023,295	0.37	0.19
Market Maker	1,832	-	1,832	0	0	-	0	0	0
Bodies Corporate	7,229,959	169,465	7,399,424	2.67	2,105,563	169,465	2,275,028	0.82	-1.85
Sub Total (B)(3)	32,460,483	2,697,049	35,157,532	12.68	28,655,382	2,343,774	30,999,156	11.18	-1.50
Total Public Shareholding (B)=(B)(1)+(B)(2)+(B)(3)	133,107,538	2,719,779	135,827,317	49.00	133,461,073	2,366,244	135,827,317	49.00	0
Total (A)+(B)	274,480,221	2,719,779	277,200,000	100.00	274,833,756	2,366,244	277,200,000	100.00	0
(C) Non Promoter - Non Public									
[1] Custodian/DR Holder	-	-	-	0	-	-	-	0	-
[2] Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014)	-	-	-	0	-	-	-	0	-
Total (A)+(B)+(C)	274,480,221	2,719,779	277,200,000	100.00	274,833,756	2,366,244	277,200,000	100.00	-

ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year 2019-20			Shareholding at the end of the year 2019-20			% Change In share holding During the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / Encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / Encumbered to total shares	
1.	Cummins Inc.	141,372,000	51.00	0.00	141,372,000	51.00	0.00	0.00
2.	Kirloskar Industries Limited	6 8 3	0.00	0.00	6 8 3	0.00	0.00	0.00
	Total	141,372,683	51.00	0.00	141,372,683	51.00	0.00	0.00

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

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	At the beginning of the year	141,372,683	51.00	No change during the year	
2.	Date wise Increase/ Decrease in Promoters, Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	NA		No change during the year	
3.	At the end of the year	141,372,683	51.00	No change during the year	

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

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
1	SBI Blue Chip Fund	9,259,182	3.34	05 Apr 2019	582,845	Market Purchase	9,259,182	3.34
				19 Apr 2019	(2)	Market Sale	9,842,027	3.55
				26 Apr 2019	(2)	Market Sale	9,842,025	3.55
				10 May 2019	193,336	Market Purchase	9,842,023	3.55
				17 May 2019	285,195	Market Purchase	10,035,359	3.62
				24 May 2019	208,342	Market Purchase	10,320,554	3.72
				31 May 2019	656,950	Market Purchase	10,528,896	3.80
						Market Purchase	11,185,846	4.04

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				07 Jun 2019	7,920	Market Purchase	11,193,766	4.04
				14 Jun 2019	3,888	Market Purchase	11,197,654	4.04
				21 Jun 2019	6,293	Market Purchase	11,203,947	4.04
				29 Jun 2019	(14)	Market Sale	11,203,933	4.04
				05 Jul 2019	(5,600)	Market Sale	11,198,333	4.04
				19 Jul 2019	16,297	Market Purchase	11,214,630	4.05
				26 Jul 2019	92,403	Market Purchase	11,307,033	4.08
				02 Aug 2019	(53,199)	Market Sale	11,253,834	4.06
				09 Aug 2019	42,001	Market Purchase	11,295,835	4.08
				16 Aug 2019	614,966	Market Purchase	11,910,801	4.30
				23 Aug 2019	468,834	Market Purchase	12,379,635	4.47
				30 Aug 2019	562,588	Market Purchase	12,942,223	4.67
				06 Sep 2019	661,414	Market Purchase	13,603,637	4.91
				27 Sep 2019	(11)	Market Sale	13,603,626	4.91
				30 Sep 2019	3,850	Market Purchase	13,607,476	4.91
				11 Oct 2019	(51)	Market Sale	13,607,425	4.91
				18 Oct 2019	1	Market Purchase	13,607,426	4.91
				25 Oct 2019	1	Market Purchase	13,607,427	4.91
				01 Nov 2019	635,000	Market Purchase	14,242,427	5.14
				08 Nov 2019	578,493	Market Purchase	14,820,920	5.35
				15 Nov 2019	633,247	Market Purchase	15,454,167	5.58
				22 Nov 2019	34,776	Market Purchase	15,488,943	5.59
				29 Nov 2019	402,775	Market Purchase	15,891,718	5.73
				27 Dec 2019	(9)	Market Sale	15,891,709	5.73
				31 Dec 2019	(1)	Market Sale	15,891,708	5.73
				14 Feb 2020	75	Market Purchase	15,891,783	5.73
				21 Feb 2020	1	Market Purchase	15,891,784	5.73
				28 Feb 2020	77	Market Purchase	15,891,861	5.73

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
	At the end of the year			06 Mar 2020	7,996	Market Purchase	15,899,857	5.74
				20 Mar 2020	800,611	Market Purchase	16,700,468	6.02
				27 Mar 2020	500,000	Market Purchase	17,200,468	6.21
				31 Mar 2020	2	Market Purchase	17,200,470	6.21
							17,200,470	6.21
2	Life Insurance Corporation of India	13,792,245	4.98	11 Oct 2019	79,708	Market Purchase	13,792,245	4.98
				18 Oct 2019	362,801	Market Purchase	13,871,953	5.00
				25 Oct 2019	117,912	Market Purchase	14,234,754	5.14
				01 Nov 2019	455,218	Market Purchase	14,352,666	5.18
				08 Nov 2019	362,838	Market Purchase	14,807,884	5.34
				15 Nov 2019	243,815	Market Purchase	15,170,722	5.47
				22 Nov 2019	154,043	Market Purchase	15,414,537	5.56
				29 Nov 2019	297,459	Market Purchase	15,568,580	5.62
				06 Dec 2019	200,000	Market Purchase	15,866,039	5.72
				07 Feb 2020	(49,259)	Market Sale	16,066,039	5.80
				14 Feb 2020	(24,186)	Market Sale	16,016,780	5.78
				28 Feb 2020	(20,000)	Market Sale	15,992,594	5.77
				06 Mar 2020	417,606	Market Purchase	15,972,594	5.76
				13 Mar 2020	361,564	Market Purchase	16,390,200	5.91
				20 Mar 2020	207,079	Market Purchase	16,751,764	6.04
				27 Mar 2020	24,516	Market Purchase	16,958,843	6.12
	At the end of the year						16,983,359	6.13

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
3	Axis Mutual Fund Trustee Limited A/c Axis Mutual Fund A/c Axis Long Term Equity Fund	9,272,678	3.35				9,272,678	3.35
				12 Apr 2019	295,000	Market Purchase	9,567,678	3.45
				19 Apr 2019	50,000	Market Purchase	9,617,678	3.47
				26 Apr 2019	400,000	Market Purchase	10,017,678	3.61
				03 May 2019	77,200	Market Purchase	10,094,878	3.64
				10 May 2019	13,900	Market Purchase	10,108,778	3.65
				24 May 2019	500,000	Market Purchase	10,608,778	3.83
				31 May 2019	446,121	Market Purchase	11,054,899	3.99
				07 Jun 2019	500,000	Market Purchase	11,554,899	4.17
				14 Jun 2019	(9,252)	Market Sale	11,545,647	4.17
				21 Jun 2019	(5,090)	Market Sale	11,540,557	4.16
				29 Jun 2019	13,100	Market Purchase	11,553,657	4.17
				05 Jul 2019	(26,620)	Market Sale	11,527,037	4.16
				12 Jul 2019	234,505	Market Purchase	11,761,542	4.24
				19 Jul 2019	86,000	Market Purchase	11,847,542	4.27
				02 Aug 2019	(33,434)	Market Sale	11,814,108	4.26
				09 Aug 2019	(230,810)	Market Sale	11,583,298	4.18
				23 Aug 2019	(723)	Market Sale	11,582,575	4.18
				30 Aug 2019	(1,339)	Market Sale	11,581,236	4.18
				13 Sep 2019	(13,786)	Market Sale	11,567,450	4.17
				27 Sep 2019	(594,803)	Market Sale	10,972,647	3.96
				18 Oct 2019	(5,611)	Market Sale	10,967,036	3.96
				25 Oct 2019	(68,000)	Market Sale	10,899,036	3.93
				01 Nov 2019	64,340	Market Purchase	10,963,376	3.96
				08 Nov 2019	102,800	Market Purchase	11,066,176	3.99
				22 Nov 2019	(376)	Market Sale	11,065,800	3.99
				29 Nov 2019	(937,800)	Market Sale	10,128,000	3.65
				06 Dec 2019	12,725	Market Purchase	10,140,725	3.66
				13 Dec 2019	(403,010)	Market Sale	9,737,715	3.51
				20 Dec 2019	(88,581)	Market Sale	9,649,134	3.48
				27 Dec 2019	(700)	Market Sale	9,648,434	3.48
				10 Jan 2020	(12,164)	Market Sale	9,636,270	3.48

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
	At the end of the year			31 Jan 2020 06 Mar 2020	(254,231) (100,000)	Market Sale Market Sale	9,382,039 9,282,039 9,282,039	3.38 3.35 3.35
4	ICICI Prudential Midcap Fund	3,118,355	1.12	05 Apr 2019	50,100	Market Purchase	3,118,355 3,168,455	1.12 1.14
				12 Apr 2019	41,911	Market Purchase	3,210,366	1.16
				19 Apr 2019	19,480	Market Purchase	3,229,846	1.17
				26 Apr 2019	57,537	Market Purchase	3,287,383	1.19
				03 May 2019	600	Market Purchase	3,287,983	1.19
				10 May 2019	(15,793)	Market Sale	3,272,190	1.18
				17 May 2019	5,267	Market Purchase	3,277,457	1.18
				24 May 2019	(32,941)	Market Sale	3,244,516	1.17
				31 May 2019	(334,421)	Market Sale	2,910,095	1.05
				07 Jun 2019	(18,780)	Market Sale	2,891,315	1.04
				14 Jun 2019	360	Market Purchase	2,891,675	1.04
				21 Jun 2019	119,364	Market Purchase	3,011,039	1.09
				29 Jun 2019	5,946	Market Purchase	3,016,985	1.09
				05 Jul 2019	309	Market Purchase	3,017,294	1.09
				12 Jul 2019	120	Market Purchase	3,017,414	1.09
				19 Jul 2019	75,360	Market Purchase	3,092,774	1.12
				26 Jul 2019	70	Market Purchase	3,092,844	1.12
				02 Aug 2019	480	Market Purchase	3,093,324	1.12
				09 Aug 2019	606,328	Market Purchase	3,699,652	1.33
				16 Aug 2019	357,438	Market Purchase	4,057,090	1.46
				23 Aug 2019	10,027	Market Purchase	4,067,117	1.47
				30 Aug 2019	65,714	Market Purchase	4,132,831	1.49
				13 Sep 2019	73,121	Market Purchase	4,205,952	1.52

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				20 Sep 2019	121	Market Purchase	4,206,073	1.52
				27 Sep 2019	59,647	Market Purchase	4,265,720	1.54
				30 Sep 2019	6 8	Market Purchase	4,265,788	1.54
				04 Oct 2019	658	Market Purchase	4,266,446	1.54
				11 Oct 2019	187	Market Purchase	4,266,633	1.54
				18 Oct 2019	97,953	Market Purchase	4,364,586	1.57
				25 Oct 2019	17,576	Market Purchase	4,382,162	1.58
				01 Nov 2019	33,502	Market Purchase	4,415,664	1.59
				08 Nov 2019	23,952	Market Purchase	4,439,616	1.60
				15 Nov 2019	(3,486)	Market Sale	4,436,130	1.60
				22 Nov 2019	(49)	Market Sale	4,436,081	1.60
				06 Dec 2019	(354)	Market Sale	4,435,727	1.60
				13 Dec 2019	5,810	Market Purchase	4,441,537	1.60
				20 Dec 2019	35,000	Market Purchase	4,476,537	1.61
				27 Dec 2019	69	Market Purchase	4,476,606	1.61
				31 Dec 2019	40,000	Market Purchase	4,516,606	1.63
				03 Jan 2020	27,000	Market Purchase	4,543,606	1.64
				10 Jan 2020	(106,747)	Market Sale	4,436,859	1.60
				17 Jan 2020	(10,088)	Market Sale	4,426,771	1.60
				31 Jan 2020	(69,624)	Market Sale	4,357,147	1.57
				07 Feb 2020	50,185	Market Purchase	4,407,332	1.59
				14 Feb 2020	42,022	Market Purchase	4,449,354	1.61
				21 Feb 2020	69,500	Market Purchase	4,518,854	1.63
				28 Feb 2020	21,619	Market Purchase	4,540,473	1.64
				06 Mar 2020	31,155	Market Purchase	4,571,628	1.65
				13 Mar 2020	12,384	Market Purchase	4,584,012	1.65
				20 Mar 2020	17,227	Market Purchase	4,601,239	1.66

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
	At the end of the year			27 Mar 2020	14,624	Market Purchase	4,615,863	1.67
				31 Mar 2020	829	Market Purchase	4,616,692	1.67
							4,616,692	1.67
5	UTI-MNC Fund	2,423,539	0.87	05 Apr 2019	11,806	Market Purchase	2,423,539	0.87
				12 Apr 2019	(4,911)	Market Sale	2,435,345	0.88
				19 Apr 2019	(422)	Market Sale	2,430,434	0.88
				26 Apr 2019	(10)	Market Sale	2,430,012	0.88
				03 May 2019	(6,610)	Market Sale	2,430,002	0.88
				10 May 2019	(4,200)	Market Sale	2,423,392	0.87
				17 May 2019	1	Market Purchase	2,419,192	0.87
				31 May 2019	(11)	Market Sale	2,419,193	0.87
				07 Jun 2019	(1,099)	Market Sale	2,419,182	0.87
				14 Jun 2019	(2,711)	Market Sale	2,418,083	0.87
				21 Jun 2019	230,000	Market Purchase	2,415,372	0.87
				29 Jun 2019	80,257	Market Purchase	2,645,372	0.95
				05 Jul 2019	6,061	Market Purchase	2,725,629	0.98
				12 Jul 2019	280,000	Market Purchase	2,731,690	0.99
				19 Jul 2019	108,308	Market Purchase	3,011,690	1.09
				02 Aug 2019	(528)	Market Sale	3,119,998	1.13
				09 Aug 2019	33,155	Market Purchase	3,119,470	1.13
				16 Aug 2019	93,974	Market Purchase	3,152,625	1.14
				23 Aug 2019	10,001	Market Purchase	3,246,599	1.17
				30 Aug 2019	30,003	Market Purchase	3,256,600	1.17
				06 Sep 2019	5	Market Purchase	3,286,603	1.19
				27 Sep 2019	133,177	Market Purchase	3,286,608	1.19
				30 Sep 2019	2,552	Market Purchase	3,419,785	1.23
				04 Oct 2019	28,845	Market Purchase	3,422,337	1.23
							3,451,182	1.25

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				11 Oct 2019	2	Market Purchase	3,451,184	1.25
				25 Oct 2019	3,500	Market Purchase	3,454,684	1.25
				01 Nov 2019	53,000	Market Purchase	3,507,684	1.27
				08 Nov 2019	39,181	Market Purchase	3,546,865	1.28
				15 Nov 2019	11,500	Market Purchase	3,558,365	1.28
				22 Nov 2019	2	Market Purchase	3,558,367	1.28
				06 Dec 2019	56,000	Market Purchase	3,614,367	1.30
				13 Dec 2019	16,061	Market Purchase	3,630,428	1.31
				20 Dec 2019	9,100	Market Purchase	3,639,528	1.31
				27 Dec 2019	(34)	Market Sale	3,639,494	1.31
				31 Dec 2019	(7)	Market Sale	3,639,487	1.31
				17 Jan 2020	(5,406)	Market Sale	3,634,081	1.31
				31 Jan 2020	20,049	Market Purchase	3,654,130	1.32
				07 Feb 2020	60,894	Market Purchase	3,715,024	1.34
				28 Feb 2020	163,186	Market Purchase	3,878,210	1.40
				06 Mar 2020	33,481	Market Purchase	3,911,691	1.41
				20 Mar 2020	(42)	Market Sale	3,911,649	1.41
				31 Mar 2020	2	Market Purchase	3,911,651	1.41
	At the end of the year						3,911,651	1.41
6	DSP Midcap Fund	3,163,167	1.14	19 Apr 2019	1,400	Market Purchase	3,164,567	1.14
				26 Apr 2019	(5,000)	Market Sale	3,159,567	1.14
				24 May 2019	(103,415)	Market Sale	3,056,152	1.10
				31 May 2019	92,770	Market Purchase	3,148,922	1.14
				07 Jun 2019	75,349	Market Purchase	3,224,271	1.16
				14 Jun 2019	192,091	Market Purchase	3,416,362	1.23
				21 Jun 2019	1,067	Market Purchase	3,417,429	1.23

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				29 Jun 2019	72,700	Market Purchase	3,490,129	1.26
				05 Jul 2019	(71,402)	Market Sale	3,418,727	1.23
				12 Jul 2019	(38,092)	Market Sale	3,380,635	1.22
				19 Jul 2019	(121)	Market Sale	3,380,514	1.22
				26 Jul 2019	(14,872)	Market Sale	3,365,642	1.21
				02 Aug 2019	49	Market Purchase	3,365,691	1.21
				09 Aug 2019	15,784	Market Purchase	3,381,475	1.22
				16 Aug 2019	160	Market Purchase	3,381,635	1.22
				23 Aug 2019	(92,651)	Market Sale	3,288,984	1.19
				30 Aug 2019	672	Market Purchase	3,289,656	1.19
				06 Sep 2019	240	Market Purchase	3,289,896	1.19
				13 Sep 2019	40,127	Market Purchase	3,330,023	1.20
				27 Sep 2019	(10)	Market Sale	3,330,013	1.20
				11 Oct 2019	252,354	Market Purchase	3,582,367	1.29
				22 Nov 2019	(9,500)	Market Sale	3,572,867	1.29
				06 Dec 2019	25,882	Market Purchase	3,598,749	1.30
				13 Dec 2019	336,450	Market Purchase	3,935,199	1.42
				10 Jan 2020	60,900	Market Purchase	3,996,099	1.44
				31 Jan 2020	(190,055)	Market Sale	3,806,044	1.37
				07 Feb 2020	(15,379)	Market Sale	3,790,665	1.37
				28 Feb 2020	51,000	Market Purchase	3,841,665	1.39
				20 Mar 2020	(64,270)	Market Sale	3,777,395	1.36
				31 Mar 2020	98,890	Market Purchase	3,876,285	1.40
	At the end of the year						3,876,285	1.40
7	Sundram Mutual Fund A/c Sundaram Mid Cap Fund	2,361,979	0.85	05 Apr 2019	(164,663)	Market Sale	2,197,316	0.79
				12 Apr 2019	(291)	Market Sale	2,197,025	0.79
				10 May 2019	15,000	Market Purchase	2,212,025	0.80
				31 May 2019	1,757	Market Purchase	2,213,782	0.80
				07 Jun 2019	59,595	Market Purchase	2,273,377	0.82

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				09 Aug 2019	5,000	Market Purchase	2,278,377	0.82
				23 Aug 2019	5,000	Market Purchase	2,283,377	0.82
				30 Aug 2019	79,605	Market Purchase	2,362,982	0.85
				06 Sep 2019	16,667	Market Purchase	2,379,649	0.86
				13 Sep 2019	7,188	Market Purchase	2,386,837	0.86
				20 Sep 2019	418,805	Market Purchase	2,805,642	1.01
				30 Sep 2019	35,273	Market Purchase	2,840,915	1.02
				11 Oct 2019	15,407	Market Purchase	2,856,322	1.03
				25 Oct 2019	35,166	Market Purchase	2,891,488	1.04
				01 Nov 2019	17,204	Market Purchase	2,908,692	1.05
				20 Dec 2019	3,724	Market Purchase	2,912,416	1.05
				31 Dec 2019	68,300	Market Purchase	2,980,716	1.08
				03 Jan 2020	20,000	Market Purchase	3,000,716	1.08
				10 Jan 2020	104,860	Market Purchase	3,105,576	1.12
				17 Jan 2020	(1,811)	Market Sale	3,103,765	1.12
				24 Jan 2020	(3,073)	Market Sale	3,100,692	1.12
				31 Jan 2020	(120,065)	Market Sale	2,980,627	1.08
				28 Feb 2020	163,525	Market Purchase	3,144,152	1.13
				06 Mar 2020	52,379	Market Purchase	3,196,531	1.15
				13 Mar 2020	108,000	Market Purchase	3,304,531	1.19
				20 Mar 2020	5,000	Market Purchase	3,309,531	1.19
	At the end of the year						3,309,531	1.19
8	Kotak Emerging Equity Scheme	661,300	0.24	05 Apr 2019	165,600	Market Purchase	661,300	0.24
				12 Apr 2019	67,300	Market Purchase	826,900	0.30
							894,200	0.32

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				19 Apr 2019	28,000	Market Purchase	922,200	0.33
				26 Apr 2019	(177,800)	Market Sale	744,400	0.27
				03 May 2019	(41,600)	Market Sale	702,800	0.25
				10 May 2019	(4,800)	Market Sale	698,000	0.25
				17 May 2019	1,850	Market Purchase	699,850	0.25
				24 May 2019	(87,500)	Market Sale	612,350	0.22
				31 May 2019	(42,700)	Market Sale	569,650	0.21
				19 Jul 2019	(99,400)	Market Sale	470,250	0.17
				26 Jul 2019	(242,200)	Market Sale	228,050	0.08
				02 Aug 2019	21,700	Market Purchase	249,750	0.09
				09 Aug 2019	9,100	Market Purchase	258,850	0.09
				16 Aug 2019	142,800	Market Purchase	401,650	0.14
				23 Aug 2019	75,600	Market Purchase	477,250	0.17
				30 Aug 2019	177,800	Market Purchase	655,050	0.24
				06 Sep 2019	18,900	Market Purchase	673,950	0.24
				27 Sep 2019	16,900	Market Purchase	690,850	0.25
				04 Oct 2019	9,800	Market Purchase	700,650	0.25
				11 Oct 2019	(3,500)	Market Sale	697,150	0.25
				18 Oct 2019	(6,150)	Market Sale	691,000	0.25
				25 Oct 2019	(29,000)	Market Sale	662,000	0.24
				01 Nov 2019	365,200	Market Purchase	1,027,200	0.37
				08 Nov 2019	233,800	Market Purchase	1,261,000	0.45
				15 Nov 2019	(21,700)	Market Sale	1,239,300	0.45
				22 Nov 2019	11,367	Market Purchase	1,250,667	0.45
				29 Nov 2019	7,176	Market Purchase	1,257,843	0.45
				06 Dec 2019	567,286	Market Purchase	1,825,129	0.66
				13 Dec 2019	276,552	Market Purchase	2,101,681	0.76
				20 Dec 2019	(2,300)	Market Sale	2,099,381	0.76
				03 Jan 2020	128,700	Market Purchase	2,228,081	0.80
				10 Jan 2020	90,000	Market Purchase	2,318,081	0.84

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				17 Jan 2020	(45,900)	Market Sale	2,272,181	0.82
				31 Jan 2020	198,200	Market Purchase	2,470,381	0.89
				07 Feb 2020	96,522	Market Purchase	2,566,903	0.93
				14 Feb 2020	172,013	Market Purchase	2,738,916	0.99
				21 Feb 2020	100,000	Market Purchase	2,838,916	1.02
				28 Feb 2020	(85,823)	Market Sale	2,753,093	0.99
				06 Mar 2020	93,857	Market Purchase	2,846,950	1.03
				13 Mar 2020	68,049	Market Purchase	2,914,999	1.05
				20 Mar 2020	(35,200)	Market Sale	2,879,799	1.04
				27 Mar 2020	130,700	Market Purchase	3,010,499	1.09
				31 Mar 2020	260,200	Market Purchase	3,270,699	1.18
	At the end of the year						3,270,699	1.18
9	HDFC Life Insurance Company Limited	2,950,761	1.06	05 Apr 2019	214	Market Purchase	2,950,975	1.06
				12 Apr 2019	3,165	Market Purchase	2,954,140	1.07
				26 Apr 2019	7,619	Market Purchase	2,961,759	1.07
				03 May 2019	3,016	Market Purchase	2,964,775	1.07
				10 May 2019	15,434	Market Purchase	2,980,209	1.08
				17 May 2019	8,443	Market Purchase	2,988,652	1.08
				24 May 2019	(41,630)	Market Sale	2,947,022	1.06
				31 May 2019	(1,065)	Market Sale	2,945,957	1.06
				07 Jun 2019	(20,964)	Market Sale	2,924,993	1.06
				14 Jun 2019	(4,342)	Market Sale	2,920,651	1.05
				21 Jun 2019	1,121	Market	2,921,772	1.05
				29 Jun 2019	(41,926)	Market Sale	2,879,846	1.04
				05 Jul 2019	7,459	Market Purchase	2,887,305	1.04
				12 Jul 2019	(114,596)	Market Sale	2,772,709	1.00
				19 Jul 2019	1,643	Market Purchase	2,774,352	1.00
				26 Jul 2019	(9,945)	Market Sale	2,764,407	1.00
				02 Aug 2019	174,018	Market Purchase	2,938,425	1.06

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
				09 Aug 2019	61,763	Market Purchase	3,000,188	1.08
				16 Aug 2019	43,768	Market Purchase	3,043,956	1.10
				23 Aug 2019	(42,125)	Market Sale	3,001,831	1.08
				30 Aug 2019	(3,145)	Market Sale	2,998,686	1.08
				06 Sep 2019	31,829	Market Purchase	3,030,515	1.09
				13 Sep 2019	(39,507)	Market Sale	2,991,008	1.08
				20 Sep 2019	4,711	Market Purchase	2,995,719	1.08
				27 Sep 2019	6,815	Market Purchase	3,002,534	1.08
				04 Oct 2019	71,130	Market Purchase	3,073,664	1.11
				11 Oct 2019	9,385	Market Purchase	3,083,049	1.11
				18 Oct 2019	(225)	Market Sale	3,082,824	1.11
				25 Oct 2019	(2,966)	Market Sale	3,079,858	1.11
				01 Nov 2019	24,139	Market Purchase	3,103,997	1.12
				08 Nov 2019	(432)	Market Sale	3,103,565	1.12
				15 Nov 2019	50,958	Market Purchase	3,154,523	1.14
				22 Nov 2019	(36,103)	Market Sale	3,118,420	1.13
				29 Nov 2019	(12,126)	Market Sale	3,106,294	1.12
				06 Dec 2019	10,966	Market Purchase	3,117,260	1.12
				13 Dec 2019	30,350	Market Purchase	3,147,610	1.14
				20 Dec 2019	(5,773)	Market Sale	3,141,837	1.13
				27 Dec 2019	19,745	Market Purchase	3,161,582	1.14
				31 Dec 2019	(3,925)	Market Sale	3,157,657	1.14
				03 Jan 2020	(1,122)	Market Sale	3,156,535	1.14
				10 Jan 2020	(53,304)	Market Sale	3,103,231	1.12
				17 Jan 2020	(6,848)	Market Sale	3,096,383	1.12
				24 Jan 2020	10,029	Market Purchase	3,106,412	1.12
				31 Jan 2020	(58,910)	Market Sale	3,047,502	1.10
				07 Feb 2020	230	Market Purchase	3,047,732	1.10
				14 Feb 2020	(44,401)	Market Sale	3,003,331	1.08
				21 Feb 2020	100	Market Purchase	3,003,431	1.08
				28 Feb 2020	143	Market Purchase	3,003,574	1.08

Sr. No.	Name	Shareholding at the beginning of the year 2019-20		Transactions during the year		Reason	Cumulative Shareholding at the end of the year 2019-20	
		No. of Shares held	% of total shares of the Company	Dates of transaction	No. of Shares		No. of Shares held	% of total shares of the Company
	At the end of the year			06 Mar 2020	100,157	Market Purchase	3,103,731	1.12
				20 Mar 2020	94,171	Market Purchase	3,197,902	1.15
				27 Mar 2020	39,184	Market Purchase	3,237,086	1.17
				31 Mar 2020	(16,825)	Market Sale	3,220,261	1.16
							3,220,261	1.16
10	L&T Mutual Fund Trustee Ltd- L&T Mid Cap Fund	1,877,451	0.68	31 May 2019	(1,123)	Market Sale	1,876,328	0.68
				14 Jun 2019	(62,754)	Market Sale	1,813,574	0.65
				27 Sep 2019	29,400	Market Purchase	1,842,974	0.66
				18 Oct 2019	700	Market Purchase	1,843,674	0.67
				01 Nov 2019	(24,500)	Market Sale	1,819,174	0.66
				08 Nov 2019	28,000	Market Purchase	1,847,174	0.67
				15 Nov 2019	(18,900)	Market Sale	1,828,274	0.66
				22 Nov 2019	(5,600)	Market Sale	1,822,674	0.66
				29 Nov 2019	(9,100)	Market Sale	1,813,574	0.65
				06 Dec 2019	26,600	Market Purchase	1,840,174	0.66
				13 Dec 2019	(26,600)	Market Sale	1,813,574	0.65
				31 Jan 2020	1,252,026	Market Purchase	3,065,600	1.11
				07 Feb 2020	(10,800)	Market Sale	3,054,800	1.10
	At the end of the year						3,054,800	1.10

v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	For Each of the Directors and KMP*	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Prakash M. Telang	1,400	0.0005	1,400	0.0005
2.	Mr. Ashwath Ram	-	-	13,600	0.0049

*Except Mr. Telang and Mr. Ram, no other Director or Key Managerial Personnel holds any shares of the Company.

**Mr. Ashwath Ram was appointed as Additional Director designated as Managing Director of the Company effective August 17, 2020. Mr. Ram held 13,600 Shares of the Company at the time of his appointment.

V. Indebtedness -

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

	(₹ in Lacs)			
	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	30,916	-	30,916
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	99	-	99
Total (i+ii+iii)	-	31,015	-	31,015
Change in Indebtedness during the financial year				
• Addition	-	17,601	-	17,601
• Reduction	-	-	-	-
Net Change	Nil	17,601	Nil	17,601
Indebtedness at the end of the financial year				
i) Principal Amount	-	48,536	-	48,536
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	80	-	80
Total (i+ii+iii)	Nil	48,616	Nil	48,616

VI. Remuneration of Directors and Key Managerial Personnel

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

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	*Mr. Sandeep Sinha, Managing Director	Total amount	**Mr. Ashwath Ram, Managing Director	Total Amount	Total
1.	Gross salary					
	(a) Salary as per Provisions contained in section 17(1) of the Income Tax Act, 1961	70.29		161.47		
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	4.71		21 [^]		
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-		-		
2.	Stock Option [#]	-		-		
3.	Sweat Equity	-		-		
4.	Commission - as % of profit	-		-		
5.	Others, please specify	-		-		
	Total (A)		75		184.47	259.47
	Ceiling as per the Act					3720.15

*Mr. Sandeep Sinha ceased to be Managing Director of the Company effective August 16, 2019. The remuneration paid to Mr. Sinha is for the period April 01, 2019 till August 16, 2019.

**Mr. Ashwath Ram was appointed as Additional Director designated as Managing Director of the Company effective August 17, 2019. Mr. Ram's remuneration is effective from August 17, 2019 till March 31, 2020.

[^]The value includes stock options of Holding Company.

[#]The Company does not have a stock option scheme.

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of Directors						Total Amount (₹ in Lacs)
		Mr. Nasser Munjee	Mr. P. S. Dasgupta	Mr. Prakash Telang	Mr. Rajeev Bakshi	Mr. Venu Srinivasan	*Ms. Anjuly Chib Duggal	
1.	Independent Directors Fee for attending board / committee meetings	4.75	3.00	3.75	4.75	3.75	4.75	24.75
	Commission	15.00	15.00	15.00	15.00	15.00	15.00	90.00
	Others, (please specify)	-	-	-	-	-	-	-
	Total(1)							114.75
2.	Other Non-Executive Directors Fee for attending board / committee meetings	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-
	Others, (please specify)	-	-	-	-	-	-	-
	Total(2)							-
	Total(B)=(1+2)							114.75
	Total Managerial Remuneration	-	-	-	-	-	-	374.22
	Overall Ceiling as per the Act	-	-	-	-	-	-	744.03

*Ms. Anjuly Chib Duggal ceased to be Non-Executive Independent Director of the Company effective April 06, 2020.

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

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Hemiksha Bhojwani, Company Secretary	Rajiv Batra, Chief Financial Officer	Total
1.	Gross Salary	NA			
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961		43.45	289.71	333.16
	b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		6.98 [^]	138.09 [^]	145.07
	c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2.	Stock Option [#]	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission- as % of profit	-	-	-	-
5.	Others, (please specify)	-	-	-	-
	Total	NA	50.43	427.80	478.23

[^]The value includes stock options of Holding Company.

[#]The Company does not have a stock option scheme.

VII. Penalties / Punishment / Compounding of offences - NIL

Type	Section of the Companies Act, 2013	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. Company					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. Other officers in default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Annexures to the Directors' Report

Annexure 8 – NOMINATION AND REMUNERATION POLICY

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

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

1. OBJECTIVE

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

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

2. DEFINITIONS

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

3. ROLE OF COMMITTEE

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

The Committee shall:

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

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

3.2.1. Appointment criteria and qualifications

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

3.2.2. Term / Tenure

- a) Managing Director/Whole-time Director:

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

- b) Independent Director:

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

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

3.2.3. Evaluation

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

3.2.4. Removal

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

3.2.5. Retirement

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

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

3.3.1. General:

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

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

- a) Fixed pay:

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

b) Minimum Remuneration:

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

c) Provisions for excess remuneration:

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

3.3.3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

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

b) Sitting Fees:

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

c) Commission:

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

d) Stock Options:

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

4. MEMBERSHIP

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

4.2 Minimum three (3) Directors out of which at least two (2) being Independent Directors, shall constitute a quorum for the Committee meeting.

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

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

5. CHAIRPERSON

5.1 Chairperson of the Committee shall be an Independent Director.

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

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

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

6. FREQUENCY OF MEETINGS

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

7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

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

9. VOTING

9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

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

10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Act;

10.3 Identifying and recommending Directors who are to be put forward for retirement by rotation;

10.4 Determining the appropriate size, diversity and composition of the Board;

10.5 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.6 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

10.7 Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

10.8 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

10.9 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.10 Recommend any necessary changes to the Board; and

10.11 Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

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

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

12. MINUTES OF COMMITTEE MEETING

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

Annexures to the Directors' Report

Annexure 9 – DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Introduction

This Dividend Distribution Policy (hereinafter referred to as “the Policy”) has been adopted by the Board of Directors of Cummins India Limited (hereinafter referred to as “the Company”) in the meeting held on February 1, 2017, pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter referred to as “the SEBI Regulations”).

Dividend

Dividend means distribution of profits, earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them. Under Companies Act, 2013 (the “Act”), a Company can either declare dividend during the year, which is called interim dividend, or can declare dividend after the end of financial year, which is called final dividend.

Interim dividend can be declared by the Board of Directors during the financial year by passing a resolution at its meeting. Final dividend is recommended by the Board of Directors for approval by the shareholders at the annual general meeting. This policy applies to declaration of interim dividend and recommendation of final dividend by the Board.

The dividend for any financial year shall normally be paid:

- out of the profits for the year (arrived at after providing for depreciation in accordance with law and transferring such amount to reserves as may be considered appropriate by the Board of Directors of the Company); and/or
- out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

Factors affecting dividend declaration

The Board of Directors considers the following factors while arriving at the dividend amount:

- **internal factors**
 - profits earned during the year
 - distributable surplus available with the Company
 - Company’s liquidity position, future cash flow requirements for operations and reserve for any contingencies
 - capital expenditure requirements for expansion and growth
 - history of dividends distributed by the Company
 - loan covenants, if any
- **external factors**
 - dividends distributed by other comparable companies
 - taxation policy and any amendments expected thereof
 - cost and availability of alternative sources of financing
 - state of economy and nature of industry
 - macroeconomic and business conditions in general
 - any other relevant factors that the Board may deem fit.

Utilisation of retained earnings

The portion of profits not distributed among the shareholders as dividends are used for the business activities of the Company.

Review & modification

The Board is authorised to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

Disclaimer

This Policy shall not be construed as a solicitation for investments in the Company's securities and shall neither act as an assurance of guaranteed returns (in any form), on investments in the Company's securities.

Annexures to the Directors' Report

Annexure 10 – INFORMATION AS REQUIRED UNDER THE PROVISIONS OF SECTION 197 (12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

1. Remuneration paid to the Directors : -

- The Board of Directors of the Company consists of 1 Promoter (Executive) Director, 5 Promoter (Non-Executive) Directors and 6 Independent (Non-Executive) Directors.
- Details of remuneration paid to Managing Director(s) of the Company :

(₹ in Lacs)

	Sitting fees	Salary Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits [#]	Total
Mr. Sandeep Sinha							
*2019-20		75					75
% increase in remuneration over 2018-19							NA
Mr. Ashwath Ram							
**2019-20		184.47 [^]					184.47

*Mr. Sandeep Sinha ceased to be Managing Director of the Company effective August 16, 2019. The consolidated remuneration to Mr. Sinha is paid for the period April 01, 2019 till August 16, 2019.

**Mr. Ashwath Ram was appointed as Additional Director designated as Managing Director of the Company effective August 17, 2020. Mr. Ashwath Ram's remuneration is effective from August 17, 2019 till March 31, 2020.

[^]The value includes stock options of Holding Company.

[#]The Company does not have a stock option scheme.

- Details of Sitting Fees and Commission to Non-Executive Independent Directors for the period April 01, 2019 to March 31, 2020:

(₹ in Lacs)

Name of the Director	2018-19		Total (2018-19)	2019-20		Total (2019-20)	% increase in remuneration over 2019-20
	Sitting fees	Annual Commission		Sitting fees	Annual Commission		
Mr. Nasser Munjee	5.00	15.00	20.00	4.75	15.00	19.75	-
Mr. P. S. Dasgupta	5.75	15.00	20.75	3.00	15.00	18.00	-
Mr. P. M. Telang	5.75	15.00	20.75	3.75	15.00	18.75	-
Mr. Rajeev Bakshi	5.75	15.00	20.75	4.75	15.00	19.75	-
Mr. Venu Srinivasan	4.75	15.00	19.75	3.75	15.00	18.75	-
*Ms. Anjuly Chib Duggal	2.00	3.75	5.75	4.75	15.00	19.75	-

* Ms. Anjuly Chib Duggal ceased to be Non-Executive Independent Director effective April 06, 2020.

d. Other details:

- The median remuneration of employees of the Company during the Financial Year 2019-20 was ₹ 8,87,018/-
- The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year is 1:30
- Percentage increase in remuneration of Key Managerial Personnel (Chief Financial Officer and Company Secretary) in the Financial Year 2019-20:

(₹ in Lacs)

Name & Designation of other KMP	Remuneration 2019-20	% increase in remuneration over 2018-19#
Mr. Rajiv Batra, Chief Financial Officer	427.80 [^]	15.12%
Ms. Hemiksha Bhojwani, Company Secretary	50.43 [^]	NA

The percentage increase in remuneration is computed based on actual increment on the guaranteed cash component effective July 01, 2019.

[^]The value includes stock options of Holding Company.

- In the Financial Year, there was an increase of 9.5 % in the median remuneration of employees as well as the Key Managerial Personnel excluding Managing Director.
- Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof including any exceptional circumstances for increase in the managerial remuneration.
 - The average percentage increase for Key Managerial Personnel : 9.5 %
 - The average percentage increase of employees other than the managerial personnel : 9.5%
 - The average percentage increase in the salaries is primarily on account of market movement based increase in salaries.
- There were 3,447 permanent employees on the rolls of Company as on March 31, 2020.
- The Profit before Tax for the Financial Year ended March 31, 2020 reduced by 26% whereas the % increase in median remuneration of the employees as well as the Key Managerial Personnel (excluding Managing Director) was 9.5%.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

Annexures to the Directors' Report

Form No. MR-3

Annexure 11 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To:

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

Dear Sir/Madam,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good Corporate Governance practice by Cummins India Limited (hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed with regulatory authorities and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31st March, 2020, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the year ended 31st March, 2020 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time;

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

1. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended;
2. Secretarial Standards issued by The Institute of Company Secretaries of India (SS-1 & SS-2).

We further report that

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

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

It is noted that majority decisions are carried through and proper systems are in place which facilitates/ensures to capture and record, the dissenting member's views, if any, as part of the minutes. During the period, all the decisions in the Board Meetings were carried unanimously.

We have relied on the representation made by the Company, its Officers and Reports of the Statutory Auditor for the systems and mechanism framed by the Company for compliances under other Acts, Laws and Regulations applicable to the Company.

We further report that there are adequate systems and processes in the Company which are commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines and during the audit period there were no specific events/actions which have a major bearing on the Company's affairs.

We further report that during the audit period there were no specific events/actions which have a major bearing on the Company's affairs.

Pramod S. Shah & Associates
(Practicing Company Secretaries)

Pramod S. Shah -Partner
Pramod S. Shah & Associates
Membership No.: FCS 334
C.P No.: 3804
UDIN: F000334B000343908

Place : Mumbai
Date : June 15, 2020

ANNUAL SECRETARIAL COMPLIANCE REPORT OF CUMMINS INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2020

We Pramod S. Shah & Associates have examined:

- (a) all the documents and records made available to us and explanation provided by Cummins India Limited (“the listed entity”),
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity,
- (d) any other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended 31 March, 2020 (“Review Period”) in respect of compliance with the provisions of :

- (a) the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (c) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (d) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, to the extent applicable to the Company.

and circulars guideline made thereunder;

and based on the above examination, I hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

Sr. No.	Compliance Requirement (Regulations / circulars / guidelines including specific clause)	Deviations	Observations / remarks of Practicing Company Secretary
NIL			

- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my examination of those records.

- (c) The following are the details of actions taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

Sr. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any
NIL				

- (d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
NIL				

Pramod S. Shah & Associates
(Practicing Company Secretaries)

Pramod S. Shah -Partner
Pramod S. Shah & Associates
Membership No.: FCS 334
C.P No.: 3804
UDIN: F000334B000347065

Place : Mumbai
Date : June 16, 2020

Annexures to the Directors' Report

Annexure 12 – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014]

Introduction:-

The CSR initiatives of your Company are predominantly implemented through Cummins India Foundation ('the Foundation') and are aligned to the mission of 'Building more prosperous communities'. The projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013.

Your Company is focused on working on projects that have a high impact on the communities in which we live and operate.

The three focus areas include Higher Education, Energy and Environment and Equality of Opportunity across all your Company's locations. In addition, your Company is also actively involved in key new strategic projects – Cummins Powers Women, Clean Air Delhi, Monsoon Resilient Maharashtra and Phaltan Model Town under the CSR umbrella.

Employees of the Company also participate in Corporate Social Responsibility through the Company's Every Employee Every Community (EEEEC) program. EEEEC enables each employee to use at least four work hours every year to contribute to local projects and partners by leveraging and unleashing their unique skillsets.

CSR Committee:-

The composition of CSR Committee of the Board of Directors of the Company is as follows:

Sr. No.	Name of Members
1	Mr. P. M. Telang
2	Mr. Nasser Munjee
3	*Ms. Anjuly Chib Duggal
4	#Mr. P. S. Dasgupta
5	Mr. Venu Srinivasan
6	Mr. Mark Levett

*Ms. Anjuly Chib Duggal was appointed as a member and Chairperson of the Committee effective January 28, 2020. She ceased to be a Director effective April 6, 2020.

#Mr. P. S. Dasgupta was appointed as the Chairperson of the Committee effective June 17, 2020.

CSR Policy and Projects:-

The Committee has formulated a CSR Policy indicating the activities to be undertaken by your Company as per the Companies Act, 2013. It reviews and recommends the amount of expenditure to be incurred on the activities to be undertaken by your Company in addition to monitoring the CSR Policy of your Company from time to time. CSR Policy of your Company is available at <https://www.cummins.com/en/in/investors/india-corporate-governance>

Details of various CSR initiatives undertaken by your Company are provided in the Business Responsibility Report of the Company for Financial Year 2019-20, are also available at <https://www.cummins.com/en/in/company/corporate-responsibility/global-impact/cummins-india-foundation>.

CSR Spend:-

Your Company manages CSR activities through 'the Foundation'. Incorporated in 1990, the Foundation is a Public Charitable Trust registered under the Bombay Public Trusts Act, 1950, the Income Tax Act, 1961 and the Foreign Contribution

(Regulation) Act, 2010. The Foundation is dedicated towards serving the communities we live in and improving the lives of people. The Foundation does not accept donation from public at large.

(₹ in Crores)

Sr. No.	Particulars	Amount
1.	Average Net Profit of the Company for Financial Years 2016-17, 2017-18 and 2018-19	861.44
2.	Prescribed CSR Expenditure (i.e., 2% of the amount mentioned above)	17.23
3.	Details of the CSR Spent during the Financial Year 2019-20	
	a. Total amount spent for the Financial Year	17.23
	b. Amount unspent, if any	Nil

Detailed CSR Initiatives:-

Addressing the social, civic and environmental issues, your Company made significant contributions in Financial Year 2019-20 with projects on Education, Rural Development, Watershed Management, Afforestation, Solid Waste Management, Scholarship Program, Cummins Powers Women and Monsoon Resilient Maharashtra.

CeRIE - Centre for Research and Intellectual Entrepreneurship set up with an aim to inculcate a culture of research and innovation amongst faculty and students is now fully operational and is getting new projects from industries. Continuing our Scholarship program of the Nurturing Brilliance, this year as well we awarded 200 meritorious students with scholarship to pursue professional degree and diploma courses. Our association with ITI's through a global community initiative of TEC - Technical Education for Communities has come a long way.

The Company tries to contribute towards environment sustainability through implementation of various large-scale environment projects. To address the issues of Solid Waste Management, the Company with the support of the local municipal corporation, replicated a successful model of Zero Waste ward at different wards. Zero Waste is a philosophy that encourage redesign of resource life cycles so that all products are reused and that no trash is send to landfills or incinerators.

Every year thousands of devotees participate in the 250 kms trail of procession of Pandharpur wari. To avoid use of plastic and thermocol during this historically important pilgrimage, your Company promotes the use of green plates- utensils made from dried leaves of Sal tree through Patravali Project. Tons of Patravali collected from wari is then converted to organic compost and distributed free to local farmers for improving their farm yield. Complementing to the nationwide afforestation program, we also continued the watershed management projects at various sites of Khadakwasla and Aundh.

As part of the EmpowerHER, an initiative to aid income generation activities for the women at model villages, this year the Company scaled up its intervention and introduced new Self Help Group (SHG) models. In the two years that the Company launched the Udgam which aiming at creating awareness about Sanitary Hygiene, usage of sanitary napkins and enabling Entrepreneurship by setting sanitary pads production machine more than 5000 women across our sites have been positively impacted through the project.

Organic farming was encouraged with an intention of minimizing the use of environmentally harmful chemicals. The farmers were trained by subject matter experts on the best practices of farming.

The Company also partnered with multiple new organizations supporting the differently abled and underprivileged of the society for the providing a better living conditions and facilities to the residents.

'Cummins Powers Women program' a Global community an initiative aiming to partner with a network of best in class non-profit organizations to accelerate the empowerment of the women and girls in the community was launched in India. This is one of the most ambitious community initiative ever, where Cummins will continue to invest for creating large-scale impact in the lives of women and girls globally.

Through our project of Monsoon Resilient Maharashtra- MRM, concerted effort was made to build capabilities within the community to enhance engagement during the watershed implementation.

During the Financial Year 2019-20, the Foundation has spent ₹ 32.57 Crores, details of which are as follows :-

Cummins India Foundation spend details for FY 2019-20

Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered	Amount Outlay (Budget) Project or Program-wise (₹) (Annual)	Amount spent on the Projects or Programs (₹)		Cumulative Expenditure up to end of the quarter (₹)	Amount Spent (₹)	
				Direct Expenditure on Projects or Programs	Overheads		Direct	Through Implementing Agency
1	Education Assistance to Socially and Economically Weaker Sections	Higher Education	3,46,00,000	3,29,74,516	-	3,29,74,516	-	3,29,74,516
2	Vocational Education	Higher Education	2,12,00,000	1,51,21,353	-	1,51,21,353	-	1,51,21,353
3	Women Education and Employability	Higher Education	1,52,00,000	1,18,02,223	-	1,18,02,223	-	1,18,02,223
4	Afforestation	Energy & Environment	2,34,00,000	2,63,20,811	-	2,63,20,811	-	2,63,20,811
5	Solid Waste Management	Energy & Environment	2,27,00,000	2,30,25,371	-	2,30,25,371	-	2,30,25,371
6	Water Neutrality	Energy & Environment	2,15,00,000	2,08,22,843	-	2,08,22,843	-	2,08,22,843
7	Air Pollution	Energy & Environment	50,00,000	29,47,347	-	29,47,347	-	29,47,347
8	Renewable Energy	Energy & Environment	20,00,000	4,41,000	-	4,41,000	-	4,41,000
9	Local Community Care	Equality of Opportunity	1,00,00,000	1,06,21,187	-	1,06,21,187	-	1,06,21,187
10	Rural Development	Equality of Opportunity	8,20,00,000	8,68,36,020	-	8,49,30,985	-	8,68,36,020
11	Neighbourhood Outreach	Equality of Opportunity	1,36,00,000	1,09,14,880	-	1,28,19,915	-	1,09,14,880
12	Womens' Initiatives in India	Strategic Initiative	1,50,00,000	14,99,907	-	14,99,907	-	14,99,907
13	Monsoon Resilient Maharashtra	Strategic Initiative	2,80,00,000	2,78,03,746	-	2,78,03,746	-	2,78,03,746
14	Clean Delhi Air	Strategic Initiative	1,00,00,000	1,40,94,313	-	1,40,94,313	-	1,40,94,313
15	Phaltan Model Town	Strategic Initiative	1,00,00,000	57,98,880	-	57,98,880	-	57,98,880
16	Administrative exp & overheads	-	4,60,00,000	3,46,84,864	-	3,46,84,864	-	3,46,84,864
		TOTAL	36,02,00,000	32,57,09,260	-	32,57,09,260	-	32,57,09,260

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

Spends were directed towards projects that are scalable, sustainable and which have the potential to be replicated across locations, in the larger interests of the community. As detailed in the above table, projects worth ₹ 32.57 Crores were identified and reasonable and judicious spends were made as per project requirements. Your Company is committed to focus on employee engagement across all levels, on high impact community improvement projects, well beyond simply donating money.

COVID-19 Pandemic:-

The COVID-19 pandemic is one of severest challenges faced by mankind having touched every corner of the World. The situation is unprecedented and the consequences on our communities are significant and growing in severity. It is the responsibility and duty of each one of us to do our bit to fight this challenge. Cummins through its long-standing tradition of caring for the communities, is committed to respond in the best possible manner to this challenge as well through the following interventions –

- Support to Frontline COVID Warriors (i.e. Doctors, health & sanitation workers) by providing medical equipment to hospitals, PPEs gloves, N95 masks, goggles etc.;
- Support to Socially and Economically Disadvantaged Sections who are most affected by the economic impacts of the pandemic by providing ration kits to daily wage workers, migrant labourers, slum dwellers, SHGs and
- Support to Resource Scarce Communities (i.e. model villages and slums) where sanitization of common areas and awareness related to hygiene, social distancing and knowledge facts on coronavirus are critical.

Responsibility Statement of the CSR Committee: -

In pursuance of the provisions of Section 135 of the Companies Act, 2013 read with Rule 8 of the Companies (CSR Policy) Rules, 2014, it is stated on behalf of the CSR Committee of the Board of Directors of your Company that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company for the Financial Year 2019-20.

For and on behalf of the Board of Directors,

Place : Pune
Date : June 17, 2020

Mark Levett
Chairman
DIN: 00368287

Ashwath Ram
Managing Director
DIN: 00149501

P.S. Dasgupta
Chairman of
CSR Committee
DIN: 00012552

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Cummins India Limited ("the Company"), which comprise the Balance sheet as at March 31, 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 notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit, including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Standalone Ind AS 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 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 audit opinion on the standalone Ind AS financial statements.

Emphasis of Matter

We draw attention to note 47 of the standalone Ind AS financial statements which describes the management's evaluation of impact of uncertainties related to COVID-19 and its consequential effects on the carrying value of its assets as at March 31, 2020 and the operations of the Company.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our Report. We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the standalone Ind AS financial statements' section of our Report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition and recoverability of certain trade receivables (refer note 1(i) (accounting policy), note 10 and note 26 (financial disclosures), note 35 (significant judgements and estimates) and note 43(b) (credit risk) to the standalone Ind AS financial statements)	
Revenue for the year ended March 31, 2020 amounted to Rs. 515,773 lakhs. Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the	Our audit procedures included: <ul style="list-style-type: none"> ● We obtained and read a sample of customer contracts and confirmed our understanding of the Company's sales process

Key audit matters	How our audit addressed the key audit matter
<p>consideration to which the Company expects to be entitled in exchange for those goods or services. The Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition. Given the nature of industry in which the Company operates and the variety of shipment terms with customers, along with local and global lockdowns on account of the COVID-19 pandemic at the year end, ascertainment of timing of revenue recognition is a key audit consideration for sales transactions occurring near to the year end.</p> <p>Further, sales to certain customers may lead to recoverability issues due to unforeseen circumstances, including the COVID-19 pandemic.</p> <p>The Company uses a provision matrix based on its historically observed default rates over the expected life of the trade receivables, adjusted for forward looking estimates to determine impairment loss allowance on its portfolio of trade receivables. The adequacy of the loss allowance is subjective due to the high degree of judgement applied by management. Further, due to currency restrictions currently in certain geographies, where the Central Bank has restricted remittances of USD to other countries, there is a pressure on the ability of the Company's customers in such geographies to repay their outstanding account balances.</p> <p>As at the March 31, 2020, the outstanding balances from customers in such geographies amounted to Rs. 4,607 lakhs, out of the total trade receivable balance of Rs. 113,159 lakhs.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, and the related estimation uncertainty in collectability due to currency restrictions in certain geographies, this is considered as a key audit matter.</p>	<p>from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls.</p> <ul style="list-style-type: none"> ● We read and understood the Company's accounting policy for recognition of revenue and impairment of receivables. ● We performed transaction testing based on a representative sampling of the sales orders to assess revenue recognition and recognition of trade receivables including transactions occurring at and around the year end. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. We also considered the impact of local and global lockdowns on account of the COVID-19 pandemic on sales cut off procedures. ● We tested the ageing of trade receivables including receivables from certain customers located in geographies where currency restrictions continued to exist as at year end. ● We requested for and obtained independent balance confirmations from the Company's customers, selected by using statistical tools and using representative samples. ● For amounts receivable from customers located in certain geographies where currency restrictions exist, we read the financial support letter obtained by the Company, obtained details of collection post year end and agreement with group companies for such receivables. For such receivables, we also evaluated compliance with FEMA regulations relating to realization and repatriation of foreign currency proceeds. ● We assessed the trade receivables impairment methodology applied in the current year and compared the Company's provisioning rates against historical collection data. We assessed whether the time value of money was considered in the expected credit loss impairment model and tested the mathematical accuracy of the calculations. ● We performed various analytical procedures to identify any unusual sales trends for further testing. ● We assessed the disclosures made with respect to revenue and trade receivables in the standalone Ind AS financial statements.
<p>Significant judgements and estimates - warranty provision and classification of tangible assets as investment property <i>(refer note 1(n) and note 1(d) (accounting policy), note 3, note 19 and note 39(i) (financial disclosures) and note 35 (significant judgements and estimates) to the standalone Ind AS financial statements)</i></p>	
<p>The Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The reserve for product warranties includes the expected costs of warranty obligations imposed by the contract, as well as the expected costs for additional policy coverage. In addition, the Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained understanding of the warranty process, and the assumptions used by the management in the process of calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls. ● We evaluated management's methodology and assumptions used in the warranty provision calculations and assessed the impact of any changes to the terms of warranty, if any, on account of the COVID-19 pandemic.

Key audit matters	How our audit addressed the key audit matter
<p>claim experience for the Company's engines along with the Company's assessment of any impact of the COVID-19 pandemic. We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the financial statements.</p> <p>The Company also owns various immovable properties that have been let out to Group Companies/ third parties for varied lease periods. Ind AS 40 'Investment Property' requires assets to be classified as investment property in case certain conditions are met. This involves significant judgement and estimation with respect to the lease term, management intention etc., basis which the assets are classified either as property, plant and equipment or investment property in the Balance sheet.</p> <p>Also, Ind AS 40 'Investment Property' requires disclosure of fair value of investment property in the financial statements. The Company involves an external expert for this fair valuation.</p> <p>We have considered this as a key audit matter on account of the significant judgement involved in classification of properties, the assumptions used for the purpose of calculation of fair value and the related disclosure requirements.</p>	<ul style="list-style-type: none"> ● We tested completeness, arithmetical accuracy and validity of the data used in the warranty calculations. ● We assessed the disclosure of warranty provision made in the standalone Ind AS financial statements. ● With respect to Investment properties, we obtained an understanding of financial statement closure process, including the process of assessment and classification of immovable properties and preparation of relevant disclosures. We also understood design and implementation of controls, tested the operating effectiveness of these controls, including validation of management review controls. ● We assessed various lease agreements entered into by the Company with group Companies / third parties and evaluated terms of agreements, along with requirements of Ind AS. ● We read the judgements and assumptions made by the management with respect to classification of investment properties. ● We assessed the fair valuation of the investment properties conducted by the management's expert by involving our internal valuation experts. ● We assessed the disclosure of investment property made in the standalone Ind AS financial statements.
<p>Transactions with related parties (refer note 41(financial disclosures) to the standalone Ind AS financial statements)</p>	
<p>The Company has various related party transactions which include, amongst others, sale and purchase of goods/services, and services rendered to and received from its subsidiary, associate, joint ventures and other related parties. In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of Companies Act, 2013 and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained an understanding of the Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls. ● Obtained a list of related parties from the management and traced the related parties to declarations given by directors, where applicable, and to note 41 of the standalone Ind AS financial statements ● Read minutes of the meetings of the Board of Directors and Audit Committee and assessed whether approvals have been obtained by the management, as required by Companies Act, 2013 and LODR. ● On a sample basis, we tested whether transactions with related parties are at arm's length basis. ● We read the status of tax assessments and litigation with respect to related party transactions. ● We evaluated the disclosures in the standalone Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's statement, Managing Director's statement, Director's Report including Annexures to the Director's Report and the Business Responsibility Report of the Annual Report of the Company, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those charged with Governance for the Standalone Ind AS Financial Statements

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 standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS 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.

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 SAs 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 standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS 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.
- 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 standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) The matter described in Emphasis of Matter paragraph above, in our opinion, may not have an adverse effect on the functioning of the Company;
 - (f) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;
 - (h) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

- (i) 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 has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 36 to the standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020

Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone Ind AS financial statements

Re: Cummins India Limited (“the Company”)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment, right-of-use asset and investment properties are held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the manufacture of engines, gensets and spare parts, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ Lakhs) #*	Period to which the amount pertains	Forum where dispute is pending
Finance Act, 1994	Demand for short / non-payment of Service tax	128	FY 2014-15	CESTAT
Finance Act, 1994	Disallowance of CENVAT credit on input services	186	FY 2010-11 to FY 2015-16	Commissioner (Appeals)
Central Excise Act, 1944	Disallowance of CENVAT credit on scrap sales / input services	23	FY 2011-12 to FY 2014-15	Commissioner (Appeals)
Central Excise Act, 1944	Rejection of rebate claim	Nil (Amount recoverable from department ₹ 82)	FY 2007-08	CESTAT
Customs Act, 1962	Rejection of duty drawback claim	1,296	FY 2005-06 to FY 2009-10	Commissioner Customs
Goods and Services Act, 2017	Rejection of refund claim	Nil (Amount recoverable ₹ 149)	FY 2017-18	Commissioner (Appeals)
Income Tax Act, 1961	Demand on account of transfer pricing adjustments and other corporate tax disallowances	1,029	FY 2014-15	Income tax Appellate Tribunal, Pune
Income Tax Act, 1961	Demand on account of various disallowances	Nil (Net of amount recoverable from department ₹ 1,004)	FY 2013-14 to FY 2014-15	Commissioner of Income Tax (Appeals)
The Maharashtra Sales Tax on Transfer of property in goods involved in the execution of works Contract (Re-enacted) Act, 1989	Demand on account of Purchase Tax/Works contract Tax and surcharge thereon	183 (Net of amount recoverable from department ₹ 28)	FY 1999-00	High Court, Mumbai
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.) / Maharashtra Value Added Tax Act, 2002	Disallowances of sales tax declaration forms, disallowances of set off and interest thereon, taxation of sales turnover under B.S.T. Act, disallowance of claim of VAT set-off and inter-state sale u/s 3(a) of C.S.T. Act, 1956	502 (Net of amount paid under protest of Rs. 50 and refund amount recoverable from department ₹ 891)	FY 2006-07 to FY 2008-09	Maharashtra Sales Tax Tribunal, Pune

Name of the statute	Nature of dues	Amount (₹ Lakhs) #*	Period to which the amount pertains	Forum where dispute is pending
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.) / Maharashtra Value Added Tax Act, 2002	Disallowances of sales tax declaration forms, disallowances of set off and interest thereon, taxation of sales turnover under B.S.T. Act, disallowance of claim of VAT set-off and inter-state sale u/s 3(a) of C.S.T. Act, 1956	Nil (Net of amount recoverable from department ₹ 1,106)	FY 2004-05 and FY 2009-10 to FY 2014-15	Joint Commissioner of Sales Tax, Appeal-1, Pune
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	Nil (Net of amount paid under protest ₹ 160)	FY 2009-10 to FY 2014-15	Sales Tax Appellate Tribunal, Chennai
The West Bengal VAT Act, 2003	Levy of VAT on certain transactions	5	FY 2005-06	Joint Commissioner (Appeals) at Asansol
Jharkhand Value Added Tax Act, 2005	Demand on account of sales suppression and difference between road permit value and actual stock transfer value	11	FY 2010-11	Joint Commissioner (Appeals) at Ranchi
The Madhya Pradesh VAT Act, 2002	Demand on account of disallowances	221	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Central Sales Tax Act, 1956	Demand on account of disallowances	13	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Entry Tax Act, 1976	Demand on account of disallowances	35	FY 2015-16	Assistant Commercial Tax Officer at Singrauli

Amounts disclosed above are excluding interest and penalty.

*Not yet deposited

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution or bank. The Company has not issued any debentures.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020

Annexure 2 referred to in paragraph 2 (g) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the Standalone Ind AS financial statements

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

We have audited the internal financial controls over financial reporting of Cummins India Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”), issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Standalone Ind AS Financial Statements

A company’s internal financial control over financial reporting with reference to these standalone Ind AS 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 control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020

Standalone Financial Statements 2019-20

BALANCE SHEET AS AT MARCH 31, 2020

₹ Lacs

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	119,526	128,229
Capital work-in-progress (including investment property in progress)		8,003	15,851
Right-of-use asset	3.7	3,056	-
Investment properties	3	103,664	72,802
Intangible assets	2.2	186	246
Investments in a subsidiary, joint ventures and an associate	4	3,735	3,735
Financial assets			
Investments	4	517	522
Other financial assets	5	2,877	1,886
Income tax assets (net)	6	11,119	9,279
Other non-current assets	7	6,615	11,997
		<u>259,298</u>	<u>244,547</u>
Current assets			
Inventories	8	57,292	62,536
Financial assets			
Investments	9	78,146	24,272
Trade receivables	10	113,159	127,269
Cash and cash equivalents	11	18,142	19,534
Other bank balances	12	27,241	54,259
Other current financial assets	13	21,600	35,957
Other current assets	14	19,083	16,597
Assets classified as held for sale	15	1,444	386
		<u>336,107</u>	<u>340,810</u>
	TOTAL	<u>595,405</u>	<u>585,357</u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	16	5,544	5,544
Other equity	17		
Retained earnings		296,720	292,447
Other reserves		115,232	115,054
		<u>417,496</u>	<u>413,045</u>
Non-current liabilities			
Financial liabilities			
Lease liabilities	3.7	1,577	-
Other financial liabilities	1.8	3,522	2,677
Provisions	1.9	9,189	7,267
Deferred tax liabilities (net)	2.0	8,004	9,876
Other non-current liabilities	2.1	106	206
		<u>22,398</u>	<u>20,026</u>
Current liabilities			
Financial liabilities			
Borrowings	2.2	48,536	30,916
Trade payables			
Total outstanding dues from micro and small enterprises	2.3	1,883	2,371
Total outstanding dues of creditors other than micro and small enterprises	2.3	67,759	80,140
Lease liabilities	3.7	257	-
Other current financial liabilities	2.4	16,619	15,948
Other current liabilities	2.5	4,774	5,892
Provisions	1.9	15,683	17,019
		<u>155,511</u>	<u>152,286</u>
	TOTAL	<u>595,405</u>	<u>585,357</u>

The accompanying notes are an integral part of these financial statements.

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

₹ Lacs

Particulars	Notes	Year Ended March 31, 2020	Year Ended March 31, 2019
Revenue from operations	26	515,773	565,900
Other income	27	33,154	29,277
Total income		548,927	595,177
Expenses:			
Cost of materials consumed	28.1	261,255	270,601
Purchases of traded goods		72,186	94,687
Change in inventories of finished goods, work-in-progress and traded goods	28.2	3,344	(3,942)
Employee benefits expense	29	56,018	54,580
Finance costs	30	2,025	1,620
Depreciation and amortisation expense	2, 3, 37	11,866	11,032
Other expenses	31	64,342	63,564
Total expenses		471,036	492,142
Profit before exceptional items and tax		77,891	103,035
Exceptional items	45	1,985	-
Profit before tax		75,906	103,035
Tax expense	20		
Current tax		14,253	29,384
Deferred tax		(1,281)	1,394
Total tax expense		12,972	30,778
Profit after tax		62,934	72,257
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement (loss) / gain on defined benefit plans		(2,348)	(1,844)
Income tax effect		591	644
Net other comprehensive (expense) / income not to be reclassified to profit or loss in subsequent periods		(1,757)	(1,200)
Other comprehensive (expense) / income for the year, net of tax		(1,757)	(1,200)
Total comprehensive income for the year, net of tax		61,177	71,057
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	32	22.70	26.07

The accompanying notes are an integral part of these financial statements.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2018	5,544
Changes in equity share capital during the year ended March 31, 2019	-
As at March 31, 2019	5,544
Changes in equity share capital during the year ended March 31, 2020	-
As at March 31, 2020	5,544

B) Other equity

₹ Lacs

Particulars	Retained earnings (Refer note 17)	Other reserves			Total
		General reserve (Refer note 17)	Capital redemption reserve (Refer note 17)	Equity contribution from Cummins Inc.- Share based payments* (Refer note 17)	
Balance as at April 1, 2018	278,201	114,202	70	590	393,063
Add: Profit for the year	72,257	-	-	-	72,257
Add: Equity contribution during the year	-	-	-	192	192
Other comprehensive Income	(1,200)	-	-	-	(1,200)
Total comprehensive income for the year	71,057	-	-	192	71,249
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2017-2018	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2019	292,447	114,202	70	782	407,501
Less: Effect of adoption of Ind AS 116 Leases (Refer note 1.1)	(93)	-	-	-	(93)
Balance as at April 1, 2019	292,354	114,202	70	782	407,408
Add: Profit for the year	62,934	-	-	-	62,934
Add: Equity contribution during the year	-	-	-	178	178
Other comprehensive income	(1,757)	-	-	-	(1,757)
Total comprehensive income for the year	61,177	-	-	178	61,355
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2018-2019	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2020	296,720	114,202	70	960	411,952

* Scheme managed and administered by the Holding Company.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2020

₹ Lacs

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
I. Cash generated from operations :		
Profit before tax	75,906	103,035
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	11,866	11,032
Finance costs	2,025	1,620
Interest income	(5,779)	(5,293)
Dividend income	(7,502)	(6,091)
Loss/(gain) on assets sold, discarded, etc.	408	(70)
(Gain)/loss on redemption /sale of investments (net)	(3,140)	(2,356)
Equity contribution from Holding company	178	192
Unrealised foreign exchange fluctuation (net)	(1,316)	129
Mark to market ('MTM') of financial instruments	672	(419)
Provision for doubtful debts (net)	1,229	239
	<u>(1,359)</u>	<u>(1,017)</u>
b) Working capital adjustments		
Trade receivables	14,629	4,567
Inventories	5,244	(8,788)
Current and non-current financial assets	701	(28,061)
Other current and non-current assets	(1,980)	5,828
Trade payables	(14,449)	7,258
Current and non-current financial liabilities	762	(7,011)
Other current and non-current liabilities	(1,218)	281
Current and non-current provisions	(2,245)	2,515
	<u>1,444</u>	<u>(23,411)</u>
Total adjustments (a+b)	85	(24,428)
Cash generated from operations	75,991	78,607
Tax paid (net of refunds)	(16,093)	(23,607)
Net cash generated from operations	59,898	55,000
II. Cash flows used in investing activities		
Purchase of property, plant and equipment and investment property	(25,767)	(28,228)
Proceeds from sale of property, plant and equipment	2,103	892
Interest received	6,444	3,377
Dividend received	7,502	6,091
Proceeds from loan given	-	12,866
Investments		
Sale/(Purchase) of short term investments (net)	(50,729)	28,696
Term deposits with Banks	39,100	(22,000)
Net cash (used in) from investing activities	(21,347)	1,694

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

₹ Lacs

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
III. Cash flows from financing activities		
Proceeds from borrowings (net)	17,620	5,762
Finance costs	(1,542)	(1,214)
Payment of principal portion of lease liabilities	(359)	-
Unpaid dividend (restricted)	(82)	(402)
Dividend paid (including tax on dividend)	(56,729)	(56,409)
Net cash (used in) financing activities	(41,092)	(52,263)
IV. Net change in cash and cash equivalents (I+II+III)	(2,541)	4,431
V. Net foreign exchange difference	1,149	(128)
VI. Cash and cash equivalents at the beginning of the year	19,534	15,231
VII. Cash and cash equivalents at the end of the year (IV+V+VI)	18,142	19,534
Components of cash and cash equivalents		
Cash on hand	2	1
Bank Balances		
In current accounts	18,140	19,533
Total cash and cash equivalents (refer note 11)	18,142	19,534

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

Notes to Standalone Financial Statements for the year ended March 31, 2020

1 Summary of Significant accounting policies

a) Corporate information:

Cummins India Limited ('CIL' or 'the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company's shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Cummins India Office Campus, Balewadi, Pune. The Company is engaged in the business of manufacturing, trading and selling of engines and allied activities. (CIN : L29112PN1962PLC012276)

The standalone financial statements for the year ended March 31, 2020 were authorised for issue in accordance with the resolution of the directors on June 17, 2020.

b) Basis of preparation:

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013 (Ind AS compliant schedule III).

The financial statements are prepared on a historical cost basis, except for the following assets and liabilities:

- certain financial assets and financial liabilities (including derivative instruments) which have been measured at fair value,
- assets held for sale are measured at lower of carrying amount or fair value less cost to sell
- defined benefit plans- Plan assets are measured at fair value

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in 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.

c) Fair value measurements

The Company measures financial instruments at fair value on initial recognition and at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability,

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Notes to Standalone Financial Statements for the year ended March 31, 2020

- i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

Disclosures for valuation methods, significant estimates and assumptions (refer note 35 and 44)

Financial instruments (including those carried at amortised cost) (refer note 4 to 5, 9 to 13)

Investment properties (refer note 3 and 44)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) **Property, plant and equipment and investment properties**

Property plant and equipment, capital work in progress and investment properties are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss. All significant costs relating to the acquisition and installation of property plant and equipment/ investment property 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. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciate them separately based on their specific useful lives.

Depreciation is computed on straight line method based on useful lives, determined based on internal technical evaluation, as follows:

Asset	Useful life
Roads	10 years
Office building and investment properties	Upto 60 years
Factory building	30 Years
Plant and machinery	3 to 15 years
Furniture and fittings	5 to 10 years
Vehicles	8 to 9 years

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

Freehold land is carried at cost. Losses arising from the retirement of, and gains and losses arising from disposal of property, plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

e) **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful life are amortized over their respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Notes to Standalone Financial Statements for the year ended March 31, 2020

Software's are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use (3-5 years), being the estimated useful life as per the management estimate or license term whichever is less.

Losses arising from the retirement of, and gains and losses arising from disposal of intangible assets which are carried at cost are recognised in the Statement of Profit and Loss.

f) **Assets held for sale**

Items of property, plant and equipment/ intangible assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value, and are disclosed as assets held for disposal in financial statements. Such assets, once classified as held for sale, are not depreciated. Any expected loss is recognised immediately in the Statement of Profit and Loss.

g) **Inventories**

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials : cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Finished goods and work in progress : cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

Traded goods : cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Material cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Material in transit is valued at cost incurred till date.

h) **Foreign currency transactions**

The Company's financial statements are presented in INR (₹), which is also the functional currency of the Company.

Transactions in foreign currencies are accounted at the functional currency spot rates prevailing on the date of transactions. Monetary foreign currency financial assets and liabilities are translated at functional currency spot rates of exchange at the reporting date. The resulting exchange differences are appropriately recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non- monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

i) **Revenue recognition**

i) **Revenue from sale of products**

Revenue from contracts with customers for sale of products is recognised, generally at a point in time, when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding taxes or duties collected on behalf of the government e.g. goods and service tax (GST). The Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 35.

ii) **Volume rebates**

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable

Notes to Standalone Financial Statements for the year ended March 31, 2020

consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

iii) **Warranty obligations**

The Company typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.

iv) **Sale of services - installation services**

The Company provides installation services that can be either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the product sold.

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative standalone selling prices of the products and installation services. The Company recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

v) **Sale of services - service contracts**

The Company has long-term service contracts with customers. Revenue from service contracts is recognised over time i.e based on the proportionate completion method. Completion is determined as a proportion of costs incurred till date to the total estimated contract costs. Provision is made for any loss in the period in which it is foreseen. The Company considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under Ind AS 115.

In case of other service contracts, revenue is recognized over time, using input/output method, when services are rendered and on receipt of confirmation from customers, as the case may be.

vi) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

vii) **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due when billing has been done) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

viii) **Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

ix) Interest income is recognised using effective interest rate method ('EIR'). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but doesn't consider the expected credit losses. Interest income is included in Other Income in the Statement of Profit and Loss.

Notes to Standalone Financial Statements for the year ended March 31, 2020

- x) Rental income is recognised on straight-line basis over the lease term, other than escalations on account of inflation.
- xi) Dividend income from investments is recognised when the right to receive payment is established.

j) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section "o" impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of offices and warehouses. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising on such leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

k) Employee benefits

The Company operates following post-employment schemes, including both defined benefit and defined contribution plans.

Notes to Standalone Financial Statements for the year ended March 31, 2020

A) Post-employment benefits

i) Defined contribution plans:

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. 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 superannuation fund for management employees and provident fund for non management employees which is administered by Life Insurance Corporation of India/regional provident fund commissioner. In case of superannuation fund for management employees and provident fund for non management employees, the Company has no further obligation beyond making the contributions. 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:

Funded Plan: The Company has defined benefit plans for post-employment benefits in the form of gratuity for all employees, pension for non management employees and provident fund for management employees which are administered through Company managed trust/Life Insurance Corporation of India.

Unfunded plan: The Company has unfunded defined benefit plans in the form of post retirement medical benefits (PRMB) and ex-gratia benefits as per the policy of the Company.

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

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) and the return on plan assets (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.

B) Other employee benefit (unfunded)

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

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

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 have terms approximately the terms of the related obligation.

I) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

Notes to Standalone Financial Statements for the year ended March 31, 2020

- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

m) Income tax

The tax expense for the year 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, as the case may be.

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.

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

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

n) 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.

Notes to Standalone Financial Statements for the year ended March 31, 2020

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.

o) Impairment of non financial assets

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

p) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

r) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is either recorded as deferred income and is recognised as income on a systematic and rational basis over the useful life of the asset, or adjusted against the cost of the asset.

When the Company receives non-monetary grants, the asset and the grant are recorded at fair value and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

s) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. For all subsequent measurements financial assets are classified in following categories:

A) Debt instruments

- i) Debt instruments at amortised cost: A debt instrument is at amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is most relevant to the Company. After initial measurement, such assets are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into

Notes to Standalone Financial Statements for the year ended March 31, 2020

account any discount or premium on acquisition and fees for cost that are an integral part of the EIR. EIR amortisation is included in other income in the Statement of Profit and Loss. This category generally applies to loans and trade and other receivables.

- ii) Debt instruments fair value through OCI (FVOCI): A debt instrument is classified as FVOCI if the financial asset 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. The Company has not classified any financial assets under this category.
- iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or FVOCI are classified as FVTPL. The Company has not classified any debt under this category.

B) Equity instruments

Equity instruments held for trading are classified as FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in OCI the subsequent changes in fair value. The Company makes such election on an instrument by instrument basis. If the Company decides to classify an equity instrument as FVOCI, then all fair value changes on the instrument, excluding dividends are recognized in OCI. There is no recycling of the amount from OCI to Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity.

The Company has elected to present all equity instruments, other than those in subsidiary, joint ventures and associate, through FVTPL and all subsequent changes are recognized in Statement of Profit and Loss.

C) Derecognition

A financial asset (or wherever applicable, a part of the financial asset or part of a group of similar financial assets) is primarily derecognized when the rights to receive cash flow from the assets have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full to a third party under a pass through arrangement and either a) the Company has transferred substantially all risks and rewards of the asset or b) has transferred control of the asset.

D) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs e.g. loans, deposits, trade receivables, lease receivable and bank balances.

The Company follows simplified approach for recognition of impairment loss allowance on trade receivables and lease receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather it recognizes impairment loss allowance based on lifetime ECL's at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period the credit risk reduces since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

As a practical expedient, the Company uses a provision matrix, based on the receivables classified into various age buckets, to determine impairment loss allowance on portfolio of its trade receivables. The matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The Company has presumed that default doesn't occur later than when a financial asset is 90 days past due.

Impairment loss allowance including ECL or reversal recognized during the period is recognized as income/expense in the Statement of Profit and Loss. This amount is reflected under the head 'Other Expenses' in

Notes to Standalone Financial Statements for the year ended March 31, 2020

Statement of Profit and Loss. The impairment loss is presented as an allowance in the Balance Sheet as a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

Financial Liabilities

All financial liabilities are initially recognised at fair value. The Company's financial liabilities include trade and other payables, other financial liabilities, loans and borrowings and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as FVTPL or at amortized cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the Statement of Profit and Loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using EIR method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of EIR. EIR amortization is included as finance cost in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of the new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

Derivatives

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit and Loss.

Embedded derivatives: An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

Reclassification of financial instruments

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Company reclassifies the financial assets, it applies the reclassification prospectively

Notes to Standalone Financial Statements for the year ended March 31, 2020

from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

t) Dividend distribution

The Company recognises a liability to pay dividend to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company.

u) Earning per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the Company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

1.1 Changes in accounting policies and disclosures

Ind AS 116

The Company applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Ind AS 116 supersedes Ind AS 17 Leases including its appendices and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

The Company adopted Ind AS 116 using the modified retrospective method of adoption, with the date of initial application on April 1, 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying Ind AS 17 and Appendix C of Ind AS 17 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The application of modified retrospective approach for implementation of Ind AS 116 resulted in a recognition of right-of-use asset and a lease liability aggregating to ₹ 3,195 Lacs (including Land lease aggregating to ₹ 1,447 Lacs which was classified as finance lease under Ind AS 17 and disclosed in Property, Plant and Equipment) and ₹ 1,841 Lacs respectively (refer note 37).

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

Notes to Standalone Financial Statements for the year ended March 31, 2020

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments, and determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have an impact on the financial statements of the Company.

Amendments to Ind AS 109: Prepayment Features with Negative Compensation

Under Ind AS 109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Company.

Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

The amendments had no impact on the financial statements of the Company.

Amendments to Ind AS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies Ind AS 109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in Ind AS 109 applies to such long-term interests. This amendment had no impact on the financial statements of the Company as it has no associates or joint ventures which are not accounted for as per equity method.

Notes to Standalone Financial Statements for the year ended March 31, 2020

2.1 Property, plant and equipment

Particulars	Gross block				Depreciation and Amortisation				Net block		
	As at April 1, 2019	Additions	Adjustment***	Deductions / Write-off	As at March 31, 2020	As at April 1, 2019	For the year	Adjustment***	Deductions / Write-off	As at March 31, 2020	As at March 31, 2020
Land											
- Freehold @	4,965	-	(1,353)	-	3,612	-	-	-	-	-	3,612
- Leasehold	1,564	-	(1,564)	-	-	117	(117)	-	-	-	-
Leasehold Improvements	614	-	(7)	-	607	45	(1)	-	-	49	558
Roads	2,728	308	(307)	-	2,729	1,553	(17)	-	-	1,777	952
Buildings #	101,546	9,850	(27,985)	47	83,364	12,491	(2,376)	16	16	12,062	71,302
Plant & Machinery #	96,229	22,028	(2,213)	10,546	105,498	68,100	(13)	8,081	8,081	65,535	39,963
Furniture and fittings #	4,625	821	(175)	108	5,163	1,952	16	95	95	2,253	2,910
Vehicles	462	61	6	55	474	246	6	53	53	245	229
	212,733	33,068	(33,598)	10,756	201,447	84,504	(2,502)	8,245	8,245	81,921	119,526
Software	2,349	46	-	20	2,375	2,103	-	20	20	2,189	186
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,409	46	-	20	4,435	4,163	-	20	20	4,249	186

2.2 Intangible assets

NOTES:

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

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

*** includes reclassification to investment properties and right-of-use asset (refer note 3)

Includes certain assets given on cancellable/ non-cancellable operating lease

The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

Notes to Standalone Financial Statements for the year ended March 31, 2020

2.1 Property, plant and equipment (Contd.)

Particulars	Gross block						Depreciation and Amortisation				Net block
	As at April 1, 2018	Additions	Adjustment	Deductions / Write-off	As at March 31, 2019	As at April 1, 2018	For the year	Adjustment	Deductions / Write-off	As at March 31, 2019	As at March 31, 2019
Land											
- Freehold @	5,022	-	-	57	4,965	-	-	-	-	-	4,965
- Leasehold **	1,564	-	-	-	1,564	103	14	-	-	117	1,447
Leasehold Improvements	614	-	-	-	614	39	6	-	-	45	569
Roads	2,717	12	-	1	2,728	1,300	254	-	1	1,553	1,175
Buildings #	99,307	2,405	31	197	101,546	10,517	2,031	2	59	12,491	89,055
Plant and machinery #	93,110	5,680	965	3,526	96,229	65,186	5,097	762	2,945	68,100	28,129
Furniture and fittings #	4,648	174	-	197	4,625	1,805	304	-	157	1,952	2,673
Vehicles	509	25	28	100	462	266	49	25	94	246	216
	207,491	8,296	1,024	4,078	212,733	79,216	7,755	789	3,256	84,504	128,229
2.2 Intangible assets											
Software	2,477	32	-	160	2,349	1,937	326	-	160	2,103	246
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,537	32	-	160	4,409	3,997	326	-	160	4,163	246

NOTES:

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

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

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

Includes certain assets given on cancellable/ non-cancellable operating lease

The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
3 Investment properties		
Gross		
Opening balance	77,263	74,620
Additions	4,325	2,643
Re-classification from property, plant and equipment	32,278	-
Closing balance	113,866	77,263
Depreciation		
Opening balance	4,461	1,510
Depreciation	3,165	2,951
Re-classification from property, plant and equipment	2,576	-
Closing balance	10,202	4,461
Net	103,664	72,802

Information regarding income and expenditure of investment properties

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
Rental income derived from investment properties	7,016	5,605
Direct operating expenses (including repairs and maintenance) generating rental income	787	742
Profit arising from investment properties before depreciation and indirect expenses	6,229	4,863
Less: Depreciation	3,165	2,951
Profit arising from investment properties before indirect expenses	3,064	1,912

The investment properties consist of office premises and plants. As at March 31, 2020 the fair value of the properties is ₹ 121,584 lacs (As at March 31, 2019: ₹ 78,048 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant and equipment as applicable.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 44.

Notes to Standalone Financial Statements for the year ended March 31, 2020

Description of valuation techniques used and key inputs to valuation on investment properties

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2020	Range (weighted average) March 31, 2019
Income approach (Discounted Cashflow (DCF) method)	Estimated rental value per sq ft per month	₹ 31 - ₹ 103	₹ 55 - ₹ 75
	Rent growth p.a.	15% every 3 years or based on market assessment	15% every 3 years
	Discount rate	11.66% to 12.66%	11.70% to 12.27%

As per the DCF method, fair value is defined as the present value of future cash flows that can be withdrawn from the Company. To estimate the cash flows available, projected cash flows of the Company are considered for certain future years (explicit forecast period). Based on the projected cash flows, the free cash flows from subject properties are estimated. The Company has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject properties will continue to generate cash. In DCF method, therefore, perpetuity value/capitalized value/terminal value is also considered to arrive at the value of the subject properties.

Notes to Standalone Financial Statements for the year ended March 31, 2020

4 Non-Current Investments :

As at March 31, 2020 Units	As at March 31, 2019 Units	Face value per unit ₹		As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
			Investment in subsidiary, joint- ventures and an associate		
			<i>Unquoted equity instruments (at cost)</i>		
			Investment in subsidiary (fully paid up)		
12,000,000	12,000,000	10	Cummins Sales & Service Private Limited (% Holding: 100%) (Incorporated in India)	1,200	1,200
			Investments in joint ventures (fully paid up)		
9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	804	804
114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	11	11
			Investment in associate (fully paid up)		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	1,720	1,720
			Total	3,735	3,735
			Other investments (fully paid up)		
			<i>Unquoted equity instruments (Fair value through profit and loss)</i>		
-	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	-	0
-	1,000	10	The Saraswat Co-operative Bank Limited *	-	0
			Aggregate value of unquoted investments *	-	0
			Valued at amortised cost		
			<i>Quoted Government of India Bonds</i>		
50,000,000	50,000,000	1	8.35% Government of India 2022	517	522
			Aggregate book value / market value of quoted investments	517	522
			Total	517	522

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

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
5 Other non-current financial assets (carried at amortised cost)		
Unsecured, considered good;		
Security deposits	2,877	1,886
Total	2,877	1,886
6 Income tax assets (net)		
Advance income tax (net of provision for taxation)	11,119	9,279
Total	11,119	9,279
7 Other non-current assets		
Unsecured, considered good		
Capital advances	2,173	7,049
Balances with statutory/government authorities	4,442	4,948
Total	6,615	11,997
8 Inventories		
Raw materials and components (includes goods in transit)	31,395	33,455
Work-in-progress (includes goods with third parties)	12,376	11,141
Finished goods (includes goods in transit and lying with third parties) *	11,567	15,841
Traded goods (includes goods in transit)	570	875
Stores and spares	724	707
Loose tools	660	517
Total	57,292	62,536

* During the year ended March 31, 2020 ₹ (8) Lacs (March 31, 2019: ₹ (81) Lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

Notes to Standalone Financial Statements for the year ended March 31, 2020

9 Current Investments :

As at March 31, 2020 Units	As at March 31, 2019 Units	Face value per unit ₹		As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
			Current portion of long term investments		
			<i>Quoted equity instrument (fair value through profit and loss)</i>		
-	9,811	2	Kirloskar Oil Engines Limited	-	17
-	913	10	Kirloskar Industries Limited	-	7
			Aggregate book value / market value of quoted investments	-	24
			Current investments		
			<i>Unquoted mutual funds valued at fair value through profit and loss</i>		
-	96,964	1,000	Axis Liquid Fund - Growth	-	2,002
414,539	-	1,000	Axis Liquid Fund - Direct Growth	9,138	-
631,099	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Direct Plan	2,017	-
-	684,365	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	-	2,046
-	806,992	100	Aditya Birla Sun Life Money Manager Fund - Growth-Direct Plan	-	2,031
136,251	-	1,000	Franklin India liquid Fund - Super Institutional Plan - Direct - Growth	4,065	-
287,259	-	1,000	HDFC Liquid Fund - Direct Plan - Growth	11,222	-
-	55,625	1,000	HDFC Liquid Fund - Regular Plan - Growth	-	2,036
-	51,217	1,000	HDFC Money Market Fund - Direct Plan - Growth Option	-	2,007
3,439,788	-	100	ICICI Prudential liquid Fund - Growth Direct	10,105	-
-	780,490	100	ICICI Money Market Fund - Growth Direct	-	2,031
-	53,981	1,000	Kotak Liquid Regular Plan Growth	-	2,037
-	65,331	1,000	Kotak Money Market Scheme - Direct Plan - Growth	-	2,016
227,008	-	1,000	Kotak Liquid Direct Plan Growth	9,114	-
224,099	-	1,000	L&T Liquid Fund Direct Plan - Growth	6,098	-
209,971	88,403	1,000	Nippon India Liquid Fund - Direct Growth Plan Growth Option (Formerly Known as Reliance liquid Fund - Direct plan growth plan - growth option)	10,185	4,033
292,936	-	1,000	SBI Liquid Fund - Direct Plan - Growth	9,106	-
-	68,719	1,000	SBI Liquid Fund Regular Growth	-	2,004
31,957	-	1,000	Tata Liquid Fund Direct Plan - Growth	1,001	-
-	65,696	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	-	2,005
187,449	-	1,000	UTI Liquid Cash Plan - Direct Growth Plan	6,095	-
			Aggregate value of unquoted investments	78,146	24,248
			Total	78,146	24,272

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
10 Trade receivables (carried at amortised cost)		
Trade receivables	85,070	90,653
Receivables from related parties (Refer note 41)	28,089	36,616
Total	113,159	127,269
Break up for security details		
Secured, considered good	24,899	29,089
Unsecured, considered good	88,355	98,460
Trade receivable which have significant increase in credit risk	586	-
Trade receivable - credit impaired	947	165
	114,787	127,714
Impairment allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	-	-
Provision for impairment	(681)	(280)
Trade receivable - credit impaired	(947)	(165)
	(1,628)	(445)
Total	113,159	127,269
<p>No trade receivable or advances are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 677 lacs (March 31, 2019: ₹ 2,316 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.</p> <p>For terms and conditions and transactions with related parties refer note 41.</p>		
11 Cash and cash equivalents (carried at amortised cost)		
Cash on hand	2	1
Bank balances		
In current accounts	18,140	19,533
Total	18,142	19,534
12 Other bank balances (carried at amortised cost)		
Unpaid dividend account (restricted)	1,341	1,259
Deposits with Banks (original maturity more than 3 months but less than 1 year)	25,900	53,000
Total	27,241	54,259

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)		
Unsecured, considered good:		
Security deposits	1,518	1,294
Deposits with banks (with residual maturity less than 12 months)	15,000	27,000
Contract assets	1,394	2,116
Foreign exchange forward contracts #	-	419
Interest accrued on investments and deposits	1,845	2,510
Others *	1,843	2,618
Total	21,600	35,957
# Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.		
* Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.		
Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 647 lacs (March 31, 2019: ₹ 1,923 lacs). Refer note 41 for related party transactions.		
14 Other current assets		
Unsecured, considered good:		
Balances with statutory/government authorities	14,901	14,326
Others *	4,182	2,271
Total	19,083	16,597
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
15 Assets classified as held for sale		
Assets held for sale (at lower of cost or fair value less cost to sell) *	1,444	386
Total	1,444	386

* Includes land, building, plant and machinery held for sale where the Company is in the process of disposal.

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
16 Equity share capital		
Authorised :		
400,000,000 equity shares of ₹ 2 each	<u>8,000</u>	<u>8,000</u>
Issued, subscribed and fully paid-up shares:		
277,200,000 equity shares of ₹ 2 each	<u>5,544</u>	<u>5,544</u>
Total	<u>5,544</u>	<u>5,544</u>

a) Reconciliation of number of shares

Equity shares:

	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	277,200,000	5,544	277,200,000	5,544

b) Rights, preferences and restrictions attached to shares

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

c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Of the above equity shares, 141,372,000 (March 31, 2019 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

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

	As at March 31, 2020		As at March 31, 2019	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	141,372,000	51.00%	141,372,000	51.00%
SBI Blue Chip Fund	17,200,470	6.21%	9,259,182	3.34%
Life Insurance Corporation Of India	15,799,308	5.70%	12,547,549	4.53%

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
17 Other equity		
Retained earnings	296,720	292,447
	296,720	292,447
Other reserves		
Capital redemption reserve	70	70
General reserve	114,202	114,202
Equity contribution from Holding Company	960	782
Total	115,232	115,054
a) Retained earnings		
	Year Ended March 31, 2020 ₹ Lacs	Year Ended March 31, 2019 ₹ Lacs
Opening balance as at April 1	292,447	278,201
Less: Effect of adoption of Ind AS 116 Leases (Refer note 1.1)	(93)	-
Add: Profit for the year	62,934	72,257
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	(1,757)	(1,200)
	353,531	349,258
Less:		
Interim dividend paid	19,404	19,404
Tax on interim dividend	3,989	3,989
Final dividend paid for the financial years ended March 31, 2019 and March 31, 2018	27,720	27,720
Tax on final dividend for the financial years ended March 31, 2019 and March 31, 2018	5,698	5,698
	56,811	56,811
Closing balance as at March 31	296,720	292,447

During the years March 31, 2020 and March 31, 2019, the Company paid dividend to its shareholders. This resulted in payment of dividend distribution tax ('DDT') to the taxation authorities. The Company believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity.

Dividend not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended payment of final dividend of ₹ 19,404 lacs for the year ended March 31, 2020 (March 31, 2019: ₹ 33,418 lacs) which is ₹ 7 per fully paid up share (March 31, 2019: ₹ 10 per fully paid up share) and applicable tax on dividend. This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
b) Capital redemption reserve		
Opening balance as at April 1	70	70
Add: Movement during the year	-	-
Closing balance as at March 31	70	70
c) General reserve		
General reserve denotes the amounts transferred from retained earnings on declaration of dividends as per the requirements of erstwhile Companies Act, 1956.		
Opening balance as at April 1	114,202	114,202
Add: Movement during the year	-	-
Closing balance as at March 31	114,202	114,202
d) Equity contribution from the Holding Company		
Certain employees are directly paid by the Holding Company through stock options.		
Opening balance as at April 1	782	590
Add: Movement during the year	178	192
Closing balance as at March 31	960	782
18 Other non-current financial liabilities		
Non current financial liabilities carried at amortised cost		
Dealer deposit	2,173	2,007
Retention money	1,349	670
Total	3,522	2,677
19 Provisions		
Provision for post retirement benefit and compensated absences (Refer note 40)	11,634	10,192
Warranties (Refer note 39 (i))	8,756	9,330
Statutory matters (Refer note 39 (ii))	2,292	2,556
New Engine Performance Inspection (NEPI) (Refer note 39 (iii))	2,190	2,208
	24,872	24,286
Current provisions	15,683	17,019
Non-current provisions	9,189	7,267
Total	24,872	24,286

Notes to Standalone Financial Statements for the year ended March 31, 2020

20 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of profit and loss	
	As at March 31, 2020	As at March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2019
	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
Deferred tax assets				
Provision for employee benefits	1,921	2,350	(429)	(1,052)
Other timing differences	1,918	876	1,042	749
Total deferred tax assets	3,839	3,226	613	(303)
Deferred tax liabilities				
Depreciation	11,826	13,000	(1,174)	1,103
Other timing differences	17	102	(85)	(656)
Total deferred tax liabilities	11,843	13,102	(1,259)	447
Deferred tax (expense)/income			1,872	(750)
Net deferred tax liabilities	8,004	9,876		

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

Statement of Profit and Loss

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
Profit and loss section		
Current income tax:		
Current income tax charge	14,253	29,384
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,281)	1,394
Income tax expenses reported in the Statement of Profit and Loss	12,972	30,778
OCI section		
Tax related to items recognised in OCI during the year	(591)	(644)
Net (gain)/loss on remeasurements of defined benefit plans	(591)	(644)

Notes to Standalone Financial Statements for the year ended March 31, 2020

20 Income taxes (contd.)

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2020 and March 31, 2019		
Accounting profit before tax	75,906	103,035
At India's statutory Income tax rate	25.17%	34.94%
Tax at full rate	19,104	36,000
Adjustments:		
Research and development expenses allowance	-	(625)
Income of SEZ unit (not subject to tax)	-	(4,208)
Dividend income (not subject to tax)	(1,888)	(2,128)
Capital gains	(5)	(79)
Impact of changes in tax rates	(2,095)	-
Impact on account of transfer of assets to investment properties	(2,385)	-
Others (deductible, non-deductible items, net)	241	1,818
Total	(6,132)	(5,222)
Income tax expenses reported in the Statement of Profit and Loss for the current year	<u>12,972</u>	<u>30,778</u>
d) Deferred tax		
Reconciliation of deferred tax liabilities (net) :		
Opening balances as at April 1	9,876	2,988
Tax expense/(income) during the year recognised in Statement of Profit and Loss	(1,281)	1,394
MAT credit utilisation	-	5,494
Tax expense/(income) during the year recognised in OCI	(591)	-
Closing balance as at March 31	8,004	9,876

During the years March 31, 2020 and March 31, 2019, the Company paid dividend to its shareholders. This resulted in payment of dividend distribution tax ('DDT') to the taxation authorities. The Company believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity.

- e) The Government of India introduced Taxation Laws (Amendment) Bill, 2019 (The "Bill") and also introduced some changes in tax laws in the Finance Act 2020. Tax expenses for the year ended March 31, 2020 reflect changes made vide the Bill and the Finance Act 2020, as applicable to the Company.

Notes to Standalone Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
21 Other non-current liabilities		
Contract liabilities	106	206
Total	106	206
22 Borrowings		
Working capital loan from bank	48,536	30,916
Total	48,536	30,916
<p>The loan is unsecured and repayable within one year. Interest is payable @ 4.25%-5.50% (T-Bill/Repo/CD) adjusted by a reasonable spread p.a. The Company has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.</p> <p>The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.</p>		
23 Trade payables		
Trade payables of micro and small enterprises (Refer note 34)	1,883	2,371
Trade payables other than micro and small enterprises	32,448	45,864
Trade payables of related parties (Refer note 41)	35,311	34,276
Total	69,642	82,511
<p>Trade payables are non interest bearing and are normally settled in 30 to 90 days terms.</p> <p>For terms and conditions and transactions with related parties refer note 41.</p>		
24 Other current financial liabilities		
Unpaid dividend	1,341	1,259
Royalty (Refer note 41)	4,605	5,996
Support services payable (Refer note 41)	3,264	3,816
Retention money	2,946	2,426
Others including salaries, wages, bonus payable	4,463	2,451
Total	16,619	15,948
<p>Other current financial liabilities are non interest bearing and have an average term of 6 months.</p>		
25 Other current liabilities		
Statutory dues including tax deducted at source	2,798	3,321
Contract Liabilities	1,976	2,571
Total	4,774	5,892

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
26 Revenue from operations		
Sale of products	478,225	524,537
Sale of services	27,935	28,034
	<u>506,160</u>	<u>552,571</u>
Other operating revenue		
Scrap sales	642	737
Export incentives	4,793	6,024
Others *	4,178	6,568
	<u>9,613</u>	<u>13,329</u>
Revenue from operations	<u>515,773</u>	<u>565,900</u>
* Others primarily includes testing income, engineering income and royalty income from dealers etc.		
Disaggregated revenue information		
Set out below is the disaggregation of the Companies revenue from contracts with customers		
Location		
India	395,820	410,062
Outside India	115,160	149,814
Total revenue from contracts with customers *	<u>510,980</u>	<u>559,876</u>
Timing of revenue recognition		
Goods transferred at a point in time	478,825	525,477
Services transferred over time	32,155	34,399
Revenue from contract with customers *	<u>510,980</u>	<u>559,876</u>
Set out below is the amount of revenue recognised from		
Amounts included in contract liabilities at the beginning of the year	2,777	2,500
Performance obligations satisfied in previous years	450	387
Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price		
Revenue as per contracted price	519,959	570,593
Adjustments		
Sales return	(3,294)	(3,836)
Discounts	(3,892)	(4,776)
Liquidated damages	(775)	(1,147)
Others	(1,018)	(958)
Revenue from contract with customers *	<u>510,980</u>	<u>559,876</u>

* Excludes export incentives

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
27 Other income		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	42	51
	<u>42</u>	<u>51</u>
Dividend Income		
- On current investments designated at fair value through profit and loss	1	320
- On investments in associate and joint ventures carried at cost	7,501	5,771
	<u>7,502</u>	<u>6,091</u>
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	3,140	2,356
	<u>3,140</u>	<u>2,356</u>
Interest on term deposits and others	5,737	5,242
Rent (Refer note 3 for rent on investment properties)	13,796	11,744
Exchange gain (net)	171	1,602
Net gain on fixed assets sold or discarded	-	70
Miscellaneous income	2,766	2,121
	<u>22,470</u>	<u>20,779</u>
Total	<u>33,154</u>	<u>29,277</u>
28.1 Cost of material consumed		
Inventory at the beginning of the year	33,455	28,597
Add : Purchases	259,195	275,459
Less : Inventory at the end of the year	31,395	33,455
Cost of materials consumed	<u>261,255</u>	<u>270,601</u>

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
28.2 Changes in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 8)		
Work-in-progress	12,376	11,141
Finished goods	11,567	15,841
Traded goods	570	875
Subtotal (A)	24,513	27,857
Inventories at the beginning of the year (Refer note 8)		
Work-in-progress	11,141	9,853
Finished goods	15,841	13,075
Traded goods	875	987
Subtotal (B)	27,857	23,915
Decrease / (Increase) (B-A)	3,344	(3,942)
29 Employee benefits expense		
Salaries, wages and bonus	47,438	45,544
Contribution to provident and other funds (Refer note 40)	5,620	5,227
Staff welfare expenses	2,960	3,809
Total	56,018	54,580
30 Finance costs		
Interest on borrowings and others	1,368	1,214
Interest cost on lease liabilities (Refer note 37)	174	-
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39)	483	406
Total	2,025	1,620

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
31 Other expenses		
Commission on sales	1,732	3,018
Consumption of stores and spare parts	4,496	4,803
Warranty expenses (Refer note 39)	7,308	8,489
Consumption of tools and gauges	759	572
Repairs to buildings	2,690	2,890
Repairs to machinery	1,136	981
Other repairs	326	354
Power and fuel	2,910	2,933
Rent (Refer note 37)	12	216
Rates and taxes	1,617	1,352
Insurance	982	837
Outside processing charges	3,170	3,536
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 41 and 42)	1,723	1,616
Royalties (Refer note 41)	5,214	5,073
Support services (Refer note 41)	11,491	8,934
Computer and other services	7,024	7,433
Payment to auditors (Refer details below)	133	117
Net loss on fixed assets sold / discarded	408	-
Bad Debts		
Bad debts written off	46	448
Provision for bad and doubtful debts	1,229	239
Amount withdrawn from provisions	(46)	(448)
	<u>1,229</u>	<u>239</u>
Other expenses (net of expenses recovered) (Refer note 41)	9,982	10,171
Total	<u>64,342</u>	<u>63,564</u>
Payment to Auditors:		
Statutory audit (including limited reviews)	107	90
Other services (including tax audit)	18	18
Reimbursement of expenses	8	9
Total	<u>133</u>	<u>117</u>

Notes to Standalone Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
32 Earning per share (EPS)		
Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a) Profit for the year after taxation (₹ Lacs)	62,934	72,257
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	22.70	26.07
Face value per share (₹ 2 per share)	2	2
	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
33 Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances). For other commitments also refer Note 37	9,086	26,721
Total	9,086	26,721
34 Trade payables include:		
Total outstanding dues of micro and small enterprises	1,883	2,371
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	1,883	2,371
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	1,350	360
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	12	4
6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-
7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-

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

Notes to Standalone Financial Statements for the year ended March 31, 2020

35 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:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Company provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer. The Company determined that both the equipment and installation are capable of being distinct.

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Operating lease commitments – Company as lessor

The Company has leased out commercial properties (investment properties) on operating lease. The Company had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

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 were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Defined benefit plans:

The cost of the defined benefit gratuity plan and other post-employment medical benefits 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

Notes to Standalone Financial Statements for the year ended March 31, 2020

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.

The discount rate is the parameter most 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 tend to 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 40.

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 if available, otherwise, 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. Refer note 44 for further disclosures.

Warranty, statutory matters and New Engine Performance Inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI (refer note 39)

Leases - Estimating the incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rate (IBR). The Company uses IBR to discount lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
36 Contingent liabilities		
a. Income tax matters*	59	882
b. Central excise duty/service tax matters*	337	1,058
c. Duty drawback matters	2,604	2,604
d. Sales Tax matters*	1,875	2,145
e. Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	-	9
f. Civil liability / secondary civil liability in respect of suits filed against the Company	181	216
Total	<u>5,056</u>	<u>6,914</u>

* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appeal process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Company has implemented SC decision prospectively.

The Company has various on-going litigations by/or against the Company with respect to tax and other legal matters, other than those disclosed above. The Company believes that they have sufficient and strong arguments, accordingly no provision/disclosure in this regard has been considered in the financial statements.

Notes to Standalone Financial Statements for the year ended March 31, 2020

37 Leases

Lease commitments as a Lessee

The Company has entered into leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in periods between 36 months and 108 months, which include both renewable and non-renewable leases.

Following are the changes in the carrying value of right of use assets during the year ended March 31, 2020

Particulars	Category of ROU		Total ₹ Lacs
	Building	Land	
Balance as on April 1, 2019	1,748	1,447	3,195
Additions	352	-	352
Adjustment	-	(60)	(60)
Depreciation	(416)	(15)	(431)
Balance as on March 31, 2020	1,684	1,372	3,056

Following are the changes in carrying value of lease liabilities during the year ended March 31, 2020

Particulars	As at March 31, 2020 ₹ Lacs
Balance as on April 1, 2019	1,841
Additions	352
Interest cost accrued during the period	174
Payments	(533)
Balance as on March 31, 2020	1,834
Current portion	257
Non-current portion	1,577

The maturity analysis of lease liabilities is disclosed in note 43(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

The following are the amounts recognised in statement of profit and loss:

Particulars	As at March 31, 2020 ₹ Lacs
Depreciation expense of right-of-use assets	431
Interest expense on lease liabilities	174
Total amount recognised in statement of profit and loss	605
Decrease in rent on account of adoption of Ind AS 116, Leases	(533)
Net impact to statement of profit and loss	72

Previous year's figures not disclosed above as this is the first time adoption of Ind AS 116.

Notes to Standalone Financial Statements for the year ended March 31, 2020

Operating lease commitments as a lessor

The Company has entered into operating leases on its investment properties consisting of buildings and other related assets. These leases have term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 36 months on the basis of prevailing market conditions.

Future minimum lease rentals receivable under non cancellable operating leases are as follows:

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Within one year	4,578	3,611
After one year but not more than five years	14,782	13,133
More than five years	890	3,311
Total	20,250	20,055

The Company during the year has not entered into sub - leases.

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

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
On capital account	14,534	83
On revenue account	4,470	3,329
Total	19,004	3,412

39 Disclosure on provisions made, utilised and reversed during the year

i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Company. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	9,330	8,686
Additions	7,308	8,489
Utilisation / reversal	8,294	8,187
Unwinding of discount and changes in the discount rate	412	342
Balance as at the end of the year	8,756	9,330
Classified as non-current	3,463	2,340
Classified as current	5,293	6,990

Notes to Standalone Financial Statements for the year ended March 31, 2020

ii) Provision for statutory matters

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

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	2,556	1,821
Additions	441	735
Utilisation / reversal	705	-
Balance as at the end of the year	<u>2,292</u>	<u>2,556</u>
Classified as non-current	-	-
Classified as current	<u>2,292</u>	<u>2,556</u>

iii) Provision for New Engine Performance Inspection (NEPI)

Provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Company at specified intervals. The amount of provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	2,208	1,846
Additions	1,051	1,136
Utilisation	1,140	838
Unwinding of discount and changes in the discount rate	71	64
Balance as at the end of the year	<u>2,190</u>	<u>2,208</u>
Classified as non-current	<u>1,639</u>	1,575
Classified as current	<u>551</u>	<u>633</u>

Notes to Standalone Financial Statements for the year ended March 31, 2020

40 Employee benefit plans

1. Defined contribution plans - The Company has recognised the following amounts in statement of profit and loss for the year:

	₹ Lacs
	Total
Contribution to employees provident fund	1,001
	1,115
Contribution to management superannuation fund	1,964
	1,704

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

a. Net Balance Sheet position

		₹ Lacs					
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	March 31, 2020	16,381	2,653	71	57	25,270
		March 31, 2019	15,081	2,039	56	48	21,964
ii)	Fair value of Plan assets	March 31, 2020	13,498	2,062	-	-	25,270
		March 31, 2019	12,267	1,739	-	-	21,964
iii)	Funded status surplus/ -deficit	March 31, 2020	(2,883)	(591)	(71)	(57)	-
		March 31, 2019	(2,814)	(300)	(56)	(48)	-
iv)	Effect of asset ceiling	March 31, 2020	-	0	-	-	-
		March 31, 2019	-	0	-	-	-
Net defined benefit asset /-liability		March 31, 2020	(2,883)	(591)	(71)	(57)	-
		March 31, 2019	(2,814)	(300)	(56)	(48)	-

- b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

		₹ Lacs					
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening defined benefit obligation	March 31, 2020	15,081	2,039	56	48	21,964
		March 31, 2019	12,138	1,775	51	47	19,674
i)	Current service cost	March 31, 2020	1,175	82	2	2	1,059
		March 31, 2019	975	73	2	2	1,054
ii)	Interest cost	March 31, 2020	1,020	146	4	3	1,974
		March 31, 2019	894	129	4	3	1,706
iii)	Curtailment (credit)/ cost	March 31, 2020	(231)	-	-	-	-
		March 31, 2019	-	-	-	-	-
iv)	Actuarial -gains / losses - experience	March 31, 2020	231	(47)	3	(4)	-
		March 31, 2019	1,566	59	2	(2)	-
v)	Actuarial -gains / losses - demographic changes	March 31, 2020	486	13	10	8	-
		March 31, 2019	-	-	-	-	-
vi)	Actuarial -gains / losses - financial assumptions	March 31, 2020	1,184	543	3	3	-
		March 31, 2019	246	27	1	1	-
vii)	Benefits paid	March 31, 2020	(2,552)	(123)	(7)	(3)	(1,950)
		March 31, 2019	(635)	(162)	(4)	(3)	(2,621)
viii)	Past service cost	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	138	-	-	-
ix)	Acquisitions (credit)/cost	March 31, 2020	(13)	-	-	-	475
		March 31, 2019	(103)	-	-	-	464
x)	Contributions by employees	March 31, 2020	-	-	-	-	1,748
		March 31, 2019	-	-	-	-	1,687
Closing defined benefit obligation		March 31, 2020	16,381	2,653	71	57	25,270
		March 31, 2019	15,081	2,039	56	48	21,964

Notes to Standalone Financial Statements for the year ended March 31, 2020

c. Reconciliation of opening and closing balances of the fair value of plan assets

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
	Opening fair value of plan assets	March 31, 2020	12,267	1,739	-	-	21,964
		March 31, 2019	11,236	1,474	-	-	19,674
i)	Interest income on plan assets	March 31, 2020	917	135	-	-	1,974
		March 31, 2019	859	117	-	-	1,730
ii)	Return on plan asset greater /-lesser than discount rate	March 31, 2020	74	11	-	-	-
		March 31, 2019	45	9	-	-	-
iii)	Actuarial gains / -losses	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	-	-	-	-
iv)	Contribution by the employer	March 31, 2020	2,824	300	-	-	1,059
		March 31, 2019	902	301	-	-	1,054
v)	Benefits paid	March 31, 2020	(2,552)	(123)	-	-	(1,950)
		March 31, 2019	(635)	(162)	-	-	(2,621)
vi)	Acquisition adjustment	March 31, 2020	(32)	-	-	-	475
		March 31, 2019	(140)	-	-	-	469
vii)	Contribution by employee	March 31, 2020	-	-	-	-	1,748
		March 31, 2019	-	-	-	-	1,687
viii)	Other adjustments	March 31, 2020	-	-	-	-	(0)
		March 31, 2019	-	-	-	-	(29)
	Closing fair value of plan assets	March 31, 2020	13,498	2,062	-	-	25,270
		March 31, 2019	12,267	1,739	-	-	21,964

d. Total defined benefit cost

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31, 2020	944	82	2	2	1,059
		March 31, 2019	975	212	2	2	1,054
ii)	Net interest cost	March 31, 2020	103	11	4	3	-
		March 31, 2019	35	12	4	3	(24)
iii)	Actuarial -gains / losses recognised in OCI	March 31, 2020	1,827	498	16	7	-
		March 31, 2019	1,767	77	2	(1)	-
	Total defined benefit cost	March 31, 2020	2,874	591	22	12	1,059
		March 31, 2019	2,777	301	8	4	1,030

e. Statement of profit and loss

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	March 31, 2020	1,175	82	2	2	1,059
		March 31, 2019	975	212	2	2	1,054
ii)	Curtailement cost / (credit)	March 31, 2020	(231)	-	-	-	-
		March 31, 2019	-	-	-	-	-
iii)	Net interest cost	March 31, 2020	103	11	4	3	0
		March 31, 2019	35	12	4	3	(24)
	Cost recognised in profit and loss	March 31, 2020	1,047	93	6	5	1,059
		March 31, 2019	1,010	224	6	5	1,030

All of the above have been included in the line 'Company's contribution to provident and other funds', in note 30 of the statement of profit and loss.

Notes to Standalone Financial Statements for the year ended March 31, 2020

f. Other comprehensive income

₹ Lacs

Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	March 31, 2020	231	(47)	3	(4)	-
		March 31, 2019	1,566	59	2	(2)	-
ii)	Actuarial -gain / loss due to assumption change	March 31, 2020	1,670	556	13	11	-
		March 31, 2019	246	27	1	1	-
iii)	Return on plan assets -greater / less than discount rate	March 31, 2020	(74)	(11)	-	-	-
		March 31, 2019	(45)	(9)	-	-	-
	Actuarial -gain/ loss recognised in OCI	March 31, 2020	1,827	498	16	7	-
		March 31, 2019	1,767	77	2	(1)	-
	Adjustment for limit of net asset	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	-	-	-	-

g. For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets

Sr. No.	Particulars	Gratuity		Pension		PF	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
i)	Government of India securities	0.00%	0.00%	0.00%	0.00%	50.22%	48.92%
ii)	Corporate bonds	0.00%	0.00%	0.00%	0.00%	38.93%	39.54%
iii)	Special deposit scheme	0.00%	0.00%	0.00%	0.00%	6.81%	7.63%
iv)	Insurer managed funds	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%
v)	Cash and others	0.00%	0.00%	0.00%	0.00%	4.04%	3.91%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

h. Supplementary information as per Ind AS 19

Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB
i)	Expected employer contribution for next year	March 31, 2020	2,914	591	NA	NA
		March 31, 2019	2,824	300	NA	NA

Notes to Standalone Financial Statements for the year ended March 31, 2020

i. Following are the principal actuarial assumption used as at the balance sheet date

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2020	6.70%	6.70%	6.70%	6.70%	6.70%
Discount rate - March 31, 2019	7.40%	7.40%	7.40%	7.40%	7.40%
Expected rate of return on plan assets	7.25%	7.25%	NA	NA	NA
	8.00%	8.00%	NA	NA	NA
Expected return on assets for exempt PF fund					
2020-21	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.65%
2021-22	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%
2022 and thereafter	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%
Salary escalation rate - management staff	10%	NA	NA	NA	NA
	10%	NA	NA	NA	NA
Salary escalation rate - non-management staff	7%	NA	NA	NA	NA
	7%	NA	NA	NA	NA
Annual increase in healthcare costs - upto year 2021	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2022- 2026	NA	NA	NA	8%	NA
	NA	NA	NA	8%	NA
Annual increase in healthcare costs - 2027 and thereafter	NA	NA	NA	6%	NA
	NA	NA	NA	6%	NA
Long term EPFO rate 2019-20	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.65%
2020 and thereafter	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%

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

j. Expected benefit payment for the next years

Particulars	As at	₹ Lacs						
		March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	2026-2030	
		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	2026-2029
Gratuity	March 31, 2020	638	982	714	1,207	1,324	8,336	
	March 31, 2019	1,094	1,246	1,521	1,263	1,764	9,744	
Pension	March 31, 2020	153	247	144	235	315	2,010	
	March 31, 2019	158	132	201	116	196	1,607	
Ex gratia	March 31, 2020	4	7	4	7	9	55	
	March 31, 2019	4	5	7	4	6	46	
PRMB	March 31, 2020	3	3	3	4	5	40	
	March 31, 2019	3	3	3	3	4	34	
PF	March 31, 2020	110	112	110	108	108	106	
	March 31, 2019	110	112	110	108	108	516	

Notes to Standalone Financial Statements for the year ended March 31, 2020

k. A quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs

Assumptions Sensitivity level	Discount Rate		Future salary increase		Withdrawal Rate	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2020	(859)	934	926	(862)	(1,333)	1,063
March 31, 2019	(602)	646	651	(597)	(640)	1,046
Pension						
March 31, 2020	(85)	89	NA	NA	(33)	15
March 31, 2019	(67)	70	NA	NA	(23)	25
Ex Gratia						
March 31, 2020	(2)	2	NA	NA	(20)	9
March 31, 2019	(2)	2	NA	NA	(15)	18
PF						
March 31, 2020	(21)	23	-	-	-	-
March 31, 2019	(19)	20	-	-	-	-
Assumptions Sensitivity level	Discount Rate		Medical Inflation		Withdrawal Rate	
	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2020	(2)	2	5	(4)	(15)	7
March 31, 2019	(2)	2	4	(4)	(13)	16

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.

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures

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

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2020

			₹ Lacs
Transaction	Name of the party		Total
Purchase of goods	Cummins Inc.	March 31, 2020	17,361
		March 31, 2019	25,219
	Tata Cummins Private Limited	March 31, 2020	90,775
		March 31, 2019	105,458
	Cummins Technologies India Private Limited	March 31, 2020	26,714
		March 31, 2019	24,859
	Others	March 31, 2020	38,616
		March 31, 2019	29,573
Sale of goods	Cummins Limited	March 31, 2020	44,751
		March 31, 2019	50,757
	Cummins Technologies India Private Limited	March 31, 2020	18,140
		March 31, 2019	21,383
	Others	March 31, 2020	50,230
		March 31, 2019	70,087
Purchase of assets	Cummins Inc.	March 31, 2020	2
		March 31, 2019	45
	Cummins Technologies India Private Limited	March 31, 2020	27
		March 31, 2019	5
	Others	March 31, 2020	-
		March 31, 2019	4
Sale of assets	Cummins Technologies India Private Limited	March 31, 2020	2,442
		March 31, 2019	74
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2020	1,857
		March 31, 2019	3,587
	Valvoline Cummins Private Limited	March 31, 2020	3,753
		March 31, 2019	3,783
	Cummins Technologies India Private Limited	March 31, 2020	11,388
		March 31, 2019	10,233
	Tata Cummins Private Limited	March 31, 2020	2,256
		March 31, 2019	2,600
	Others	March 31, 2020	2,193
		March 31, 2019	369

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Services received (Refer note vii)	Cummins Sales & Service Private Limited	March 31, 2020	1,204
		March 31, 2019	896
	Cummins Inc.	March 31, 2020	804
		March 31, 2019	923
	Cummins Technologies India Private Limited	March 31, 2020	2,599
		March 31, 2019	1,436
	Cummins Africa Middle East (Pty) Ltd.	March 31, 2020	1,817
		March 31, 2019	-
	Others	March 31, 2020	140
		March 31, 2019	57
Royalty	Cummins Inc.	March 31, 2020	5,214
		March 31, 2019	5,073
Support services	Cummins Inc.	March 31, 2020	9,674
		March 31, 2019	8,934
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2020	11,123
		March 31, 2019	9,923
	Cummins Inc.	March 31, 2020	1,641
		March 31, 2019	1,895
	Cummins Power Generation Limited	March 31, 2020	-
		March 31, 2019	508
	Others	March 31, 2020	1,675
		March 31, 2019	1,776
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2020	8,166
		March 31, 2019	8,080
	Cummins Generator Technologies India Private Limited	March 31, 2020	1,031
		March 31, 2019	1,023
	Tata Cummins Private Limited	March 31, 2020	1,298
		March 31, 2019	1,275
	Others	March 31, 2020	539
		March 31, 2019	1,050
Remuneration paid (Refer note iii)	Sandeep Sinha (Upto August 16, 2019)	March 31, 2020	75
		March 31, 2019	307
	Ashwath Ram (w.e.f August 17, 2019)	March 31, 2020	184
		March 31, 2019	-
	Rajiv Batra	March 31, 2020	428
		March 31, 2019	299
	K.Venkata Ramana (upto December 31, 2018)	March 31, 2020	-
		March 31, 2019	196
Hemiksha Bhojwani	March 31, 2020	50	
	March 31, 2019	-	

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Interest on loan given	Cummins Technologies India Private Limited	March 31, 2020	-
		March 31, 2019	435
Dividend received	Cummins Generator Technologies India Private Limited	March 31, 2020	1,326
		March 31, 2019	546
	Valvoline Cummins Private Limited	March 31, 2020	6,175
		March 31, 2019	5,225
Dividend paid	Cummins Inc.	March 31, 2020	24,033
		March 31, 2019	24,033
Donations paid	Cummins India Foundation	March 31, 2020	1,723
		March 31, 2019	1,616
Contributions paid	Cummins India Limited Officers Provident Fund	March 31, 2020	1,059
		March 31, 2019	1,054
	Cummins Group Employees Superannuation Scheme	March 31, 2020	1,964
		March 31, 2019	1,704
	Cummins Group Officers Gratuity Scheme	March 31, 2020	2,824
		March 31, 2019	902
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2020	20
		March 31, 2019	20
	Prakash Telang	March 31, 2020	19
		March 31, 2019	21
	Priya Dasgupta	March 31, 2020	18
		March 31, 2019	21
	Rajeev Bakshi	March 31, 2020	20
		March 31, 2019	21
	Venu Srinivasan	March 31, 2020	19
		March 31, 2019	20
	Anjuly Chib Duggal	March 31, 2020	20
		March 31, 2019	6
Equity contribution - share based payments	Cummins Inc.	March 31, 2020	178
		March 31, 2019	192

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

c) Amounts outstanding as at March 31, 2020

			₹ Lacs
Particulars	Name of the party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2020	3,766
		March 31, 2019	2,774
	Cummins Inc.	March 31, 2020	10,536
		March 31, 2019	8,422
	Cummins Limited	March 31, 2020	3,874
		March 31, 2019	4,227
	Cummins Technologies India Private Limited	March 31, 2020	8,812
		March 31, 2019	10,179
	Tata Cummins Private Limited	March 31, 2020	143
		March 31, 2019	3,425
	Others	March 31, 2020	8,180
		March 31, 2019	5,386
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2020	7,869
		March 31, 2019	9,812
	Others	March 31, 2020	-
		March 31, 2019	118
Trade receivables	Cummins Angola Limited	March 31, 2020	1,237
		March 31, 2019	1,569
	Cummins Limited	March 31, 2020	5,004
		March 31, 2019	5,953
	Cummins Technologies India Private Limited	March 31, 2020	7,532
		March 31, 2019	11,669
	Cummins West Africa Limited	March 31, 2020	964
		March 31, 2019	1,033
	Cummins Inc.	March 31, 2020	996
		March 31, 2019	3,115
	Others	March 31, 2020	12,356
		March 31, 2019	13,277
Other current financial assets	Cummins Technologies India Private Limited	March 31, 2020	202
		March 31, 2019	557
	Valvoline Cummins Private Limited	March 31, 2020	823
		March 31, 2019	1,002
	Tata Cummins Private Limited	March 31, 2020	647
		March 31, 2019	921
	Cummins Inc.	March 31, 2020	14
		March 31, 2019	569
	Others	March 31, 2020	187
		March 31, 2019	106

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 41(b) and (c) above are as follows:

Nature of relationship	Name of the party
Fellow subsidiaries (with which there are transactions)	Chongqing Cummins Engine Co. Limited CMI TR Mtr Guc Sistemleri Satis Servis Ltd Sirketi Consolidated Diesel Company Cummins (China) Investment Co. Limited Cummins Africa Middle East (Pty) Ltd. Cummins Afrique De L Ouest Cummins Angola Limited Cummins Arabia FZCO Cummins Asia Pacific Pte Limited Cummins Belgium NV Cummins Brasil Ltda Cummins Bridgeway LLC Cummins C&G Holding Limited Cummins Caribbean LLC Cummins Comercializadora S.De R.L Cummins Deutschland GmbH Cummins Diesel International Ltd. Cummins DKSH (Singapore) Pte Limited Cummins DKSH (Thailand) Limited CUMMINS DKSH (Vietnam) LLC Cummins East Asia Research & Development Co. Limited Cummins Engine (Shanghai) Trading & Services Co. Limited Cummins Filtration Inc. Cummins France SA Cummins Fuel Systems Wuhan Co. Limited Cummins Generator Technologies Australia Pty Limited Cummins Generator Technologies Limited Cummins Ghana Limited Cummins Holland B.V. Cummins Hong Kong Limited Cummins Italia SPA Cummins Japan Limited Cummins Korea Co Ltd Cummins Limited Cummins Makina Sanayi Ve Ticaret Limited Cummins Middle East FZE Cummins Mid-South LLC Cummins Natural Gas Engines Inc. Cummins Norte de Colombia S.A.S. Cummins Npower LLC Cummins NV

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

Nature of relationship	Name of the party
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Limited
	Cummins Power Generation (S) Pte. Limited
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Rocky Mountain LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Limited
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Sdn. Bhd.
	Cummins Sales and Service Singapore Pte Limited
	Cummins Saudi Arabia L.L.C
	Cummins South Africa (Pty.) Limited
	Cummins South Pacific Pty Limited
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Sweden AB
	Cummins Technologies India Private Limited
	Cummins Vendas E Serv Motores Geradores Limited
	Cummins West Africa Limited
	Distribuidora Cummins Centroamerica Costa Rica, S.de R.L.
	Distribuidora Cummins Centroamerica El Salvador, S.de R.L.
	Distribuidora Cummins Centroamerica Guatemala, Ltda.
	Distribuidora Cummins Centroamerica Honduras, S.de R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins SA
	Distribuidora Cummins Sucursal Paraguay SRL
	OOO Cummins
	Shanghai Cummins Trade Co. Limited
	Taiwan Cummins Sales & Services Co. Limited
Key management personnel	Sandeep Sinha - Managing Director (upto August 16, 2019)
	Ashwath Ram - Managing Director (w.e.f August 17, 2019)
	Rajiv Batra -Chief Financial Officer- (Upto March 31, 2020)
	K.Venkata Ramana-Group Vice President - Legal & Company Secretary (Upto December 31, 2018)
	Hemiksha Bhojwani - Company Secretary- (Upto May 11, 2020)
	Mark Levett (Chairman of the Board)
	Antonio Leitao
	Norbert Nusterer
	Suzanne Wells (Upto September 30, 2019)
	Donald Jackson
	Lorraine Meyer (w.e.f. October 01 , 2019)

Notes to Standalone Financial Statements for the year ended March 31, 2020

41 Related party disclosures (Contd.)

Nature of relationship	Name of the party
	JM Barrowman – Alternate Director to Mr. Norbert Nusterer (Last Cessation on January 27, 2020) Ajay Patil -Chief Financial Officer (w.e.f April 1, 2020) Vinaya Joshi (Company Secretary) (w.e.f June 17, 2020)
	Independent Directors
	- Nasser Munjee - Prakash Telang - Priya Dasgupta - Rajeev Bakshi - Venu Srinivasan - Anjuly Chib Duggal (Upto April 6, 2020)
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited Cummins Research and Technology India Private Limited
Enterprise with common key management personnel	Tata Cummins Private Limited Cummins India Foundation New Delhi Law Offices Private Limited Valvoline Cummins Private Limited Fleetgaurd Filters Private Limited Caltherm Thermostats Private Limited
Employees benefit plans where there is significant influence	Cummins India Limited Officers Provident Fund Cummins Group Employees Superannuation Scheme Cummins Group Officers Gratuity Scheme

Terms and conditions of transactions with related parties:

- ii) The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Company as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

Notes to Standalone Financial Statements for the year ended March 31, 2020

42 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute ₹ 1,723 Lacs (March 31, 2019: ₹ 1,616 Lacs) towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Company has contributed ₹ 1,723 Lacs (March 31, 2019: ₹ 1,616 Lacs) to Cummins India Foundation towards eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

43 Financial risk management objectives and policies

Financial risk factors:

The Company has well written policies covering specific areas, such as foreign exchange risk and investments which seek to minimise potential adverse effects on the Company's financial performance due to external factors. The Company uses derivatives to hedge foreign exchange risk exposures. The Company's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that has appropriate skills, experience and supervision. As per the Company's policy no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Company's activities are exposed to 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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the entity's functional currency.

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Company uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	51	108
Euro	1%	18	17
Others	1%	4	3
Total		73	128

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and financial assets and liabilities denominated in various currencies. Although the derivatives have not been designated in a hedge relationship, they act as economic hedge and offset the underlying transactions when they occur.

Notes to Standalone Financial Statements for the year ended March 31, 2020

ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Company's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

The Company has a borrowing of ₹ 47,500 Lacs outstanding as at March 31, 2020. The interest is payable at a rate of T-bill / Repo / CD + Spread. While the interest provision as at March end is fixed, the interest for the remainder tenure of the loans is subject to fluctuate basis the movement in T-bill/Repo/CD rate.

The following table demonstrates the sensitivity of interest payable:

		₹ Lacs	
	% change	March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Working Capital Loan	0.5%	80	37

iii) Price risk

The Company invests its surplus funds in mutual funds which are linked to debt markets. The Company is exposed to price risk for investments in mutual funds that are classified as fair value through profit or loss. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio. Diversification and investment in the portfolio is done in accordance with the limits approved by the Board of Directors.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

		₹ Lacs	
	% change	March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.5%	391	121

Profit after tax for the year would increase / decrease as a result of gains / losses on mutual funds classified as at fair value through profit or loss.

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, contract assets, other receivables, deposits with banks and loans given.

Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10.

Notes to Standalone Financial Statements for the year ended March 31, 2020

Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Company's treasury department in accordance with Company's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5, 9, 12 and 13.

c) Liquidity risk

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

As per the Company's policy, treasury team invests surplus cash in marketable securities and time deposits with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Company held mutual funds of ₹ 78,146 Lacs (March 31, 2019: ₹ 24,248 Lacs) and other liquid assets of ₹ 18,142 Lacs (March 31, 2019: ₹ 19,534 Lacs) that are expected to readily generate cash inflows for managing liquidity risk.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	₹ Lacs			
As at March 31, 2020	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	-	48,536	-	-
Lease Liabilities	-	457	1,315	729
Trade payables	-	69,642	-	-
Royalty and support services	-	7,869	-	-
Unpaid dividend	1,341	-	-	-
Retention money	-	2,946	1,349	-
Dealer deposits	-	-	2,173	-
Others	-	4,463	-	-
As at March 31, 2019	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	-	30,916	-	-
Trade payables	-	82,511	-	-
Royalty and support services	-	9,812	-	-
Unpaid dividend	1,259	-	-	-
Retention money	-	2,426	670	-
Dealer deposits	-	-	2,007	-
Others	-	2,451	-	-

Notes to Standalone Financial Statements for the year ended March 31, 2020

d) Capital management

The Company's objectives when managing capital is 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 reserves attributable to equity shareholders of the Company.

	₹ Lacs	
	March 31, 2020	March 31, 2019
Borrowings	48,536	30,916
Less: Cash and cash equivalents	18,142	19,534
Net debt	30,394	11,382
Equity	417,496	413,045
Gearing Ratio (times)	0.07	0.03

44 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Company's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value		Fair value	
	March 31, 2020 ₹ Lacs	March 31, 2019 ₹ Lacs	March 31, 2020 ₹ Lacs	March 31, 2019 ₹ Lacs
Financial assets				
FVTPL of investments in mutual funds	78,146	24,248	78,146	24,248
FVTPL of investments in equity	-	24	-	24
FVTPL of Foreign exchange forward contracts	-	419	-	419
Financial liabilities				
FVTPL of Foreign exchange forward contracts	672	-	672	-
Non-current assets				
Investment properties	103,664	72,802	121,584	78,048

The Management assessed that cash and cash equivalents, other bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds are based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity is based on the price quotation at the reporting date derived from quoted market prices in active market. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

Notes to Standalone Financial Statements for the year ended March 31, 2020

44 Fair values (Contd.)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1c.

	₹ Lacs			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets at FVTPL				
Investments in mutual funds				
March 31, 2020	-	78,146	-	78,146
March 31, 2019	-	24,248	-	24,248
Investments in equity				
March 31, 2020	-	-	-	-
March 31, 2019	24	-	-	24
Forward contracts assets				
March 31, 2020	-	-	-	-
March 31, 2019	-	419	-	419
Financial liabilities at FVTPL				
Forward contracts liability				
March 31, 2020	-	672	-	672
March 31, 2019	-	-	-	-
Non-current assets				
Investment properties				
March 31, 2020	-	-	121,584	121,584
March 31, 2019	-	-	78,048	78,048

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment properties, refer note 3.

Notes to Standalone Financial Statements for the year ended March 31, 2020

45 Exceptional Items comprise one time expense on account of Voluntary Retirement Program (VRP) and Reduction In Force (RIF) aggregating to ₹ 1,605 Lacs and ₹ 380 Lacs respectively.

46 Segment Information

In accordance with paragraph 4 of notified Ind AS 108 “Operating segments”, the Company has disclosed segment information only on the basis of the consolidated financial statements.

47 COVID 19

During the quarter ended March 31, 2020, the outbreak of the coronavirus disease of 2019 (‘COVID-19’) spread throughout the world and became a global pandemic. The pandemic triggered a significant downturn globally, including in India, and the challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of employees and stakeholders, match the reduced demand from our customers and in accordance with the governmental requirements, offices and manufacturing facilities were shut down. These closures expanded and continued into April/May 2020. While the downturn, closures and limitations on movement are expected to be temporary, and though the lockdown restrictions have now been relaxed partially, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time.

The Company has assessed the impact of COVID 19 on its assets, including property, plant and equipments, receivables, inventories etc. and it was concluded that the impact is not significant. However, the estimate of the impact of COVID 19 may differ from the same ascertained up to the date of approval of these financial results by the Board of Directors, based on how the COVID 19 situation evolves over a period of time.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Cummins India Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), its associate and joint ventures comprising of the consolidated Balance sheet as at March 31 2020, the consolidated Statement of Profit and Loss, including Other Comprehensive Income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary, associate and joint ventures, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associate and joint ventures as at March 31, 2020, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Consolidated Ind AS Financial Statements' section of our Report. We are independent of the Group, associate, joint ventures in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India 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 audit opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

We draw attention to note 50 of the consolidated Ind AS financial statements which describes the management's evaluation of impact of uncertainties related to COVID-19 and its consequential effects on the carrying value of its assets as at March 31, 2020 and the operations of the Group.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our Report. We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the consolidated Ind AS financial statements' section of our Report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p>Revenue recognition and recoverability of certain trade receivables (refer note 1(j) (accounting policy), note 10 and note 26 (financial disclosures), note 35 (significant judgements and estimates) and note 46(b) (credit risk) to the consolidated Ind AS financial statements)</p>	
<p>Revenue of the Holding Company for the year ended March 31, 2020 amounted to ₹ 515,773 lakhs. Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Holding Company expects to be entitled in exchange for those goods or services. The Holding Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition. Given the nature of industry in which the Holding Company operates and the variety of shipment terms with customers, along with local and global lockdowns on account of the COVID-19 pandemic at the year end, ascertainment of timing of revenue recognition is a key audit consideration for sales transactions occurring near to the year end.</p> <p>Further, sales to certain customers may lead to recoverability issues due to unforeseen circumstances, including the COVID-19 pandemic.</p> <p>The Holding Company uses a provision matrix based on its historically observed default rates over the expected life of the trade receivables, adjusted for forward looking estimates to determine impairment loss allowance on its portfolio of trade receivables. The adequacy of the loss allowance is subjective due to the high degree of judgement applied by management. Further, due to currency restrictions currently in certain geographies, where the Central Bank has restricted remittances of USD to other countries, there is a pressure on the ability of the Holding Company's customers in such geographies to repay their outstanding account balances.</p> <p>As at the March 31, 2020, the outstanding balances from customers in such geographies amounted to ₹ 4,607 lakhs, out of the total Holding Company's trade receivable balance of ₹ 113,159 lakhs.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, and the related estimation uncertainty in collectability due to currency restrictions in certain geographies, this is considered as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained and read a sample of customer contracts and confirmed our understanding of the Holding Company's sales process from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls. ● We read and understood the Holding Company's accounting policy for recognition of revenue and impairment of receivables. ● We performed transaction testing based on a representative sampling of the sales orders to assess revenue recognition and recognition of trade receivables including transactions occurring at and around the year end. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. We also considered the impact of local and global lockdowns on account of the COVID-19 pandemic on sales cut off procedures. ● We tested the ageing of trade receivables including receivables from certain customers located in geographies where currency restrictions continued to exist as at year end. ● We requested for and obtained independent balance confirmations from the Holding Company's customers by using statistical tools and using representative samples. ● For amounts receivable from customers located in certain geographies where currency restrictions exist, we read the financial support letter obtained by the Holding Company during the year, obtained details of collection post year end and agreement with Group companies for such receivables. For such receivables, we also evaluated compliance with FEMA regulations relating to realization and repatriation of foreign currency proceeds. ● We assessed the trade receivables impairment methodology applied in the current year and compared the Holding Company's provisioning rates against historical collection data. We assessed whether the time value of money was considered in the expected credit loss impairment model and tested the mathematical accuracy of the calculations. ● We performed various analytical procedures to identify any unusual sales trends for further testing. ● We assessed the disclosures made with respect to revenue and trade receivables in the consolidated Ind AS financial statements.
<p>Significant judgements and estimates - warranty provision and classification of tangible assets as investment property (refer note 1(o) and note 1(e) (accounting policy), note 3, note 19 and note 39(i) (financial disclosures) and note 35 (significant judgements and estimates) to the consolidated Ind AS financial statements)</p>	
<p>The Holding Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The reserve for product warranties includes the</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained understanding of the warranty process, and the assumptions used by the management in the process of

Key audit matters	How our audit addressed the key audit matter
<p>expected costs of warranty obligations imposed by the contract, as well as the expected costs for additional policy coverage. In addition, the Holding Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical claim experience for the Holding Company's engines along with the Holding Company's assessment of any impact of the COVID-19 pandemic. We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the financial statements.</p> <p>The Holding Company also owns various immovable properties that have been let out to Group Companies/ third parties for varied lease periods. Ind AS 40 'Investment Property' requires assets to be classified as investment property in case certain conditions are met. This involves significant judgement and estimation with respect to the lease term, management intention etc., basis which the assets are classified either as property, plant and equipment or investment property in the Balance sheet.</p> <p>Also, Ind AS 40 'Investment Property' requires disclosure of fair value of investment property in the financial statements. The Holding Company involves an external expert for this fair valuation.</p> <p>We have considered this as a key audit matter on account of the significant judgement involved in classification of properties, the assumptions used for the purpose of calculation of fair value and the related disclosure requirements.</p>	<p>calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls.</p> <ul style="list-style-type: none"> ● We evaluated management's methodology and assumptions used in the warranty provision calculations and assessed the impact of any changes to the terms of warranty, if any, on account of the COVID-19 pandemic. ● We tested completeness, arithmetical accuracy and validity of the data used in the warranty calculations. ● We assessed the disclosure of warranty provision made in the consolidated Ind AS financial statements. ● With respect to investment properties, we obtained an understanding of financial statement closure process, including the process of assessment and classification of immovable properties and preparation of relevant disclosures. We also understood design and implementation of controls, tested the operating effectiveness of these controls, including validation of management review controls ● We assessed various lease agreements entered into by the Holding Company with Group Companies / third parties and evaluated terms of agreements, along with requirements of Ind AS. ● We read the judgements and assumptions made by the management with respect to classification of investment properties. ● We assessed the fair valuation of the investment properties conducted by the management's expert by involving our internal valuation experts. ● We assessed the disclosure of investment property made in the consolidated Ind AS financial statements.
<p>Transactions with related parties (refer note 43(financial disclosures) to the consolidated Ind AS financial statements)</p>	
<p>The Holding Company has various related party transactions which include, amongst others, sale and purchase of goods/services, and services rendered to and received from its subsidiary, associate, joint ventures and other related parties. In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of Companies Act, 2013 and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ● We obtained an understanding of the Holding Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls. ● Obtained a list of related parties from the management and traced the related parties to declarations given by directors, where applicable, and to note 43 of the consolidated Ind AS financial statements ● Read minutes of the meetings of the Board of Directors and Audit Committee and assessed whether approvals have been obtained by the management, as required by Companies Act, 2013 and LODR. ● On a sample basis, we tested whether transactions with related parties are at arm's length basis.

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ● We read the status of tax assessments and litigation with respect to related party transactions. ● We evaluated the disclosures in the consolidated Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's statement, Managing Director's statement, Director's Report including Annexures to the Director's Report and the Business Responsibility Report of the Annual Report of the Holding Company, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS 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 consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associate and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associate and joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for assessing the ability of the Group and of its associate and joint ventures 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in the Group and of its associate and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its associate and joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 SAs 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 consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS 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.
- 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 Holding 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 ability of the Group and its associate and joint ventures 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 consolidated Ind AS 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 Group and its associate and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate and joint ventures of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements and other financial information, in respect of one subsidiary, whose Ind AS financial statements include total assets of ₹ 3,659 lakhs as at March 31, 2020, total revenues of ₹ 10,549 lakhs and net cash outflows of ₹ 7 lakhs for the year ended on that date. These Ind AS financial statements and other financial information have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 4,227 lakhs for the year ended March 31, 2020, as considered in the consolidated Ind AS financial statements, in respect of one associate and one joint venture, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, joint venture and associate, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, joint venture and associate, is based solely on the reports of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements and the other financial information of the subsidiary, associate and joint venture, as noted in the 'Other matter' paragraph, we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) The matter described in Emphasis of Matter paragraph above, in our opinion, may not have an adverse effect on the functioning of the Group;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, associate company and joint ventures, none of the directors of the Group's companies, its associate and joint ventures, incorporated in India, is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary company, associate company and joint ventures, incorporated in India, refer to our separate report in "Annexure 1" to this Report;
- (h) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiary, associate and joint ventures incorporated in India, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Holding Company, its subsidiary, associate and joint ventures incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

- (i) 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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary, associate and joint venture, as noted in the 'Other matter' paragraph:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associate and joint ventures in its consolidated Ind AS financial statements – Refer note 36 to the consolidated Ind AS financial statements;
 - ii. The Group, its associate and joint ventures did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2020;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary and joint ventures incorporated in India, during the year ended March 31, 2020. For delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the associate company incorporated in India, Cummins Generator Technologies India Private Limited, during the year ended March 31, 2020, refer note 41(c) to the consolidated Ind AS financial statements.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABK9310

Place : Pune

Date: June 17, 2020

Annexure 1 referred to in paragraph (g) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the Consolidated Ind AS financial statements

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

In conjunction with our audit of the consolidated Ind AS financial statements of Cummins India Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Cummins India Limited (hereinafter referred to as the “Holding Company”) and its subsidiary company, its associate company and joint ventures, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the company’s internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both, issued by the ICAI, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Consolidated Ind AS Financial Statements

A company’s internal financial control over financial reporting with reference to these consolidated Ind AS 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 control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS 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 over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary company, its associate company and joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matter

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, insofar as it relates to one subsidiary company, one associate company and one joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, associate and joint venture incorporated in India.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABK9310

Place : Pune

Date: June 17, 2020

Consolidated Financial Statements 2019-20

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

₹ Lacs

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	119,655	128,396
Capital work-in-progress (including investment property in progress)		8,003	15,853
Right-of-use asset	37	3,441	-
Investment properties	3	103,664	72,802
Intangible assets	2.2	240	314
Investments in joint ventures and an associate	4	25,071	22,026
Financial assets			
Investments	4	517	522
Other financial assets	5	2,927	1,919
Income tax assets (net)	6	11,227	9,341
Other non-current assets	7	6,615	11,997
		281,360	263,170
Current assets			
Inventories	8	57,723	63,285
Financial assets			
Investments	9	78,146	24,272
Trade receivables	10	114,577	128,359
Cash and cash equivalents	11	18,147	19,546
Other bank balances	12	27,241	54,259
Other current financial assets	13	21,728	36,052
Other current assets	14	19,241	16,698
Assets classified as held for sale	15	1,444	386
		338,247	342,857
	TOTAL	619,607	606,027
EQUITY AND LIABILITIES			
Equity			
Equity share capital	16	5,544	5,544
Other equity			
Retained earnings	17	319,428	307,700
Other reserves	17	115,232	115,054
		440,204	428,298
Non-current liabilities			
Financial liabilities			
Lease liabilities	37	1,883	-
Other financial liabilities	18	3,522	2,677
Provisions			
Deferred tax liabilities (net)	19	9,478	7,467
Deferred tax liabilities (net)	20	7,657	13,966
Other non-current liabilities	21	106	206
		22,646	24,316
Current liabilities			
Financial liabilities			
Borrowings	22	48,926	31,259
Trade payables			
Total outstanding dues from micro and small enterprises	23	1,898	2,400
Total outstanding dues of creditors other than micro and small enterprises	23	67,836	80,141
Lease liabilities	37	368	-
Other current financial liabilities	24	16,813	16,123
Other current liabilities			
Other current liabilities	25	5,215	6,460
Provisions	19	15,701	17,030
		156,757	153,413
	TOTAL	619,607	606,027

The accompanying notes are an integral part of these financial statements.
As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Notes	₹ Lacs	
		Year Ended March 31, 2020	Year Ended March 31, 2019
Revenue from operations	26	519,145	569,731
Other income	27	25,749	23,507
Total income		544,894	593,238
Expenses:			
Cost of materials consumed	28.1	258,799	268,883
Purchases of traded goods		74,718	97,109
Change in inventories of finished goods, work-in-progress and traded goods	28.2	3,662	(4,001)
Employee benefits expense	29	57,775	56,191
Finance costs	30	2,102	1,677
Depreciation and amortisation expense	2, 3, 37	12,058	11,110
Other expenses	31	65,273	64,644
Total expenses		474,387	495,613
Profit before exceptional items, share of profit of joint ventures and associate and tax		70,507	97,625
Exceptional items	48	1,985	-
Profit after exceptional items before share of profit of joint ventures and associate and before tax		68,522	97,625
Share of profit of joint ventures and associate after tax		12,226	9,264
Profit before tax		80,748	106,889
Tax expense	20		
Current tax		15,899	30,693
Deferred tax		(5,703)	1,947
Tax for earlier years		(9)	(12)
Total tax expense		10,187	32,628
Profit after tax		70,561	74,261
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement (loss)/ gain on defined benefit plans		(2,371)	(1,854)
Income tax effect		597	647
Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods		(1,774)	(1,207)
Share in joint venture's and associate's OCI after tax (net) not to be reclassified to profit or loss in subsequent periods		(50)	3
Other comprehensive (expense)/income for the year, net of tax		(1,824)	(1,204)
Total comprehensive income for the year, net of tax		68,737	73,057
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	32	25.45	26.79

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A) Equity share capital

	₹ Lacs
As at April 1, 2018	5,544
Changes in equity share capital during the year ended March 31, 2019	-
As at March 31, 2019	5,544
Changes in equity share capital during the year ended March 31, 2020	-
As at March 31, 2020	5,544

B) Other equity

₹ Lacs

	Retained earnings (Refer note 17)	Other reserves			Total
		General reserve (Refer note 17)	Capital redemption reserve (Refer note 17)	Equity contribution from Cummins Inc.- Share based payments* (Refer note 17)	
Balance as at April 1, 2018	291,454	114,202	70	590	406,316
Add: Profit for the year	74,261	-	-	-	74,261
Add: Equity Contribution during the year	-	-	-	192	192
Other comprehensive income	(1,204)	-	-	-	(1,204)
Total comprehensive income for the year	73,057	-	-	192	73,249
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2017- 2018	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2019	307,700	114,202	70	782	422,754
Less: Effect of adoption of Ind AS 116 Leases (Refer note 1.1)	(198)	-	-	-	(198)
Balance as at April 1, 2019	307,502	114,202	70	782	422,556
Add: Profit for the year	70,561	-	-	-	70,561
Add: Equity Contribution during the year	-	-	-	178	178
Other comprehensive income	(1,824)	-	-	-	(1,824)
Total comprehensive income for the year	68,737	-	-	178	68,915
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2018- 2019	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
Balance as at March 31, 2020	319,428	114,202	70	960	434,660

* Scheme managed and administered by the Holding Company.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevjal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2020

₹ Lacs

	Year Ended March 31, 2020	Year Ended March 31, 2019
I. Cash generated from operations :		
Profit before tax	80,748	106,889
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	12,058	11,110
Finance costs	2,102	1,677
Interest income	(5,784)	(5,297)
Dividend income	1	(320)
Loss/(gain) on assets sold, discarded etc.	408	(70)
(Gain) on redemption /sale of investments (net)	(3,140)	(2,356)
Equity contribution from Holding company	178	192
Unrealised foreign exchange fluctuation (net)	(1,316)	129
Mark to market ('MTM') of financial instruments	672	(419)
Provision for doubtful debts and advances (net)	1,273	281
Share of profit of joint ventures and associate	(12,226)	(9,264)
	(5,774)	(4,337)
b) Working capital adjustments		
Trade receivables	14,859	4,873
Inventories	5,565	(8,847)
Current and non-current financial assets	652	(28,088)
Other current and non-current assets	(2,039)	5,839
Trade payable	(14,995)	6,889
Current and non-current financial liabilities	781	(6,999)
Other current and non-current liabilities	(1,345)	332
Current and non-current provisions	(2,149)	2,515
	1,329	(23,486)
Total adjustments (a+b)	(4,445)	(27,823)
Cash generated from operations	76,303	79,066
Tax paid (net of refunds)	(16,233)	(23,743)
Net cash from operating activities	60,070	55,323
II. Cash flows used in investing activities		
Purchase of property, plant and equipment and investment property	(25,816)	(28,302)
Proceeds from sale of property, plant and equipment	2,103	892
Interest received	6,449	3,381
Dividend received (including received from associate and joint ventures)	7,502	6,091
Proceeds from loan given	-	12,866
Investments		
(Purchase)/sale of short term investments (net)	(50,729)	28,696
Term deposits with banks	39,100	(22,000)
Net cash (used in)/from investing activities	(21,391)	1,624

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

₹ Lacs

	Year Ended March 31, 2020	Year Ended March 31, 2019
III. Cash flows from financing activities		
Proceeds from borrowings (net)	17,668	5,575
Finance costs	(1,619)	(1,269)
Payment of principal portion of lease liabilities	(465)	-
Unpaid dividend (restricted)	(82)	(402)
Dividend paid (including tax on dividend)	(56,729)	(56,409)
Net cash (used in) financing activities	(41,227)	(52,505)
IV. Net change in cash and cash equivalents (I+II+III)	(2,548)	4,442
V. Net foreign exchange difference	1,149	(128)
VI. Cash and cash equivalents at the beginning of the year	19,546	15,232
Cash and cash equivalents at the end of the year (IV+V+VI)	18,147	19,546
Components of cash and cash equivalents		
Cash on hand	2	2
Bank balances		
In current accounts	18,143	19,533
Cheque in hand	2	11
Total cash and cash equivalents (Refer note 11)	18,147	19,546

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

Notes to Consolidated Financial Statements for the year ended March 31, 2020

1. Summary of Significant accounting policies

a) Corporate information

The consolidated financial statements comprise the financial statements of Cummins India Limited ('CIL' or 'the Company') and its subsidiary (together referred to as 'the Group') for the year ended March 31, 2020. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company's shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Cummins India Office Campus, Balewadi, Pune. The Group is principally engaged in the business of manufacturing, trading and selling of engines and allied activities.

The consolidated financial statements of the Group for the year ended March 31, 2020 were authorised for issue in accordance with the resolution of the directors on June 17, 2020.

b) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013 (Ind AS compliant schedule III).

The consolidated financial statements are prepared on a historical cost basis, except for the following assets and liabilities:

- certain financial assets and financial liabilities (including derivative instruments) which have been measured at fair value;
- assets held for sale are measured at lower of carrying amount or fair value less cost to sell;
- defined benefit plans-plan assets are measured at fair value.

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Principles of consolidation

i) Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation procedure: The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions and resulting unrealised profits/ losses have been eliminated. IND AS 12, Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions.

Profit or loss on each component of OCI is attributed to the equity holders of parent of the Group and the non- controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year end on March 31.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values. For this purpose the liabilities assumed include contingent liabilities representing the present obligation and they are measured at their acquisition fair values irrespective of the fact that the outflow of resources embodying economic benefits is not probable.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in such cases where clear evidence of bargain purchase is available, the difference is recognised in OCI and accumulated in equity as capital reserve, else the difference is recognized directly in equity as capital reserve. The goodwill arising on acquisition is tested for impairment annually.

iii) Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint venture companies have been accounted for by using the equity method of accounting whereby the investment is initially recorded at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition changes in the investor's share of net assets of the associate or joint venture.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. If an entities share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable

Notes to Consolidated Financial Statements for the year ended March 31, 2020

amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in Statement of profit and loss.

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

Name of the Company	March 31, 2020		March 31, 2019	
	Relationship	Shareholding	Relationship	Shareholding
Cummins Sales & Service Private Limited (Formerly known as "Cummins SVAM Sales & Service Private Limited")	Subsidiary	100%	Subsidiary	100%
Cummins Research and Technology India Private Limited	Joint Venture	50%	Joint Venture	50%
Valvoline Cummins Private Limited	Joint Venture	50%	Joint Venture	50%
Cummins Generator Technologies India Private Limited	Associate	48.54%	Associate	48.54%

All the above entities are incorporated in India.

d) Fair value Measurements

The Group measures financial instruments at fair value on initial recognition and at each Balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

Disclosures for valuation methods, significant estimates and assumptions	Note 35 and 47
Financial instruments (including those carried at amortised cost)	Note 4, 9 to 13
Investment Properties	Note 3 and 47

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re- assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

e) **Property, plant and equipment and Investment properties**

Property plant and equipment, capital work in progress and investment properties 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/ investment properties 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 Group 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.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Depreciation is computed on straight line method based on useful lives, determined based on internal technical evaluation as follows:

Assets	Useful life
Roads	10 years
Office building and investment properties	upto 60 years
Factory building	30 years
Plant and machinery	3 to 15 years
Furniture and fittings	5 to 10 years
Vehicles	4 to 9 years

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

Freehold land is carried at cost. Losses arising from the retirement of, and gains and losses arising from disposal of property plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

f) **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful life are amortised over their respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Softwares are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use (3-5 years), being the estimated useful life as per the management estimate or license term whichever is less.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

Losses arising from the retirement of, and gains and losses arising from disposal of intangible assets which are carried at cost are recognised in the Statement of profit and loss.

g) **Assets held for sale**

Items of property plant and equipment/ intangible assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value, and are disclosed as assets held for disposals in the financial statements. Such assets, once classified as held for sale, are not depreciated. Any expected loss is recognised immediately in the Statement of Profit and Loss.

h) **Inventories**

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials : cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Finished goods and work in progress : cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

Traded goods : cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Material cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Material in transit is valued at cost incurred till date.

i) **Foreign currency transactions**

The Group's consolidated financial statements are presented in INR (₹), which is also CIL and subsidiary's functional currency.

Transactions in foreign currencies are accounted at the functional currency spot rates prevailing on the date of transactions. Monetary foreign currency financial assets and liabilities are translated at functional currency spot rates of exchange at the reporting date. The resulting exchange differences are appropriately recognised in the statement of profit and loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non- monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

j) **Revenue recognition**

i) **Revenue from sale of products**

Revenue from contracts with customers for sale of products is recognised, generally at a point in time when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding taxes or duties collected on behalf of the government e.g. goods and service tax (GST). The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 35.

ii) **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

iii) **Warranty obligations**

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.

iv) **Sale of services - installation services**

The Group provides installation services that can be either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the product sold.

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable.

Accordingly, the Group allocates the transaction price based on the relative standalone selling prices of the products and installation services.

The Group recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

v) **Sale of services - service contracts**

The Group has long-term service contracts with customers. Revenue from service contracts is recognised over time i.e based on the proportionate completion method. Completion is determined as a proportion of costs incurred till date to the total estimated contract costs. Provision is made for any loss in the period in which it is foreseen. The Group considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under Ind AS 115.

In case of other service contracts, revenue is recognized over time, using input/output method, when services are rendered and on receipt of confirmation from customers, as the case may be.

vi) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

vii) **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due when billing has been done) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

viii) **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

ix) **Interest income is recognised using effective interest method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross amount of the financial asset or to the amortised cost of a financial liability. When calculating the EIR the Group, estimates the expected cash flows by considering all the contractual terms of the financial instrument but doesn't consider the expected credit losses. Interest income is included in the other income in the Statement of Profit and loss.**

Notes to Consolidated Financial Statements for the year ended March 31, 2020

- x) Rental income is recognised on a straight-line basis over the lease term, other than escalations on account of inflation.
- xi) Dividend income from investments is recognised when the right to receive payment is established.

k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section "p" impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices and warehouses. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising on such leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

I) Employee benefits

The Group operates following post-employment schemes, including both defined benefit and defined contribution plans.

A) Post-employment benefits

i) Defined contribution plans:

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group 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 Group has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for management employees and Provident Fund for non management employees which is administered by Life Insurance Corporation of India / Regional Provident Fund Commissioner. In case of Superannuation Fund for management employees and Provident Fund for non management employees, the Group has no further obligation beyond making the contributions. 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

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

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

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

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) and the return on plan assets (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.

B) Other 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 beginning of the year for active members.

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

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

m) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

n) Income tax

The tax expense for the year 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, as the case may be.

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 consolidated 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.

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

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

o) 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

Notes to Consolidated Financial Statements for the year ended March 31, 2020

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

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.

p) **Impairment of non financial assets**

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

q) **Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

r) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

s) **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is either recorded as deferred income and is recognised as income on a systematic and rational basis over the useful life of the asset, or adjusted against the cost of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

t) **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. For all subsequent measurements financial assets are classified in following categories:

Notes to Consolidated Financial Statements for the year ended March 31, 2020

A) Debt instruments

- i) Debt instruments at amortised cost: The debt instrument is at amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is most relevant to the Group. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees for cost that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. This category generally applies to loans and trade and other receivables.

- ii) Debt instruments fair value through OCI (FVTOCI): A debt instrument is classified as FVTOCI if the financial asset 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. The Group has not classified any financial assets under this category.
- iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or FVTOCI are classified as FVTPL. The Group has not classified any debt under this category.

B) Equity instruments

Equity instruments held for trading are classified as FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in OCI the subsequent changes in fair value. The Group makes such election on an instrument by instrument basis. If the Group decides to classify an equity instrument as FVTOCI, then all fair value changes on the instrument, excluding dividends are recognized in OCI. There is no recycling of the amount from OCI to statement of Profit and loss. However, the Group may transfer the cumulative gain or loss within equity.

The Group has elected to present all equity instruments, other than those in joint ventures and associate, through FVTPL and all subsequent changes are recognized in statement of profit and loss.

C) Derecognition

A financial asset (or wherever applicable, a part of the financial asset or part of a Group of similar financial assets) is primarily derecognized when the rights to receive cash flow from the assets have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full to a third party under a pass through arrangement and either a) the Group has transferred substantially all risks and rewards of the asset or b) has transferred control of the asset.

D) Impairment of financial assets

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs e.g. loans, deposits, trade receivables, lease receivable and bank balances.

The Group follows simplified approach for recognition of impairment loss allowance on trade receivables and lease receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather it recognizes impairment loss allowance based on lifetime ECL's at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period the credit risk reduces since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

As a practical expedient, the Group uses a provision matrix, based on the age of the receivables classified into various age buckets to determine impairment loss allowance on portfolio of its trade receivables. The matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The Group has presumed that default doesn't occur later than when a financial asset is 90 days past due.

Impairment loss allowance including ECL or reversal recognized during the period is recognized as income/expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The impairment loss is presented as an allowance in the balance sheet as a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

Financial liabilities

All financial liabilities are initially recognised at fair value. The Group's financial liabilities include trade and other payables, other financial liabilities, loans and borrowings and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through statement of profit and loss or at amortised cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the statement of profit and loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part on EIR. The EIR amortisation is included as finance cost in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de recognition of the original liability and the recognition of the new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

Derivatives

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently re measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

Embedded derivatives: An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Statement of Profit and Loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely

Notes to Consolidated Financial Statements for the year ended March 31, 2020

related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

Reclassification of financial instruments

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

u) Dividend distribution

The Group recognises a liability to pay dividend to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group.

v) Earning per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the parent company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

1.1 Changes in accounting policies and disclosures

Ind AS 116

The Group applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Ind AS 116 supersedes Ind AS 17 Leases including its appendices and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

The Company adopted Ind AS 116 using the modified retrospective method of adoption, with the date of initial application on April 1, 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying Ind AS 17 and Appendix C of Ind AS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The application of modified retrospective approach for implementation of Ind AS 116 resulted in a recognition of right-

Notes to Consolidated Financial Statements for the year ended March 31, 2020

of-use asset and a lease liability aggregating to Rs. 3,531 lacs (including land lease aggregating to Rs. 1,447 lacs which was classified as finance lease under Ind AS 17 and disclosed in Property, Plant & Equipment) and Rs. 2,201 lacs respectively (refer note 37).

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments, and determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have an impact on the financial statements of the Group.

Amendments to Ind AS 109: Prepayment Features with Negative Compensation

Under Ind AS 109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. The amendments had no impact on the financial statements of the Group.

Amendments to Ind AS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies Ind AS 109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in Ind AS 109 applies to such long-term interests. This amendment had no impact on the financial statements of the Group as it has no associates or joint ventures which are not accounted for as per equity method.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

2.1 Property, plant and equipment

Particulars	Gross block				Depreciation and Amortisation				Net block		
	As at April 1, 2019	Additions	Adjustment***	Deductions / Write-off	As at March 31, 2020	As at April 1, 2019	For the year	Adjustment***	Deductions / Write-off	As at March 31, 2020	As at March 31, 2020
Tangible Assets:											
Land											
- Freehold @	4,965	-	(1,353)	-	3,612	-	-	-	-	-	3,612
- Leasehold	1,564	-	(1,564)	-	-	117	(117)	-	-	-	-
Leasehold improvements	724	2	(7)	0	719	124	(1)	-	-	128	591
Roads	2,728	308	(307)	-	2,729	1,553	(17)	-	-	1,777	952
Buildings #	101,546	9,850	(27,985)	47	83,364	12,491	(2,376)	16	16	12,062	71,302
Plant and machinery #	96,496	22,047	(2,213)	10,552	105,778	68,283	(13)	8,087	8,087	65,751	40,027
Furniture and fittings #	4,687	823	(175)	108	5,227	1,986	16	95	95	2,303	2,924
Vehicles	510	61	6	55	522	270	6	53	53	275	247
	213,220	33,091	(33,598)	10,762	201,951	84,824	(2,502)	8,251	8,251	82,296	119,655
2.2 Intangible assets											
Software	2,503	50	-	20	2,533	2,189	-	-	20	2,293	240
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,563	50	-	20	4,594	4,249	-	-	20	4,353	240

NOTES:

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

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

*** includes reclassification to investment properties and right-of-use asset (refer note 3)

Includes certain assets given on cancellable/ non-cancellable operating lease

The Group had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

2.1 Property, plant and equipment (Contd.)

Particulars	Gross block				Depreciation and Amortisation				Net block		
	As at April 1, 2018	Additions	Adjustment	Deductions / Write-off	As at March 31, 2019	As at April 1, 2018	For the year	Adjustment	Deductions / Write-off	As at March 31, 2019	As at March 31, 2019
Tangible Assets:											
Land											
- Freehold @	5,022	-	-	57	4,965	-	-	-	-	-	4,965
- Leasehold **	1,564	-	-	-	1,564	103	14	-	-	117	1,447
Leasehold improvements	709	15	-	-	724	111	13	-	-	124	600
Roads	2,717	12	-	1	2,728	1,300	254	-	1	1,553	1,175
Buildings #	99,307	2,405	31	197	101,546	10,517	2,031	2	59	12,491	89,055
Plant and machinery #	93,348	5,712	965	3,529	96,496	65,335	5,134	762	2,948	68,283	28,213
Furniture and fittings #	4,708	179	-	200	4,687	1,835	310	-	159	1,986	2,701
Vehicles	543	39	28	100	510	282	57	25	94	270	240
	207,918	8,362	1,024	4,084	213,220	79,483	7,813	789	3,261	84,824	128,396
2.2 Intangible assets											
Software	2,550	113	-	160	2,503	2,003	346	-	160	2,189	314
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	4,610	113	-	160	4,563	4,063	346	-	160	4,249	314

NOTES:

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

- ** Includes land for which lease deed is pending finalisation with MIDC.
Includes certain assets given on cancellable/ non-cancellable operating lease

The Group had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed costs on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
3 Investment properties		
Gross		
Opening balance	77,263	74,620
Additions	4,325	2,643
Re-classification from property, plant and equipment	32,278	-
Closing balance	113,866	77,263
Depreciation		
Opening balance	4,461	1,510
Depreciation	3,165	2,951
Re-classification from property, plant and equipment	2,576	-
Closing balance	10,202	4,461
Net	103,664	72,802
Information regarding income and expenditure of investment properties		
Rental income derived from investment properties	7,016	5,605
Direct operating expenses (including repairs and maintenance) generating rental income	787	742
Profit arising from investment properties before depreciation and indirect expenses	6,229	4,863
Less: Depreciation	3,165	2,951
Profit arising from investment properties before indirect expenses	3,064	1,912

The investment properties consist of office premises and plants. As at March 31, 2020 the fair value of the properties is ₹ 121,584 lacs (As at March 31, 2019: ₹ 78,048 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant & equipment as applicable.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 47.

Description of valuation techniques used and key inputs to valuation on investment properties

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2020	Range (weighted average) March 31, 2019
Income approach (Discounted Cash Flow ('DCF') method)	Estimated rental value per sq per month	₹ 31 - ₹ 103	₹ 55 - ₹ 75
	Rent growth p.a.	15% every 3 years or based on market assessment	15% every 3 years
	Discount rate	11.66% to 12.66%	11.70% to 12.27%

As per the DCF method, fair value is defined as the present value of future cash flows that can be withdrawn from the Group. To estimate the cash flows available, projected cash flows of the Group are considered for certain future years (explicit forecast period). Based on the projected cash flow statement, the free cash flows from subject properties are estimated. The Group has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject properties will continue to generate cash. In DCF method, therefore, perpetuity value/capitalized value/terminal value is also considered to arrive at the value of the subject properties.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

4 Non Current Investments

As at March 31, 2020 Units	As at March 31, 2019 Units	Face value per unit ₹		As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
			Investments in joint ventures and an associate		
			<i>Unquoted equity instruments</i>		
			Investments in joint ventures (fully paid up)(Refer note 40)		
9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	11,401	10,919
114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	271	238
			Investment in associate (fully paid up)(Refer note 41)		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	13,399	10,869
			Total	25,071	22,026
			Other investments (fully paid up)		
			<i>Unquoted equity instruments</i> (Fair value through profit and loss)		
-	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	-	0
-	1,000	10	The Saraswat Co-operative Bank Limited *	-	0
			Aggregate value of unquoted investments *	-	0
			Valued at amortised cost		
			<i>Quoted Government of India Bonds</i>		
50,000,000	50,000,000	1	8.35% Government of India 2022	517	522
			Aggregate book value / market value of quoted investments	517	522
			Total	517	522

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

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
5 Other non-current financial assets (carried at amortised cost)		
Unsecured, considered good;		
Security deposits	2,927	1,919
Total	2,927	1,919
6 Income tax assets (net)		
Advance income tax (net of provision for taxation)	11,227	9,341
Total	11,227	9,341
7 Other non-current assets		
Unsecured, considered good		
Capital advances	2,173	7,049
Balances with statutory/government authorities	4,442	4,948
Total	6,615	11,997
8 Inventories		
Raw materials and components (includes goods in transit)	31,395	33,455
Work-in-progress (includes lying with third party)	12,376	11,141
Finished goods (includes goods in transit and lying with third party) *	11,567	15,841
Traded goods (includes goods in transit)	1,001	1,624
Stores and spares	724	707
Loose tools	660	517
Total	57,723	63,285

* During the year ended March 31, 2020 ₹ (1) lac (March 31, 2019: ₹ (73) lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

9 Current Investments

As at March 31, 2020 Units	As at March 31, 2019 Units	Face value per unit ₹		As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
			Current portion of long term investments		
			<i>Quoted equity instrument (fair value through profit and loss)</i>		
-	9,811	2	Kirloskar Oil Engines Limited	-	17
-	913	10	Kirloskar Industries Limited	-	7
			Aggregate book value / market value of quoted investments	-	24
			Current investments		
			<i>Unquoted mutual funds valued at fair value through profit and loss</i>		
-	96,964	1,000	Axis Liquid Fund - Growth	-	2,002
414,539	-	1,000	Axis Liquid Fund - Direct Growth	9,138	-
-	684,365	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	-	2,046
631,099	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Direct Plan	2,017	-
-	806,992	100	Aditya Birla Sun Life Money Manager Fund - Growth-Direct Plan	-	2,031
136,251	-	1,000	Franklin India liquid Fund - Super Institutional Plan - Direct - Growth	4,065	-
287,259	-	1,000	HDFC Liquid Fund - Direct Plan - Growth	11,222	-
-	55,625	1,000	HDFC Liquid Fund - Regular Plan - Growth	-	2,036
-	51,217	1,000	HDFC Money Market Fund - Direct Plan - Growth Option	-	2,007
3,439,788	-	100	ICICI Prudential liquid Fund - Growth Direct	10,105	-
-	780,490	100	ICICI Money Market Fund - Growth Direct	-	2,031
-	53,981	1,000	Kotak Liquid Regular Plan Growth	-	2,037
-	65,331	1,000	Kotak Money Market Scheme - Direct Plan - Growth	-	2,016
227,008	-	1,000	Kotak Liquid Direct Plan Growth	9,114	-
224,099	-	1,000	L&T Liquid Fund Direct Plan - Growth	6,098	-
209,971	88,403	1,000	Nippon India Liquid Fund - Direct Growth Plan Growth Option (Formerly Known as Reliance liquid Fund - Direct plan growth plan - growth option)	10,185	4,033
292,936	-	1,000	SBI Liquid Fund - Direct Plan - Growth	9,106	-
-	68,719	1,000	SBI Liquid Fund Regular Growth	-	2,004
31,957	-	1,000	Tata Liquid Fund Direct Plan - Growth	1,001	-
-	65,696	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	-	2,005
187,449	-	1,000	UTI Liquid Cash Plan - Direct Growth Plan	6,095	-
			Aggregate value of unquoted investments	78,146	24,248
			Total	78,146	24,272

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
10 Trade receivables (carried at amortised cost)		
Trade receivables	86,402	92,135
Receivables from related parties (Refer note 43)	28,175	36,224
Total	114,577	128,359
Break up for security details		
Secured, considered good	24,900	29,089
Unsecured, considered good	89,773	99,550
Trade receivable which have significant increase in credit risk	621	-
Trade receivable - credit impaired	947	222
	116,241	128,861
Impairment allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	-	-
Provision for impairment	(717)	(280)
Trade receivable - credit impaired	(947)	(222)
Total	114,577	128,359
No trade receivable or advances are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 677 lacs (March 31, 2019: ₹ 2,316 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
For terms and conditions and transactions with related parties refer note 43.		
11 Cash and cash equivalents (carried at amortised cost)		
Cash on hand	2	2
Bank balances		
In current accounts	18,143	19,533
Cheques in hand	2	11
Total	18,147	19,546
12 Other bank balances (carried at amortised cost)		
Unpaid dividend account (restricted)	1,341	1,259
Deposits with Banks (original marurity more than 3 months but less than 1 year)	25,900	53,000
Total	27,241	54,259

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)		
Unsecured, considered good:		
Security deposits	1,622	1,382
Deposits with Bank (with residual maturity less than 12 months)	15,000	27,000
Contract assets	1,394	2,116
Foreign exchange forward contracts #	-	419
Interest accrued on investments and deposits	1,848	2,512
Others *	1,864	2,623
Total	21,728	36,052
# Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.		
* Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.		
Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 647 Lacs (March 31, 2019: ₹ 1,923 Lacs). Refer note 43 for related party transactions.		
14 Other current assets		
Unsecured, considered good:		
Balances with statutory/government authorities	14,923	14,368
Others *	4,318	2,330
Total	19,241	16,698
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
15 Assets classified as held for sale		
Assets held for sale (at lower of cost or fair value less cost to sell) *	1,444	386
Total	1,444	386
* Includes land, building, plant and machinery held for sale where the Group is in the process of disposal.		

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
16 Equity share capital		
Authorised :		
400,000,000 equity shares of ₹ 2 each	8,000	8,000
Issued, Subscribed and Fully paid-up shares :		
277,200,000 equity shares of ₹ 2 each	5,544	5,544
Total	5,544	5,544

a. Reconciliation of number of shares

Equity shares:

	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	277,200,000	5,544	277,200,000	5,544

b. Rights, preferences and restrictions attached to shares

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

c. Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Of the above equity shares, 141,372,000 (March 31, 2019 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

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

	As at March 31, 2020		As at March 31, 2019	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	141,372,000	51.00%	141,372,000	51.00%
SBI Blue Chip Fund	17,200,470	6.21%	9,259,182	3.34%
Life Insurance Corporation Of India	15,799,308	5.70%	12,547,549	4.53%

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
17 Other equity		
Retained earnings	319,428	307,700
	319,428	307,700
Other reserves		
Capital redemption reserve	70	70
General reserve	114,202	114,202
Equity contribution from holding company	960	782
Total	115,232	115,054
a) Retained earnings		
Opening balance as at April 1	307,700	291,454
Less: Effect of adoption of Ind AS 116 Leases (Refer note 1.1 and note 37)	(198)	-
Add: Profit for the year	70,561	74,261
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	(1,824)	(1,204)
	376,239	364,511
Less:		
Interim dividends paid	19,404	19,404
Tax on interim dividends	3,989	3,989
Final dividends paid for the financial years ended March 31, 2019 and March 31, 2018	27,720	27,720
Tax on final dividends for the financial years ended March 31, 2019 and March 31, 2018	5,698	5,698
	56,811	56,811
Closing balance as at March 31	319,428	307,700

During the year March 31, 2020 and March 31, 2019 the Group has paid dividend to its shareholders. This has resulted in payment of Dividend distribution tax ('DDT') to the taxation authorities. The Group believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity.

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended payment of final dividend of ₹ 19,404 lacs for the year ended March 31, 2020 (March 31, 2019: ₹ 33,418 lacs) which is ₹ 7 per fully paid up share (March 31, 2019: ₹ 10 per fully paid up share) and applicable tax on dividend. This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
17 Other equity		
b) Capital redemption reserve		
Opening balance as at April 1	70	70
Add: Movement during the year	-	-
Closing balance as at March 31	70	70
c) General reserve		
General reserves denote the amounts transferred from retained earnings on declaration of dividends as per the requirements of the erstwhile Companies Act, 1956.		
Opening balance as at April 1	114,202	114,202
Add: Movement during the year	-	-
Closing balance as at March 31	114,202	114,202
d) Equity contribution from the holding company		
Certain employees are directly paid by the holding company through stock options		
Opening balance as at April 1	782	590
Add: Movement during the year	178	192
Closing balance as at March 31	960	782
18 Other non-current financial liabilities		
Non current financial liabilities carried at amortised cost		
Dealer deposit	2,173	2,007
Retention money	1,349	670
Total	3,522	2,677
19 Provisions		
Provision for post retirement benefit and compensated absences (Refer note 42)	11,941	10,403
Warranties (Refer note 39 (i))	8,756	9,330
Statutory matters (Refer note 39 (ii))	2,292	2,556
New Engine Performance Inspection (NEPI) (Refer note 39 (iii))	2,190	2,208
	25,179	24,497
Current provisions	15,701	17,030
Non - current provisions	9,478	7,467
Total	25,179	24,497

Notes to Consolidated Financial Statements for the year ended March 31, 2020

20 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of Profit and Loss	
	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs	Year Ended March 31, 2020 ₹ Lacs	Year Ended March 31, 2019 ₹ Lacs
Deferred tax asset				
Provision for employee benefits	2,004	2,409	(405)	(1,039)
Other timing differences	2,180	1,140	1,040	754
Total deferred tax asset	4,184	3,549	635	(285)
Deferred tax liability				
Depreciation	11,826	12,976	(1,150)	1,104
Deferred tax on share in reserves of joint ventures and associate	-	4,435	(4,435)	553
Other timing differences	15	104	(89)	(654)
Total deferred tax liabilities	11,841	17,515	(5,674)	1,003
Deferred tax income/(expense)			6,309	(1,288)
Net deferred tax liabilities	7,657	13,966		

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

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
Statement of profit and loss		
Profit and loss section		
Current income tax:		
Current income tax charge	15,899	30,693
Adjustments in respect of current income tax of previous year	(9)	(12)
Deferred tax:		
Relating to origination and reversal of temporary differences	(5,703)	1,947
Income tax expenses reported in the Statement of profit and loss	10,187	32,628
OCI section		
Tax related to items recognised in OCI during the year	(597)	(647)
Net loss/ (gain) on remeasurments of defined benefit plans	(597)	(647)

Notes to Consolidated Financial Statements for the year ended March 31, 2020

20 Income taxes (Contd.)

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2020 and March 31, 2019		
Accounting profit before tax	80,748	106,889
Less: Share of profit of joint ventures and associate after tax	12,226	9,264
	<u>68,522</u>	<u>97,625</u>
At India's statutory income tax rate	25.17%	34.94%
Tax at full rate	17,246	34,110
Adjustments:		
i. Research and development expenses allowance	-	(625)
ii. Income of SEZ unit (not subject to tax)	-	(4,208)
iii. Dividend income (not subject to tax)	-	(112)
iv. Capital gains	(5)	(79)
v. Deferred tax on share in reserves of joint ventures and associates	(4,435)	553
vi. Dividend distribution tax paid on dividends distributed by joint ventures and associate	1,542	1,186
vii. Tax for earlier years	(9)	(12)
viii. Impact of changes in tax rates	(2,095)	-
ix. Impact on account of transfer of assets to investment property	(2,385)	-
x. Others (deductible, non-deductible items, net)	328	1,815
	<u>10,187</u>	<u>32,628</u>
Income tax expenses reported in the Statement of Profit and Loss for the current year	<u>10,187</u>	<u>32,628</u>
d) Deferred tax		
Reconciliation of deferred tax liabilities (net)		
Opening balances as at April 1	13,966	6,525
Tax expense/(income) during the year recognised in Statement of Profit and Loss	(5,712)	1,947
MAT credit utilisation	-	5,494
Tax (income) / expense during the year recognised in OCI	(597)	-
Closing balance as at March 31	<u>7,657</u>	<u>13,966</u>
e) The Government of India introduced Taxation Laws (Amendment) Bill, 2019 (The "Bill") and also introduced some changes in tax laws in the Finance Act 2020. Tax expenses for the year ended March 31, 2020 reflect changes made vide the Bill and the Finance Act 2020, as applicable to the Group.		

21 Other non-current liabilities

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
Contract liabilities	106	206
Total	<u>106</u>	<u>206</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
22 Borrowings		
Working capital loan from bank *	48,536	30,916
Cash credit and demand loan #	390	343
Total	48,926	31,259
* The loan is unsecured and repayable within one year. Interest is payable @ 4.25%-5.50% (T-Bill) adjusted by a reasonable spread p.a. The Group has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.		
# Cash credit and demand loan availed 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 and ranges between 7% to 9% per annum.		
The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.		
23 Trade payables		
Trade payables of micro and small enterprises (Refer note 34)	1,898	2,400
Trade payables other than micro and small enterprises	32,675	46,083
Trade payables to related parties (Refer note 43)	35,161	34,058
Total	69,734	82,541
Trade payables are non interest bearing and are normally settled in 30 to 90 days terms.		
For terms and conditions and transactions with related parties refer note 43.		
24 Other current financial liabilities		
Unpaid dividend	1,341	1,259
Royalty (Refer note 43)	4,605	5,996
Support services payable (Refer note 43)	3,264	3,816
Retention money	2,946	2,426
Others including salaries, wages, bonus payable	4,657	2,626
Total	16,813	16,123
Other current financial liabilities are non interest bearing and have an average term of 6 months.		
25 Other current liabilities		
Statutory dues including tax deducted at source	2,838	3,367
Contract liabilities	2,377	3,093
Total	5,215	6,460

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
26 Revenue from operations		
Sale of products	480,215	526,267
Sale of services	29,372	30,188
	<u>509,587</u>	<u>556,455</u>
Other operating revenue		
Scrap sales	642	737
Export incentives	4,793	6,024
Others *	4,123	6,515
	<u>9,558</u>	<u>13,276</u>
Revenue from operations	<u>519,145</u>	<u>569,731</u>
* Others primarily includes testing income, engineering income and royalty income from dealers, etc.		
Disaggregated revenue information		
Set out below is the disaggregation of the Groups revenue from contracts with customers		
Location		
India	399,192	413,893
Outside India	115,160	149,814
Total revenue from contracts with customers *	<u>514,352</u>	<u>563,707</u>
Timing of revenue recognition		
Goods transferred at a point in time	480,815	527,207
Services transferred over time	33,537	36,500
Revenue from contract with customers *	<u>514,352</u>	<u>563,707</u>
Set out below is the amount of revenue recognised from		
Amounts included in contract liabilities at the beginning of the year	3,259	2,931
Performance obligations satisfied in previous years	450	666
Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price		
Revenue as per contracted price	523,608	574,856
Adjustments		
Sales return	(3,561)	(4,219)
Discounts	(3,892)	(4,776)
Liquidated damages	(775)	(1,147)
Others	(1,028)	(1,007)
Revenue from contract with customers	<u>514,352</u>	<u>563,707</u>
* Excludes export incentives		

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
27 Other income		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	42	51
	<u>42</u>	<u>51</u>
Dividend income		
- On current investments designated at fair value through profit and loss	1	320
	<u>1</u>	<u>320</u>
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	3,140	2,356
	<u>3,140</u>	<u>2,356</u>
Interest on term deposits and others	5,742	5,246
Rent (Refer note 3 for rent on investment properties)	13,796	11,744
Exchange gain (net)	171	1,602
Net gain on fixed assets sold or discarded	-	70
Miscellaneous income	2,857	2,118
	<u>22,566</u>	<u>20,780</u>
Total	<u><u>25,749</u></u>	<u><u>23,507</u></u>
28.1 Cost of raw materials consumed		
Inventory at the beginning of the year	33,455	28,597
Add: Purchases	256,739	273,741
Less: Inventory at the end of the year	31,395	33,455
Total	<u><u>258,799</u></u>	<u><u>268,883</u></u>

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
28.2 Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 8)		
Work-in-progress	12,376	11,141
Finished goods	11,567	15,841
Traded goods	1,001	1,624
Subtotal (A)	24,944	28,606
Inventories at the beginning of the year (Refer note 8)		
Work-in-progress	11,141	9,853
Finished goods	15,841	13,075
Traded goods	1,624	1,677
Subtotal (B)	28,606	24,605
(Increase)/ decrease (B-A)	3,662	(4,001)
29 Employee benefits expense		
Salaries, wages and bonus	49,034	46,988
Contribution to provident and other funds (Refer note 42)	5,736	5,335
Staff welfare expenses	3,005	3,868
Total	57,775	56,191
30 Finance costs		
Interest on borrowings and others	1,409	1,271
Interest cost on lease liabilities (Refer note 37)	210	-
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39)	483	406
Total	2,102	1,677

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
31 Other expenses		
Commission on sales	1,671	3,000
Consumption of stores and spare parts	4,496	4,803
Warranty expenses (Refer note 39)	7,308	8,489
Consumption of tools and gauges	759	572
Repairs to buildings	2,692	2,895
Repairs to machinery	1,136	981
Other repairs	373	396
Power and fuel	2,932	2,956
Rent (Refer note 37)	53	381
Rates and taxes	1,617	1,352
Insurance	1,038	889
Outside processing charges	3,170	3,536
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 43 and 45)	1,723	1,616
Royalties (Refer note 43)	5,214	5,073
Support services (Refer note 43)	11,491	8,934
Computer and other services	7,024	7,433
Payment to auditors (Refer details below)	143	128
Net loss on fixed assets sold / discarded	408	-
Bad debts		
Bad debts written off	111	443
Provision for bad and doubtful debts	1,273	281
Amount withdrawn from provisions	(111)	(443)
Other expenses (net of expenses recovered) (Refer note 43)	10,752	10,929
Total	65,273	64,644
Payment to auditors:		
Statutory audit (including limited reviews)	117	98
Other services (including tax audit)	18	20
Reimbursement of expenses	8	10
Total	143	128

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	March 31, 2020	March 31, 2019
32 Earning per share (EPS)		
Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a) Profit for the year after taxation (₹ Lacs)	70,561	74,261
(b) Weighted average number of shares outstanding during the year	277,200,000	277,200,000
(c) Earnings per share (basic and diluted) (₹)	25.45	26.79
Face value per share (₹)	2	2

Notes to Consolidated Financial Statements for the year ended March 31, 2020

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
33 Capital and other commitments		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances). For other commitments also refer note 37	9,086	26,721
Total	9,086	26,721
34 Trade payables include:		
Total outstanding dues of micro and small enterprises	1,898	2,400
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	1,898	2,371
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	1,350	360
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006(Section 16)	12	4
6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-
7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-

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

35 Significant accounting judgements, estimates and assumptions

The preparation of the Group'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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Group provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part

Notes to Consolidated Financial Statements for the year ended March 31, 2020

of the negotiated exchange between the Group and the customer. The Group determined that both the equipment and installation are capable of being distinct.

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Operating lease commitments – Group as lessor

The Group has leased out commercial properties (investment properties) on operating lease. The Group had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

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 Group based its assumptions and estimation on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Defined benefit plans:

The cost of the defined benefit gratuity plan and other post-employment medical benefits 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.

The discount rate is the parameter most 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 tend to 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 42.

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 if available, otherwise, 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. Refer note 49 for further disclosures.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

Warranty, statutory matters and New Engine Performance Inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI (refer note 39).

Leases - Estimating the incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rate (IBR). The Company uses IBR to discount lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
36 Contingent liabilities		
a. Income tax matters*	59	882
b. Central excise duty/service tax matters*	337	1,061
c. Duty drawback matters	2,604	2,604
d. Sales tax matters*	1,875	2,145
e. Claims against the Group not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	-	9
f. Civil liability / secondary civil liability in respect of suits filed against the Group*	181	216
g. Bank guarantees	30	22
Total	<u>5,086</u>	<u>6,939</u>

* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Group is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Group has implemented the SC decision prospectively.

The Group has various on-going litigations by/or against the Group with respect to tax and other legal matters, other than those disclosed above. The Group believes that they have sufficient and strong arguments on facts as well as on point of law and accordingly no provision / disclosure in this regard has been considered in the financial statements.

37 Leases

Lease commitments as a lessee

The Group has entered into leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in period between 36 months and 108 months, which include both renewable and non-renewable leases.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

Following are the changes in the carrying value of right of use assets during the year ended March 31, 2020

Particulars	Category of ROU		Total
	Building	Land	₹ Lacs
Balance as on April 1, 2019	2,084	1,447	3,531
Additions	514	-	514
Adjustment	-	(60)	(60)
Depreciation	(529)	(15)	(544)
Balance as on March 31, 2020	2,069	1,372	3,441

Following are the changes in carrying value of lease liabilities during the year ended March 31, 2020

Particulars	As at March 31, 2020 ₹ Lacs
Balance as on April 1, 2019	2,201
Additions	514
Interest cost accrued during the period	210
Payments	(674)
Balance as on March 31, 2020	2,251
Current portion	368
Non-current portion	1,883

The maturity analysis of lease liabilities is disclosed in note 46(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

The following are the amounts recognised in statement of profit and loss:

Particulars	As at March 31, 2020 ₹ Lacs
Depreciation expense of right-of-use assets	545
Interest expense on lease liabilities	210
Total amount recognised in statement of profit and loss	755
Decrease in rent on account of adoption of Ind AS 116, Leases	(674)
Net impact to statement of profit and loss	81

Previous year's figures not disclosed above as this is the first time adoption of Ind AS 116.

Operating lease commitments as a lessor

The Group has entered into operating leases on its investment properties consisting of building and other related assets. These leases have term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 36 months on the basis of prevailing market conditions.

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

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
Within one year	4,578	3,611
After one year but not more than five years	14,782	13,133
More than five years	890	3,311
Total	20,250	20,055

The Group during the year has not entered into sub - leases.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

38 The total research and development expenses incurred by the Group are as under :

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
On capital account	14,534	83
On revenue account	4,470	3,329
Total	19,004	3,412

39 Disclosure on provisions made, utilised and reversed during the year

i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Group. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	9,330	8,686
Additions	7,308	8,489
Utilisation / reversal	8,294	8,187
Unwinding of discount and changes in the discount rate	412	342
Balance as at the end of the year	8,756	9,330
Classified as non-current	3,463	2,340
Classified as current	5,293	6,990

ii) Provision for statutory matters

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

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	2,556	1,820
Additions	441	736
Utilisation / reversal	705	-
Balance as at the end of the year	2,292	2,556
Classified as non-current	-	-
Classified as current	2,292	2,556

Notes to Consolidated Financial Statements for the year ended March 31, 2020

iii) Provision for New Engine Performance Inspection (NEPI)

Provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Group at specified intervals. The amount of provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Balance as at the beginning of the year	2,208	1,846
Additions	1,051	1,136
Utilisation	1,140	838
Unwinding of discount and changes in the discount rate	71	64
Balance as at the end of the year	2,190	2,208
Classified as non-current	1,639	1,575
Classified as current	551	633

40 Investment in joint ventures

The Group has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited (CRTI) and Valvoline Cummins Private Limited (VCPL), both incorporated in India. The Group's interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Summarised balance sheet

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Valvoline Cummins Private Limited		
Non current assets		
Property, plant and equipment	9,279	10,952
Capital work-in-progress	59	407
Intangible assets	139	215
Right-of-use assets	2,236	-
Other financial assets	861	371
Other non-current assets	1,849	1,561
	14,423	13,506

Notes to Consolidated Financial Statements for the year ended March 31, 2020

40 Investment in joint ventures (contd.)

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Current assets		
Inventories	16,212	13,575
Financial assets		
(i) Investments	-	3,458
(ii) Trade receivables	11,231	12,778
(iii) Cash and cash equivalents	9,855	2,274
(iv) Other financial assets	531	223
Other current assets	1,713	1,842
	39,542	34,150
Non current liabilities		
Lease liabilities	1,501	-
Provisions	55	453
Deferred tax liabilities (net)	100	366
	1,656	819
Current liabilities		
Borrowings	1,957	-
Lease liabilities	310	-
Trade payables	20,987	20,815
Other financial liabilities	4,328	2,662
Other current liabilities	1,394	1,386
Provisions	522	52
	29,498	24,915
Equity		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment *	11,401	10,919
Capital commitments	161	170
Contingent liabilities	701	1,591

Notes to Consolidated Financial Statements for the year ended March 31, 2020

40 Investment in joint ventures (contd.)

	As at March 31, 2020 ₹ Lacs	As at March 31, 2019 ₹ Lacs
Cummins Research and Technology India Private Limited		
Non current assets		
Income tax assets (net)	<u>4</u>	-
	<u>4</u>	-
Current assets		
Cash and cash equivalents	448	497
Other current assets	<u>96</u>	-
	<u>544</u>	497
Current liabilities		
Trade payables	<u>6</u>	19
	<u>6</u>	19
Equity		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment *	<u>271</u>	<u>238</u>
* Adjusted for inter company transactions		

Summarised statement of profit and loss

	Year ended March 31, 2020 ₹ Lacs	Year ended March 31, 2019 ₹ Lacs
Valvoline Cummins Private Limited		
Revenue from operations	129,544	133,276
Interest income	187	198
Other income	431	171
Cost of raw material and components	68,179	76,380
Depreciation and amortisation expense	1,618	1,553
Finance costs	177	45
Employee benefits expense	7,369	6,785
Other expenses	31,617	28,125
Profit before tax	21,202	20,757
Tax expense	<u>5,281</u>	7,242
Profit for the year	<u>15,921</u>	<u>13,515</u>
Other comprehensive income	<u>(15)</u>	3
Total comprehensive income for the year	<u>15,906</u>	<u>13,518</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2020

40 Investment in joint ventures (contd.)

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
Cummins Research and Technology India Private Limited		
Other income	95	0
Other expenses	10	20
Loss before tax	85	(20)
Tax expense	19	7
Loss for the year	66	(27)
Other comprehensive income	-	-
Total comprehensive income for the year	66	(27)

41 Investment in an associate

The Group has a 48.54% interest in Cummins Generator Technologies India Private Limited (CGT), which is involved in the manufacture of alternators used in a wide range of generators. It caters to both domestic and international markets. The Group's interest is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in CGT.

a. Summarised balance sheet

	As at March 31, 2020	As at March 31, 2019
	₹ Lacs	₹ Lacs
Non current assets	9,084	7,876
Current assets	31,736	29,797
Non current liabilities	1,812	914
Current liabilities	11,218	14,104
Equity	27,790	22,655
Proportion of the Group's ownership	48.54%	48.54%
Carrying amount of the investment *	13,399	10,869
Capital commitments	428	1,357
Contingent liabilities	853	739

Notes to Consolidated Financial Statements for the year ended March 31, 2020

b. Summarised statement of profit and loss

	Year ended March 31, 2020	Year ended March 31, 2019
	₹ Lacs	₹ Lacs
Revenue from operations	79,089	74,361
Other income	933	804
Cost of raw material and components	53,374	51,656
Depreciation and amortisation expense	1,097	728
Finance costs	84	31
Employee benefits expense	6,589	6,188
Other expenses	7,430	8,656
Profit before tax	11,448	7,906
Tax expense	2,885	2,824
Profit for the year	8,563	5,082
Other comprehensive income	(87)	3
Total comprehensive income for the year	8,476	5,085

* Adjusted for inter company transactions

c. Delays in depositing dues of Investor Education & Protection Fund are as follows

Entity	Financial year	Dividend type	Dividend declaration date	₹ Lacs	Due date of payment	Date of payment
Cummins Generator Technologies India Private Limited (Associate)	2011-2012	Interim	February 27, 2012	0.50	May 3, 2019	August 12, 2019

Notes to Consolidated Financial Statements for the year ended March 31, 2020

42 Employee benefit plans

1. Defined contribution plans - The Group has recognised the following amounts in statement of profit and loss for the year:

	₹ Lacs
	Total
Contribution to employees provident fund	1,104 1,199
Contribution to management superannuation fund	1,964 1,704

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

a. Net balance sheet position

		₹ Lacs					
Sr. no.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	
i)	Defined benefit obligation	March 31, 2020	16,620	2,653	71	57	25,270
		March 31, 2019	15,251	2,039	56	48	21,964
ii)	Fair value of plan assets	March 31, 2020	13,498	2,062	-	-	25,270
		March 31, 2019	12,267	1,739	-	-	21,964
iii)	Funded status (surplus/ -deficit)	March 31, 2020	(3,122)	(591)	(71)	(57)	-
		March 31, 2019	(2,985)	(300)	(56)	(48)	-
iv)	Effect of asset ceiling	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	0	-	-	-
	Net defined benefit asset /-liability	March 31, 2020	(3,122)	(591)	(71)	(57)	-
		March 31, 2019	(2,985)	(300)	(56)	(48)	-

- b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

		₹ Lacs					
Sr. no.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	
	Opening defined benefit obligation	March 31, 2020	15,251	2,039	55	48	21,964
		March 31, 2019	12,268	1,775	51	47	19,674
i)	Current service cost	March 31, 2020	1,213	82	2	2	1,059
		March 31, 2019	1,008	73	2	2	1,054
ii)	Interest cost	March 31, 2020	1,033	146	4	3	1,974
		March 31, 2019	903	129	4	3	1,706
iii)	Curtailment (credit)/ cost	March 31, 2020	(231)	-	-	-	-
		March 31, 2019	-	-	-	-	-
iv)	Actuarial -gains / losses - experience	March 31, 2020	217	(47)	3	(4)	-
		March 31, 2019	1,577	59	2	(2)	-
v)	Actuarial -gains / losses - demographic changes	March 31, 2020	486	13	10	8	-
		March 31, 2019	-	-	-	-	-
vi)	Actuarial -gains / losses - financial assumptions	March 31, 2020	1,222	543	3	3	-
		March 31, 2019	246	27	1	1	-
vii)	Benefits paid	March 31, 2020	(2,559)	(123)	(6)	(3)	(1,950)
		March 31, 2019	(648)	(162)	(4)	(3)	(2,621)
viii)	Past service cost	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	138	-	-	-
ix)	Acquisitions / transfer out	March 31, 2020	(12)	-	-	-	475
		March 31, 2019	(103)	-	-	-	464
x)	Contributions by employees	March 31, 2020	-	-	-	-	1,748
		March 31, 2019	-	-	-	-	1,687
	Closing defined benefit obligation	March 31, 2020	16,620	2,653	71	57	25,270
		March 31, 2019	15,251	2,039	56	48	21,964

Notes to Consolidated Financial Statements for the year ended March 31, 2020

42 Employee benefit plans (contd.)

c. Reconciliation of opening and closing balances of the fair value of plan assets

		₹ Lacs					
Sr. no.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	
	Opening fair value of plan assets	March 31, 2020	12,267	1,739	-	-	21,964
		March 31, 2019	11,237	1,474	-	-	19,674
i)	Interest income on plan assets	March 31, 2020	917	135	-	-	1,974
		March 31, 2019	859	117	-	-	1,730
ii)	Return on plan asset greater /-lesser than discount rate	March 31, 2020	74	11	-	-	-
		March 31, 2019	45	9	-	-	-
iii)	Actuarial gains / -losses	March 31, 2020	-	-	-	-	-
		March 31, 2019	-	-	-	-	-
iv)	Contribution by the employer	March 31, 2020	2,824	300	-	-	1,059
		March 31, 2019	902	301	-	-	1,054
v)	Benefits paid	March 31, 2020	(2,552)	(123)	-	-	(1,950)
		March 31, 2019	(636)	(162)	-	-	(2,621)
vi)	Acquisition / transfer out	March 31, 2020	(32)	-	-	-	475
		March 31, 2019	(140)	-	-	-	469
vii)	Contribution by employee	March 31, 2020	-	-	-	-	1,748
		March 31, 2019	-	-	-	-	1,687
viii)	Other adjustments	March 31, 2020	-	-	-	-	(0)
		March 31, 2019	-	-	-	-	(29)
	Closing fair value of plan assets	March 31, 2020	13,498	2,062	-	-	25,270
		March 31, 2019	12,267	1,739	-	-	21,964

d. Total defined benefit cost

		₹ Lacs					
Sr. no.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	
i)	Current and past service cost	March 31, 2020	982	82	2	2	1,059
		March 31, 2019	1,008	212	2	2	1,054
ii)	Net interest cost	March 31, 2020	116	11	4	3	-
		March 31, 2019	44	12	4	3	(24)
iii)	Actuarial -gains / losses recognised in OCI	March 31, 2020	1,851	498	16	7	-
		March 31, 2019	1,778	77	3	(1)	-
	Total defined benefit cost	March 31, 2020	2,949	591	22	12	1,059
		March 31, 2019	2,830	301	9	4	1,030

e. Statement of profit and loss

		₹ Lacs					
Sr. no.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF	
i)	Current and past service cost	March 31, 2020	1,213	82	2	2	1,059
		March 31, 2019	1,008	212	2	2	1,054
ii)	Curtailement cost / (credit)	March 31, 2020	(231)	-	-	-	-
		March 31, 2019	-	-	-	-	-
iii)	Net interest cost	March 31, 2020	116	11	4	3	-
		March 31, 2019	44	12	4	3	(24)
	Cost recognised in profit and loss	March 31, 2020	1,098	93	6	5	1,059
		March 31, 2019	1,052	224	6	5	1,030

All of the above have been included in the line 'Contribution to provident and other funds', in note 29 of the Statement of Profit and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

42 Employee benefit plans (contd.)

f. Other comprehensive income

₹ Lacs

Sr. no.	Particulars		Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	March 31, 2020	217	(47)	3	(4)	-
		March 31, 2019	1,577	59	2	(2)	-
ii)	Actuarial -gain / loss due to assumption change	March 31, 2020	1,708	556	13	11	-
		March 31, 2019	246	27	1	1	-
iii)	Return on plan assets -greater / less than discount rate	March 31, 2020	(74)	(11)	-	-	-
		March 31, 2019	(45)	(9)	-	-	-
Actuarial -gain/ loss recognised in OCI		March 31, 2020	1,851	498	16	7	-
		March 31, 2019	1,778	77	3	(1)	-
Adjustment for limit of net asset		March 31, 2020	-	-	-	-	-
		March 31, 2019	-	14	-	-	-

g. For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets

Sr. no.	Particulars	Gratuity		Pension		PF	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
i)	Government of India securities	0.00%	0.00%	0.00%	0.00%	50.22%	48.92%
ii)	Corporate bonds	0.00%	0.00%	0.00%	0.00%	38.93%	39.54%
iii)	Special deposit scheme	0.00%	0.00%	0.00%	0.00%	6.81%	7.63%
iv)	Insurer managed funds	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%
v)	Cash and others	0.00%	0.00%	0.00%	0.00%	4.04%	3.91%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

h. Supplementary information as per Ind AS 19

₹ Lacs

Sr. no.	Particulars		Gratuity	Pension	Ex-gratia	PRMB
i)	Expected employer contribution for next year	March 31, 2020	2,914	591	NA	NA
		March 31, 2019	2,824	300	NA	NA

Notes to Consolidated Financial Statements for the year ended March 31, 2020

42 Employee benefit plans (contd.)

i. Following are the principal actuarial assumption used as at the balance sheet date

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2020	6.70%	6.70%	6.70%	6.70%	6.70%
Discount rate - March 31, 2019	7.40%	7.40%	7.40%	7.40%	7.40%
Expected rate of return on plan assets	7.25%	7.25%	NA	NA	NA
	8.00%	8.00%	NA	NA	NA
Expected return on assets for exempt PF fund					
2020-21	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.65%
2021-22	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%
2022 and thereafter	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%
Salary escalation rate - management staff	10.00%	NA	NA	NA	NA
	10.00%	NA	NA	NA	NA
Salary escalation rate - non-management staff	7.00%	NA	NA	NA	NA
	7.00%	NA	NA	NA	NA
Annual increase in healthcare costs - upto year 2021	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2022 - 2026	NA	NA	NA	8 %	NA
	NA	NA	NA	8 %	NA
Annual increase in healthcare costs - 2027 and thereafter	NA	NA	NA	6 %	NA
	NA	NA	NA	6 %	NA
Long term EPFO rate					
2019-20	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.65%
2020 and thereafter	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.60%

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

j. Expected benefit payment for the next years

		₹ Lacs					
Particulars		March 31,	March 31,	March 31,	March 31,	March 31,	2026-
		2021	2022	2023	2024	2025	2030
		March 31,	March 31,	March 31,	March 31,	March 31,	2025-
		2020	2021	2022	2023	2024	2029
Gratuity	March 31, 2020	652	1,004	735	1,234	1,354	8,565
	March 31, 2019	1,106	1,262	1,543	1,284	1,791	9,934
Pension	March 31, 2020	153	247	144	235	315	2,010
	March 31, 2019	158	132	201	116	196	1,607
Ex-gratia	March 31, 2020	4	7	4	7	9	55
	March 31, 2019	4	5	7	4	6	46
PRMB	March 31, 2020	3	3	3	4	5	40
	March 31, 2019	3	3	3	3	4	34
PF	March 31, 2020	110	112	110	108	108	106
	March 31, 2019	110	112	110	108	108	516

Notes to Consolidated Financial Statements for the year ended March 31, 2020

42 Employee benefit plans (contd.)

k. Quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs						
Assumptions Sensitivity level	Discount rate		Future salary increase		Withdrawal rate	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2020	(871)	947	939	(873)	(1,358)	1,109
March 31, 2019	(609)	655	659	(605)	(650)	1,063
Pension						
March 31, 2020	(85)	89	NA	NA	(33)	15
March 31, 2019	(67)	70	NA	NA	(23)	25
Ex Gratia						
March 31, 2020	(2)	2	NA	NA	(20)	9
March 31, 2019	(2)	2	NA	NA	(15)	18
PF						
March 31, 2020	(21)	23	-	-	-	-
March 31, 2019	(19)	20	-	-	-	-
Assumptions Sensitivity level	Discount rate		Medical inflation		Withdrawal rate	
	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2020	(2)	2	5	(4)	(15)	7
March 31, 2019	(2)	2	4	(4)	(13)	16

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures

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

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2020

			₹ Lacs
Transaction	Name of the party		Total
Purchase of goods	Cummins Inc.	March 31, 2020	17,361
		March 31, 2019	25,219
	Tata Cummins Private Limited	March 31, 2020	90,775
		March 31, 2019	105,458
	Cummins Technologies India Private Limited	March 31, 2020	26,714
		March 31, 2019	24,859
	Others	March 31, 2020	39,199
		March 31, 2019	30,652
Sale of goods	Cummins Limited	March 31, 2020	44,751
		March 31, 2019	50,757
	Cummins Technologies India Private Limited	March 31, 2020	18,178
		March 31, 2019	21,413
	Others	March 31, 2020	45,639
		March 31, 2019	65,578
Purchase of assets	Cummins Inc.	March 31, 2020	2
		March 31, 2019	45
	Cummins Technologies India Private Limited	March 31, 2020	27
		March 31, 2019	5
	Others	March 31, 2020	-
		March 31, 2019	4
Sale of assets	Cummins Technologies India Private Limited	March 31, 2020	2,442
		March 31, 2019	74
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2020	1,857
		March 31, 2019	3,587
	Valvoline Cummins Private Limited	March 31, 2020	3,762
		March 31, 2019	3,793
	Cummins Technologies India Private Limited	March 31, 2020	11,395
		March 31, 2019	10,237
	Tata Cummins Private Limited	March 31, 2020	2,256
		March 31, 2019	2,600
	Others	March 31, 2020	2,108
		March 31, 2019	301

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Services received (Refer note vii)	Cummins Inc.	March 31, 2020	807
		March 31, 2019	927
	Cummins Technologies India Private Limited	March 31, 2020	2,599
		March 31, 2019	1,436
	Cummins Africa Middle East (Pty) Ltd.	March 31, 2020	1,817
		March 31, 2019	-
	Others	March 31, 2020	140
		March 31, 2019	57
Royalty	Cummins Inc.	March 31, 2020	5,214
		March 31, 2019	5,073
Support services	Cummins Inc.	March 31, 2020	9,674
		March 31, 2019	8,934
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2020	11,123
		March 31, 2019	9,923
	Cummins Inc.	March 31, 2020	1,641
		March 31, 2019	1,895
	Cummins Power Generation Limited	March 31, 2020	-
		March 31, 2019	508
	Others	March 31, 2020	1,113
		March 31, 2019	1,324
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2020	8,166
		March 31, 2019	8,080
	Cummins Generator Technologies India Private Limited	March 31, 2020	1,031
		March 31, 2019	1,023
	Tata Cummins Private Limited	March 31, 2020	1,298
		March 31, 2019	1,275
	Others	March 31, 2020	285
		March 31, 2019	851
Remuneration paid (Refer note iii)	Sandeep Sinha (Upto August 16, 2019)	March 31, 2020	75
		March 31, 2019	307
	Ashwath Ram (w.e.f August 17, 2019)	March 31, 2020	184
		March 31, 2019	-
	Rajiv Batra	March 31, 2020	428
		March 31, 2019	299
	K.Venkata Ramana (upto December 31, 2018)	March 31, 2020	-
		March 31, 2019	196
	Hemiksha Bhojwani	March 31, 2020	50
		March 31, 2019	-
Interest on loan given	Cummins Technologies India Private Limited	March 31, 2020	-
		March 31, 2019	435

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Dividend paid	Cummins Inc.	March 31, 2020	24,033
		March 31, 2019	24,033
Donations paid	Cummins India Foundation	March 31, 2020	1,723
		March 31, 2019	1,616
Contributions paid	Cummins India Limited Officers Provident Fund	March 31, 2020	1,059
		March 31, 2019	1,054
	Cummins Group Employees Superannuation Scheme	March 31, 2020	1,964
		March 31, 2019	1,704
Cummins Group Officers Gratuity Scheme	March 31, 2020	2,824	
	March 31, 2019	902	
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2020	20
		March 31, 2019	20
	Prakash Telang	March 31, 2020	19
		March 31, 2019	21
	Priya Dasgupta	March 31, 2020	18
		March 31, 2019	21
	Rajeev Bakshi	March 31, 2020	20
		March 31, 2019	21
	Venu Srinivasan	March 31, 2020	19
		March 31, 2019	20
	Anjuly Chib Duggal	March 31, 2020	20
		March 31, 2019	6
Equity contribution - share based payments	Cummins Inc.	March 31, 2020	178
		March 31, 2019	192

c) Amounts outstanding as at March 31, 2020

			₹ Lacs
Particulars	Name of the party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2020	3,766
		March 31, 2019	2,774
	Cummins Inc.	March 31, 2020	10,536
		March 31, 2019	8,422
	Cummins Limited	March 31, 2020	3,874
		March 31, 2019	4,227
	Cummins Technologies India Private Limited	March 31, 2020	8,812
		March 31, 2019	10,180
	Tata Cummins Private Limited	March 31, 2020	143
		March 31, 2019	3,425
	Others	March 31, 2020	8,030
		March 31, 2019	5,167

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures (Contd.)

			₹ Lacs	
Transaction	Name of the party		Total	
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2020	7,869	
		March 31, 2019	9,812	
	Others	March 31, 2020	-	
		March 31, 2019	118	
Trade receivables	Cummins Angola Limited	March 31, 2020	1,237	
		March 31, 2019	1,569	
	Cummins Limited	March 31, 2020	5,004	
		March 31, 2019	5,953	
	Cummins Technologies India Private Limited	March 31, 2020	7,532	
		March 31, 2019	11,669	
	Cummins West Africa Limited	March 31, 2020	964	
		March 31, 2019	1,033	
	Cummins Inc.	March 31, 2020	996	
		March 31, 2019	3,115	
	Others	March 31, 2020	12,442	
		March 31, 2019	12,885	
	Other current financial assets	Cummins Technologies India Private Limited	March 31, 2020	202
			March 31, 2019	557
Valvoline Cummins Private Limited		March 31, 2020	823	
		March 31, 2019	1,002	
Tata Cummins Private Limited		March 31, 2020	647	
		March 31, 2019	921	
Cummins Inc.		March 31, 2020	14	
		March 31, 2019	569	
Others		March 31, 2020	187	
		March 31, 2019	637	

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures (Contd.)

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

Nature of relationship	Name of the party
Fellow subsidiaries (with which there are transactions)	Chongqing Cummins Engine Co. Limited CMI TR Mtr Guc Sistemleri Satis Servis Ltd Sirketi Consolidated Diesel Company Cummins (China) Investment Co. Limited Cummins Africa Middle East (Pty) Ltd. Cummins Afrique De L Ouest Cummins Angola Limited Cummins Arabia FZCO Cummins Asia Pacific Pte Limited Cummins Belgium NV Cummins Brasil Ltda Cummins Bridgeway LLC Cummins C&G Holding Limited Cummins Caribbean LLC Cummins Comercializadora S.De R.L Cummins Deutschland GmbH Cummins Diesel International Ltd. Cummins DKSH (Singapore) Pte Limited Cummins DKSH (Thailand) Limited CUMMINS DKSH (Vietnam) LLC Cummins East Asia Research & Development Co. Limited Cummins Engine (Shanghai) Trading & Services Co. Limited Cummins Filtration Inc. Cummins France SA Cummins Fuel Systems Wuhan Co. Limited Cummins Generator Technologies Australia Pty Limited Cummins Generator Technologies Limited Cummins Ghana Limited Cummins Holland B.V. Cummins Hong Kong Limited Cummins Italia SPA Cummins Japan Limited Cummins Korea Co Ltd Cummins Limited Cummins Makina Sanayi Ve Ticaret Limited Cummins Middle East FZE Cummins Mid-South LLC Cummins Natural Gas Engines Inc. Cummins Norte de Colombia S.A.S. Cummins Npower LLC Cummins NV

Notes to Consolidated Financial Statements for the year ended March 31, 2020

43. Related party disclosures (Contd.)

Nature of relationship	Name of the party
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Limited
	Cummins Power Generation (S) Pte. Limited
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Rocky Mountain LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Limited
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Sdn. Bhd.
	Cummins Sales and Service Singapore Pte Limited
	Cummins Saudi Arabia L.L.C
	Cummins South Africa (Pty.) Limited
	Cummins South Pacific Pty Limited
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Sweden AB
	Cummins Technologies India Private Limited
	Cummins Vendas E Serv Motores Geradores Limited
	Cummins West Africa Limited
	Distribuidora Cummins Centroamerica Costa Rica, S.de R.L.
	Distribuidora Cummins Centroamerica El Salvador, S.de R.L.
	Distribuidora Cummins Centroamerica Guatemala, Ltda.
	Distribuidora Cummins Centroamerica Honduras, S.de R.L.
	Distribuidora Cummins de Panama S.De R.L.
	Distribuidora Cummins SA
	Distribuidora Cummins Sucursal Paraguay SRL
	OOO Cummins
	Shanghai Cummins Trade Co. Limited
	Taiwan Cummins Sales & Services Co. Limited
Key management personnel	Sandeep Sinha - Managing Director (upto August 16, 2019)
	Ashwath Ram - Managing Director (w.e.f August 17, 2019)
	Rajiv Batra -Chief Financial Officer- (Upto March 31, 2020)
	K.Venkata Ramana-Group Vice President - Legal & Company Secretary (Upto December 31, 2018)
	Hemiksha Bhojwani - Company Secretary- (Upto May 11, 2020)
	Mark Levett (Chairman of the Board)
	Antonio Leitao
	Norbert Nusterer
	Suzanne Wells (Upto September 30, 2019)
	Donald Jackson

Notes to Consolidated Financial Statements for the year ended March 31, 2020

45. Related party disclosures (Contd.)

Nature of relationship	Name of the party
	Lorraine Meyer (w.e.f. October 01 , 2019) JM Barrowman – Alternate Director to Mr. Norbert Nusterer (Last Cessation on January 27, 2020) Ajay Patil -Chief Financial Officer (w.e.f April 1, 2020) Vinaya Joshi (Company Secretary) (w.e.f June 17, 2020)
	Independent Directors
	- Nasser Munjee - Prakash Telang - Priya Dasgupta - Rajeev Bakshi - Venu Srinivasan - Anjuly Chib Duggal (Upto April 6, 2020)
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited Cummins Research and Technology India Private Limited
Enterprise with common key management personnel	Tata Cummins Private Limited Cummins India Foundation New Delhi Law Offices Private Limited Valvoline Cummins Private Limited Fleetguard Filters Private Limited Caltherm Thermostats Private Limited
Employees benefit plans where there is significant influence	Cummins India Limited Officers Provident Fund Cummins Group Employees Superannuation Scheme Cummins Group Officers Gratuity Scheme

Terms and conditions of transactions with related parties:

- ii) The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Group as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Group and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

44 Segment information

On a review of all the relevant aspects including, in particular, the system of internal financial reporting to the Board of Directors, which is the Chief Operating Decision Maker ('CODM') and considering the economic characteristics of the operations, the Group is of the view that it operates in two segments viz. 'Engines' and 'Lubes'. Lubes segment comprises of a joint venture viz. Valvoline Cummins Private Limited, which is accounted for as per equity method under relevant Ind AS standard. The CODM evaluates the Group's performance based on an analysis of various parameters. Engine segment comprises of Cummins India Limited and other Group companies, which has been aggregated considering the nature of products, class of customer etc.

Following information is provided to the CODM for Lubes segment for monitoring its performance:

Particulars	₹ Lacs			
	Year ended March 31, 2020	Year ended March 31, 2020*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	509,587	129,418	129,418	509,587
Profit before tax	72,788	21,202	13,242	80,748
Profit after tax *	62,601	15,921	7,961	70,561

Particulars	₹ Lacs			
	Year ended March 31, 2019	Year ended March 31, 2019*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	556,455	133,276	133,276	556,455
Profit before tax	100,131	20,758	14,000	106,889
Profit after tax *	67,503	13,516	6,758	74,261

Notes:

* The above numbers represent full numbers in the Statement of Profit and Loss of Valvoline Cummins Private Limited and are not Group's proportionate share. For relevant information relating to Engine segment refer consolidated Statement of Profit and Loss and Balance Sheet.

- 45 As set out in section 135 of the Companies Act, 2013, the Group is required to contribute **₹ 1,723 lacs** (March, 31 2019: ₹ 1,616 lacs) towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Group has contributed **₹ 1,723 lacs** (March, 31 2019: ₹ 1,616 lacs) to Cummins India Foundation towards the eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

46 Financial risk management objectives and policies

Financial risk factors:

The Group has well written policies covering specific areas, such as foreign exchange risk and investments which seeks to minimise potential adverse effects on the Group's financial performance due to external factors. The Group uses derivatives to hedge foreign exchange risk exposures. The Group's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that has appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Group's activities are exposed to 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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the Group's functional currency.

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Group uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	51	108
Euro	1%	18	17
Others	1%	4	3
Total		73	128

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and financial assets and liabilities denominated in various currencies. Although the derivatives have not been designated in a hedge relationship, they act as economic hedge and offset the underlying transactions when they occur.

ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Company's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

The Group has a borrowing of ₹ 48,926 lacs outstanding as at March 31, 2020. The interest on loans is payable at a rate of T-bill / Repo / CD + Spread. While the interest provision as at March end is fixed, the interest for the remainder tenure of the loans is subject to fluctuate basis the movement in T-bill/Repo/CD rate.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

46 Financial risk management objectives and policies (contd.)

The following table demonstrates the sensitivity of interest payable:

₹ Lacs			
	% change	March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Working Capital Loan	0.50%	82	40

iii) Price risk

The Group invests its surplus funds in mutual funds which are linked to debt markets. The Group is exposed to price risk for investments in mutual funds that are classified as fair value through profit or loss. To manage its price risk arising from investments in mutual funds, the Group diversifies its portfolio. Diversification and investment in the portfolio is done in accordance with the limits set by the Board of Directors.

The following table demonstrates the sensitivity relating to possible change in investment value with all other variables held constant:

₹ Lacs			
	% change	March 31, 2020	March 31, 2019
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.50%	391	121

Profit after tax for the year would increase / decrease as a result of gains / losses on mutual funds classified as at fair value through profit or loss.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk primarily from trade receivables, contract assets, other receivables, deposits with banks and loans given.

Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10.

Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Group's treasury department in accordance with Group's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5,9,12 and 13.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

46 Financial risk management objectives and policies (contd.)

c) Liquidity risk

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

As per the Group's policy, treasury team invests surplus cash in marketable securities and time deposits with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Group held mutual funds of ₹ 78,146 lacs (March 31, 2019: ₹ 24,248 lacs) and other liquid assets of ₹ 18,147 lacs (March 31, 2019: ₹ 19,546 lacs) that are expected to readily generate cash inflows for managing liquidity risk. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	₹ Lacs			
As at March 31, 2020	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	390	48,536	-	-
Lease Liabilities	-	602	1,668	729
Trade payables	-	69,735	-	-
Royalty and support services	-	7,869	-	-
Unpaid dividend	1,341	-	-	-
Retention money	-	2,946	1,349	-
Dealer deposits	-	-	2,173	-
Others	-	4,657	-	-
As at March 31, 2019	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	343	30,916	-	-
Trade payables	-	82,541	-	-
Royalty and support services	-	9,812	-	-
Unpaid dividend	1,259	-	-	-
Retention money	-	2,426	670	-
Dealer deposits	-	-	2,007	-
Others	-	2,626	-	-

d) Capital management

The Group's objectives when managing capital is to provide maximum returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group 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 Holding Company.

	March 31, 2020	March 31, 2019
Borrowings	48,926	31,259
Less: Cash and cash equivalents	18,147	19,546
Net debt	30,779	11,713
Equity	440,204	428,298
Gearing ratio (times)	0.07	0.03

Notes to Consolidated Financial Statements for the year ended March 31, 2020

47 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value		Fair value	
	March 31, 2020 ₹ Lacs	March 31, 2019 ₹ Lacs	March 31, 2020 ₹ Lacs	March 31, 2019 ₹ Lacs
Financial assets:				
FVTPL of investments in mutual funds	78,146	24,248	78,146	24,248
FVTPL of investments in equity	-	24	-	24
FVTPL of Foreign exchange forward contracts	-	419	-	419
Financial liabilities				
FVTPL of Foreign exchange forward contracts	672	-	672	-
Non-current assets				
Investment properties	103,664	72,802	121,584	78,048

The Management assessed that cash and cash equivalents, other bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds are based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity are based on the price quotation at the reporting date derived from quoted market prices in active market. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

47 Fair values (contd.)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1d.

	₹ Lacs			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets at FVTPL				
Investments in mutual funds				
March 31, 2020	-	78,146	-	78,146
March 31, 2019	-	24,248	-	24,248
Investments in equity				
March 31, 2020	-	-	-	-
March 31, 2019	24	-	-	24
Forward contracts asset				
March 31, 2020	-	-	-	-
March 31, 2019	-	419	-	419
Forward contracts liability				
March 31, 2020	-	672	-	672
March 31, 2019	-	-	-	-
Non-current assets				
Investment properties				
March 31, 2020	-	-	121,584	121,584
March 31, 2019	-	-	78,048	78,048

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment properties, refer note 3.

- 48 Exceptional Items comprise one time expense on account of Voluntary Retirement Program (VRP) and Reduction In Force (RIF) aggregating to ₹ 1,605 lacs and ₹ 380 lacs respectively.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

49 Additional information

Statutory group information

Name of the entity in the Group	Net assets i.e. total assets minus total liabilities		Share in profit and (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ Lacs	As % of consolidated profit and loss	₹ Lacs	As % of consolidated other comprehensive income	₹ Lacs	As % of consolidated total comprehensive income	₹ Lacs
Parent								
Cummins India Limited								
Balance as at March 31, 2020	94.84%	417,496	89.19%	62,934	96.33%	(1,757)	89.00%	61,177
Balance as at March 31, 2019	96.44%	413,045	97.30%	72,257	99.65%	(1,200)	97.26%	71,057
Subsidiary (Indian)								
Cummins Sales & Service Private Limited								
Balance as at March 31, 2020	0.40%	1,751	0.26%	184	0.93%	(17)	0.24%	167
Balance as at March 31, 2019	0.37%	1,601	0.33%	243	0.60%	(7)	0.32%	236
Associate (Indian)								
Cummins Generator Technologies India Private Limited								
Balance as at March 31, 2020	-	27,790	5.89%	4,157	2.30%	(42)	5.99%	4,115
Balance as at March 31, 2019	-	22,655	3.32%	2,467	-0.11%	1	3.38%	2,468
Joint Ventures (Indian)*								
Valvoline Cummins Private Limited								
Balance as at March 31, 2020	-	22,811	11.28%	7,961	0.44%	(8)	11.57%	7,953
Balance as at March 31, 2019	-	21,920	9.10%	6,758	-0.11%	1	9.25%	6,760
Cummins Research and Technology India Private Limited								
Balance as at March 31, 2020	-	542	0.05%	33	0.00%	-	0.05%	33
Balance as at March 31, 2019	-	478	-0.02%	(14)	0.00%	-	-0.02%	(14)
Adjustments arising out of consolidation								
March 31, 2020	4.76%	20,957	-6.67%	(4,708)	0.00%	-	-6.85%	(4,708)
March 31, 2019	3.19%	13,652	-10.03%	(7,450)	-0.03%	1	-10.19%	(7,450)
Total for March 31, 2020	100.00%	440,204	100.00%	70,561	100.00%	(1,824)	100.00%	68,737
Total for March 31, 2019	100.00%	428,298	100.00%	74,261	100.00%	(1,204)	100.00%	73,057

* The net assets of the entity have not been consolidated under the equity method.

Notes to Consolidated Financial Statements for the year ended March 31, 2020

50 COVID 19

During the quarter ended March 31, 2020, the outbreak of the coronavirus disease of 2019 ('COVID-19') spread throughout the world and became a global pandemic. The pandemic triggered a significant downturn globally, including in India, and the challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of employees and stakeholders, match the reduced demand from our customers and in accordance with the governmental requirements, offices and manufacturing facilities were shut down. These closures expanded and continued into April/May 2020. While the downturn, closures and limitations on movement are expected to be temporary, and though the lockdown restrictions have now been relaxed partially, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time.

The Group has assessed the impact of COVID-19 on its assets, including property, plant and equipments, receivables, inventories etc. and it was concluded that the impact is not significant. However, the estimate of the impact of COVID-19 may differ from the same ascertained up to the date of approval of these financial results by the Board of Directors, based on how the COVID-19 situation evolves over a period of time.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. : 324982E/E300003

For and on behalf of the Board

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Ashwath Ram
Managing Director
DIN : 00149501

Nasser Munjee
Director
DIN : 00010180
Place : Goa

Vinaya Joshi
Company Secretary
PAN : AMQPJ5216P

Ajay Patil
Chief Financial Officer
PAN : AAJPP9246Q

Place: Pune
Date: June 17, 2020

Place: Pune
Date: June 17, 2020

Business
Responsibility
Report
2019-20

BUSINESS RESPONSIBILITY REPORT 2019-20

(As per Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

This Business Responsibility Report is a disclosure of adoption of responsible business practices by the Company for all its stakeholders. The Report describes the initiatives taken by the Company from environmental, social and governance perspective. It has been designed to provide basic information about the Company, information related to its performance and processes and information on principles and core elements of the Business Responsibility Reporting.

INTRODUCTION

Vision, Mission, Values and Principles

Mission

Making people's lives better by powering a more prosperous world

Vision

Innovating for our customers to power their success

Values

■ **Integrity**

Doing what you say you will do and doing what is right

■ **Diversity and Inclusion**

Valuing and including our differences in decision making is our competitive advantage

■ **Caring**

Demonstrating awareness and consideration for the wellbeing of others

■ **Excellence**

Always delivering superior results

■ **Teamwork**

Collaborating across teams, functions, businesses and borders to deliver the best work

Leadership Culture

Inspiring and encouraging all employees to achieve their full potential

Brand Promise

Powering our customers through innovation and dependability

Strategy

Delivering value to all stakeholders

Section A

General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN) L29112PN1962PLC012276
- Registered Office Address:
Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045
- Website : www.cumminsindia.com
- Email id : cil.investors@cummins.com
- Financial Year reported: 2019-20

BUSINESS SECTORS:

Cummins India Limited was established in 1962 and is a leading manufacturer of diesel and natural gas engines, generator sets and related services.

The Company comprises of three businesses – Engine Business (serving the Construction and Compressor markets with Heavy, Medium and Light Duty engines), Power Systems Business (serving Mining, Marine, Rail, Oil & Gas, Defense, and Power Generation) and Distribution Business.

A. Engine Business:

The Engine Business manufactures and markets diesel engines for off-highway applications. Starting from 50 hp spanning up to 600 hp, these engines power construction and compressor equipment including repowering opportunities in these segments.

B. Power Systems Business:

The Power Systems Business provides power generation systems for prime, standby and distributed power generation requirements. The diesel generators cater to a wide range of individual and institutional customers in various segments such as Infrastructure, Manufacturing, Data Centers, Realty, Healthcare and Hospitality in domestic market. It also provides customized integrated power solutions for Railways, Mining, Marine, Pumps, Oil and Gas and Defense. The business also manufactures and exports low kilowatt generator sets from its production unit located at the Special Economic Zone at the Cummins Megasite in Phaltan, Maharashtra.

C. Distribution Business:

The Distribution Business provides products, services and solutions for uptime of Cummins equipment and engines. The business is engaged in providing after-market support to customers in India, Nepal and Bhutan. Over the years, the business has grown from strength to strength, and has successfully established itself as a 'dependable' after-sales service support arm of the Company. At present, it supports more than 6,00,000 engines in the field covering more than 2.24 lac customers.

The Distribution Business has a country-wide network of 20 dealerships with over 450 service points supported by a pool of more than 3,600 trained engineers and technicians. This network possesses the necessary infrastructure and adequate technical capability to meet the Company's service standards and is constantly upgraded as per changing product and customer needs.

Key Products of the Company as per Balance Sheet

The Company's primary products are Compression Ignition Internal Combustion engines, generator sets and Component Parts thereof.

Locations from where business activity is undertaken by the Company

The Company has its operations spread across the country with its registered and corporate office in Pune. Additionally, the Company has four zonal offices in Pune, Gurgaon, Kolkata and Bangalore and has area offices at 14 locations across India. The operations are carried out at multiple facilities situated in Pune, Chennai, Pirangut and the Megasite in Phaltan.

Markets served by the Company

The Company serves domestic markets in India, Nepal and Bhutan and also exports its products to various countries with USA, Europe, Mexico, Africa Middle East and China being the top destinations.

Section B

Financial details of the Company

Paid-up Capital	:	₹ 5,544 Lacs
Total Turnover	:	₹ 506,160 Lacs
Total Profit after Taxes	:	₹ 62,934 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

Cummins has a long history of corporate responsibility, based on the framework of linking the impact on our stakeholders to responsible business decisions. Our employees have invested talent, passion and resources trying to solve problems in our communities and society since the Company's inception in 1919. This heritage is reflected in a statement made by former Cummins CEO J. Irwin Miller more than 40 years ago: *"Business has a very large stake in the quality of the society within which it operates. We flourish only as we are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises"*.

Far more than just philanthropy, Cummins Corporate Social Responsibility means not only making responsible business decisions, but affirmatively reaching out to help our communities and engage our workforce in addressing community needs.

Cummins believes a company is only as healthy as the communities where it does business. Acting responsibly will contribute to the Company's health, growth, profitability and sustainability. This includes:

- Decision making that considers our responsibility to a full array of stakeholders.
- Setting a high standard for all aspects of corporate citizenship.
- Using our values, talents, resources and global position to drive improvement in our communities and the world.

The Company focuses its resources on three global priority areas: Environment, Education, and Equality of Opportunity.

- **Higher education:** Improving quality and alignment of educational systems to ensure students of today are ready for the workforce of tomorrow.

Cummins provides a development platform for students through its various programs like Education Assistance to Socially and Economically Weaker Sections, Women Education and Employability supported by Cummins College of Engineering and Vocational Education- TEC.

- **Energy and Environment:** Ensuring that everything Cummins does leads to a cleaner, healthier and safer environment.

The rapid increase in population and economic development has led to severe environmental degradation, India has been no exception to this worldwide phenomenon. Cummins' employees have a wealth of experience in reducing negative environmental impact – both in its products and facilities. Cummins takes that knowledge and commitment outside of their walls, thus working towards giving power to 'all'. With support of the local government bodies, skilled and experienced NGOs and academia, Cummins has worked actively in projects in the areas of Afforestation, Solid Waste Management, Water Conservation, Air Pollution and Renewable Energy.

- **Equality of Opportunity:** Increasing opportunity and equity for those most in need.

This focus area concentrates on capacity building and enhancement of communities around which Cummins' operates. The Company believes in holistic and sustainable development of societies by means of developmental activities in villages in the vicinity of the plants. Company also has partnered with several non-profit institutions like the organizations serving disabled and underprivileged with an intent of providing a better life to their residents.

Cummins has continued its focused efforts and work towards scaling up the identified strategic projects namely Cummins Powers Women with Rise Up, Phaltan Model Town, Clean Air Delhi and Monsoon Resilient Maharashtra under the umbrella of its CSR projects.

The focus areas, their underlying themes and strategic projects are owned and driven by the leadership team who play an instrumental role in setting the vision and direction for various initiatives. Employee engagement in the CSR initiatives also contributes significantly towards strengthening the communities. Employee engagement takes place through:

- Every Employee Every Community- Cummins employees participate in Corporate Social Responsibility through the company's Every Employee Every Community (EEEC) program. EEEEC enables each employee to use at least four work hours to contribute to local projects and successfully leverages and unleashes their unique skillsets. Employees are encouraged to bring their family and friends to volunteer in projects of their choice thereby becoming brand ambassadors for the specific project's cause.
- Community Involvement Teams (CITs) – They are employee driven structures through which CSR initiatives are carried out in communities in which the Company operates.
- Cummins has been ranked 50th out of Top 100 companies listed by FUTURESCAPE in Sustainability and CSR in India. This ranking is based on the weighted average of three criteria: Governance, Social and Environment .

For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 12 attached to the Directors' Report for Financial Year 2019-20.

Section C

Other Details

To enhance the distribution capabilities, the Company has a wholly-owned subsidiary Cummins Sales & Service Private Limited (formerly known as Cummins Svam Sales & Service Private Limited).

The Company continues to own 50% equity shares respectively in Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited and 48.5% in Cummins Generator Technologies India Private Limited.

The Company engages in business with various Cummins entities in India that also actively participate in the Business Responsibility (BR) initiatives of the Company in a collaborative manner. However, entities outside of Cummins, like its suppliers, distributors, etc. are not included in the BR initiatives of the Company.

Section D

BR Information

1. Details of Director responsible for BR:

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

DIN Number : 00149501
Name : Mr. Ashwath Ram
Designation : Managing Director
Telephone : 020 6706 7000
Email ID : cil.investors@cummins.com

- b. Details of the BR Head :

Name : Mr. Anubhav Kapoor
Designation : Group Vice President, Legal & Group Company Secretary
Telephone : 020 6706 7000
Email ID : cil.investors@cummins.com

2. Principle wise (as per NVGs) BR Policy

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

Principle 1:

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

Principle 2:

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

Principle 3:

Businesses should promote the well-being of all employees.

Principle 4:

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

Principle 5:

Businesses should respect and promote human rights.

Principle 6:

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

Principle 7:

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

Principle 8:

Businesses should support inclusive growth and equitable development.

Principle 9:

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

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

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for-	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	-	Y	Y	-	Y	-	-	-
4.	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	N	N	-	N	-	Y	-
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	Y	-	Y	-

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
6.	Indicate the link for the policy to be viewed online?	#	-	-	-	-	-	-	-	-
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y**	-	Y**	Y**	-	Y**	-	Y**	-
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	-	Y	Y	-	Y	-	Y	-
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	-	Y	-	Y	-
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	-	N	N	-	Y	-	N	-

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

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

Ethics Helpline

The Company has an ethics helpline where employees can place anonymous complaints against ethics violations observed or are victims themselves as per the policy of the Company. The ethics helpline can be reached through the following modes:

- Online : ethics.cummins.com
- Ethics Hotline: 000 800 100 1071 and 000 800 001 6112 (anonymous report is possible and the report can be filed in Hindi as well)
- Contact Ethics and Compliance : Email to ethicsandcompliance@cummins.com
- Contact entity Line HR Leader or India Master Investigator: Email to fp023@cummins.com

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

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Indicate the link for the policy to be viewed online	-	-	-	-	-	-	-	-	-
7	Any other reason (please specify)	-	-	-	-	-	-	#	-	-

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

3. Governance Related to BR

The Board of Directors of the Company review the BR performance of the Company on a regular basis, but at the least, annually. The Managing Director reviews the BR activities of the Company on a regular basis. The Company publishes the Business Responsibility Report annually, which forms part of the annual report.

The hyperlink for viewing this report is: <https://www.cummins.com/en/in/investors/india-annual-reports>

Section E

Principle-wise Performance

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

The Company has designed and implemented a well-defined Ethics Policy which covers its employees as well as employees of its joint ventures, associate companies, and distributors. Not only this, in their meeting held on January 28, 2005, the Board of Directors have adopted the Code of Conduct which is devised in order to enable the Directors to strive to perform their duties according to the highest standards of honesty, integrity, accountability, confidentiality and independence.

The Company's view on ethics and fostering the right environment is reflected in the following statement from India Leadership team where they mention, "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

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

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

- We will follow the law everywhere
- We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect
- We will compete fairly and honestly
- We will avoid conflicts of interest
- We will demand that everything we do leads to a cleaner, healthier and safer environment
- We will protect our technology, our information and our intellectual property

- We will demand that our financial records are accurate and that our reporting processes are clear and understandable
- We will strive to improve our communities
- We will communicate honestly and with integrity
- We will create a culture where all employees take responsibility for ethical behavior

Cummins is dedicated to exceeding customer expectations by always being first to market with the best products and this goal, in part, is accomplished through partnership with suppliers who share Company's commitment to quality and value and who operates under a philosophy that focuses on integrity and "doing the right thing." To support this philosophy, Cummins has a Supplier Code of Conduct (elaborated under Principle 4) which applies to all businesses that produce goods or provide services for Cummins and to its subsidiary, joint ventures, divisions or affiliates.

Cummins has adopted the following competition guidelines: -

- We do not bribe anyone for any reason
- We get business because our products, services and people are the best
- We do not use the confidential information of others to gain an improper advantage
- We do not mislead others or compromise our integrity to gain an advantage

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

Cummins ensures that each of its employees have a stake in living the Code of Business Conduct and enforcing the rules and principles enshrined in the same. These principles are intended to guide Cummins employees' treatment of one another, as well as their interaction with customers, suppliers, partners, public officials and other stakeholders.

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

- New Hire Global Onboarding (GOB) Program, on-going trainings like Right Environment Every Time (REET) and Prevention of Sexual Harassment (POSH) Training and online global core policy trainings
- Annual Ethics Certification
- Ethics Help-line, Organizational Support and Vigil Mechanism Policy
- Townhalls and All employee communications done by Leaders
- Regular updates to Senior Management

New Hire Global Onboarding (GOB) Program, on-going trainings like Right Environment Every Time (REET) and Prevention of Sexual Harassment (POSH) Training and online global core policy trainings

Cummins puts its ethics and compliance principles into practice through various training programs like the new hire Global Onboarding (GOB) program, REET training, POSH training and also multiple online global trainings on core policies targeted at appropriate employee groups in order to promote ethical behavior. Cummins has a policy describing how employees are supposed to treat each other at work. All employees are required to attend the 'Treatment of Each Other at Work Policy' training course and complete refresher courses, as needed from time to time. It applies to all employees, customers and suppliers. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy. It also applies to employees away from the Company property when they are on Company business or acting as an agent of Cummins.

A training module on the Anti-Bribery Policy was introduced in 2015, to ensure strengthening of the knowledge on the subject and awareness among employees. The Code of Conduct related to insider trading ('Code') was launched in May 2015, for regulating, monitoring and reporting the Insider Trading by the Company employees and other connected persons. The Company also conducts several mandatory online training courses such as Careful Communications at Work, Doing Business Ethically, Data Privacy, Information Classification and Protection, Preventing Workplace Violence, Conflicts of Interest etc on the Cummins Learning Center, Cummins' in-house learning management system.

Annual Ethics Certification

Cummins Employees in certain grades and key positions are also required to complete the Annual Ethics Certification form. The Annual Ethics Certification process reinforces commitment to Cummins' ethical policies and the Code of Business Conduct, promoting an ethical culture.

Ethics Help-line, Organizational Support and Vigil Mechanism Policy

All Cummins employees worldwide, regardless of position, are expected to observe high ethical standards. Employees whose actions can bind the Company or set the tone for others have a particular responsibility. Therefore, each employee is expected to follow the Cummins Code of Business Conduct.

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

Cummins has a robust and well-governed ethics investigation process. All ethics concerns are reported through the ethics website, the ethics helpline or through the Master Investigator, HR or Manager. All cases get assigned to trained in-house investigators for investigation and appropriate actions are recommended after approval from senior leaders.

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

The Company has also constituted an Internal Committee (IC) across all its locations in India.

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

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

Statistics (April 01, 2019 – March 31, 2020):

Under the Ethics, Conflict of Interest, Theft, Bribery & Corruption, Fraud, Abuse and fraud with Company benefits and forms, IT Abuse and Improper Supplier or Contractor Activity category, the Company received and closed 28 complaints during the year.

Under the Treatment of Each Other at Work Policy, the Company received and resolved 58 complaints during the year.

The Internal Committee resolved 1 complaint during the year.

Townhalls and All employee communications done by Leaders

Senior Leaders, in their regular town halls and all employee meetings, sensitize employees about the importance of creating the right environment, creating an ethical organization and awareness about ethics policies and examples of ethics cases and their actions which helps in increasing awareness and driving accountability amongst employees at all levels.

Regular updates to Senior Management

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

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

The Company continued to focus on sustainability initiative like waste recycling, GHG reduction, solar PV installations, regenerative dynos, water conservation and reuse of treated water in process, water neutrality, green supply chain, returnable packaging etc.

Cummins' commitment to Health, Safety and Environment continued in year 2019-20, reinforcing its responsibility towards employees, natural resources and the environment. Following is the incident rate recorded in year 2019-20. There has been an improvement in the contractor incident rate in 2019. Even though the incident rate for employees has increased by 9% in 2019, the severity of cases in terms of lost time cases has decreased by around 44%. Sites have taken efforts through various projects and have focused on training to strengthen the safety culture.

Safety	Employees		Contractors	
	2018	2019	2018	2019
Incident Rate	0.638	0.767	0.20	0.12
Severity Case Rate	0.25	0.153	-	-

All operational facilities of the Company diligently monitored and tracked the quantity and quality of their emissions/wastes generation as per their consent requirement and have been reporting it to the concerned pollution control boards on an annual basis in the form of Environment statement.

Cummins is driving environment awareness initiatives across all its plants. Under these initiatives, the Company was focused on Environment Day and celebrated Environment Week to reinforce its commitment to the environment. The Health, Safety and Environmental (HSE) department continues to focus on developing people on environment aspects, identify improvement opportunities, undertake Greenhouse Gases (GHG) reduction projects and train people on pollution prevention, water conservation etc. All the environmental performance parameters are tracked in an IT software where data on GHG, waste and water are tracked as Key Performance Indicator (KPI) and every year targets are set on baseline.

Your Company generated 19,814 metric tons of Green House Gases (GHG), consumed 32,741 kilo gallons of water and generated 5,502 metric tons of waste. This included Distribution Business office locations. Out of the total waste generated 5,030 Metric tons of waste was recycled. Your Company's recycling rate is over 91%.

The Power Generation SEZ plant won the "Golden Peacock Occupational Health and Safety Award" in July 2019. The site was presented with the "Innovative Environmental project" title at the 6th Confederation of Indian Industries (CII) Environmental Best Practice Awards 2019 in July 2019. During the year under review, India Parts Distribution Centre (IPDC) won the Greentech Environment award for their environmental performance in the previous year. Kothrud Engine Plant successfully installed 1000 kWp solar PV plant at site in December 2019.

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

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

The Company works extensively to continuously improve procurement procedure to ensure sustainability of its suppliers. The procedure includes seven separate areas of Sourcing, Contract Development and Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management and Supplier Quality Improvement. The procedure also includes the Supplier Code of Conduct (SCOC) which requires that the supplier follows key ethical principles set forth by Cummins including the Supplier being required to protect the environment.

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

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

The Company meticulously abides by all the Health, Safety and Environmental (HSE) laws and has developed a common HSE policy applicable to all groups and communicated to all suppliers and vendors. Cummins has comprehensive policies and procedures, governed by the dedicated HSE department, which covers the Company, Contractors, Dealerships, Group Joint Ventures, and Suppliers etc. to implement and monitor the same.

The Company understands the importance of adopting a proactive approach to address issues like climate change and global warming.

On the operations front, the Company continued energy conservation programs with more projects observed this year for reducing GHG footprint off site and promoting energy efficiency. These initiatives are driven through Six Sigma projects on energy conservation, unplugged challenge, energy audits and environment champions training.

Energy saving initiatives like unplugged challenge, replacement of light fixtures with LED lamps have been undertaken to reduce the energy consumption in plants. Your company has worked towards enhancing the utilization of renewable energy at site by installing solar PV plants of 1000 kWp and 150 kWp at Kothrud Engine Plant and Power Generation Business Unit Plant, Pirangut respectively in the Financial Year 2019-20.

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

Your Company is committed to building the right leadership skills at all levels of the organization which in turn contributes significantly towards building the right environment at the workplace. With a strong emphasis on 'Hire to Develop', the Company provides Sponsored Educational programs and various Leadership Development programs to develop both functional expertise and people skills respectively.

All sponsored education programs are consciously designed in partnership with prestigious institutes in India and offered as formal degree/certification to the employees. The sponsored education programs include:

- General Management program: Two-year Executive MBA programs at different levels of leadership roles in partnership with institute like S.P. Jain Institute of Management and Research – Mumbai.
- Technical Development program: Two-year degree course in Masters in Automotive Engineering & a two-year Bachelors in Technology course in partnership with BITS Pilani.
- PhD program for professional employees in the Engineering function from IITs in India and IISc, Bengaluru.

A special certification in Industrial Relations with Tata Institute of Social Sciences (TISS) for managers engaged in plant roles is also being offered.

Your Company also offers an education assistance policy to employees who are interested in pursuing formal education as a part of their self-development or upgrading their functional capabilities.

Leadership Development programs include Global Leadership Development Program, Authentic Leadership Program, Building Success in Others, Front Line Leadership Development Program and Building Success in You program. Furthermore, Cummins also encourages job moves across functions, entities and locations to ensure varied exposure and growth of its employees.

Structured initiatives are being offered with a focus to develop and nurture women leaders across business units. The 'Women Leadership Development Program' focuses on enhancing leadership capabilities of high performing women employees and encompasses career conversations, gap analysis, mentoring sessions and function specific learning interventions.

Diversity & Inclusion

Diversity and Inclusion is woven in the fabric of Cummins. Our efforts are focused on increasing our diverse 'Representation' and creating an 'Environment', which is inclusive for the diverse groups that join the workforce. Historically, Diversity & Inclusion has always been practiced at Cummins. Hence, while we will continue to hire female talent and move to gender parity representation, our focus would also be to ensure recruitment of talent from the underrepresented groups and regions. Alongside we are continuing our efforts on ensuring our employees feel emotionally and physically safe, so that they bring their full potential to the workplace irrespective of the differences.

Our leaders are cognizant of the fact that we have already stepped into a globalized world, where social movements are increasing, and technologies are changing at faster pace. To add to this is a workforce, (i.e. the millennial generation) that accepts their workplace to be aligned to it and match this speed. Cummins in India is more than 50 years old organization and at any point of time we have 2-3 generations working together. Today, more than 60% of the workforce belongs to the millennial generation. We are happy to share that we already have a platform in place that gives these diverse generations a soft landing, provides social and professional support & encourages interaction within and across work groups. These platforms are in the form of Employee Resource Groups (ERG) that focus on various primary dimensions of diversity. One of the ERGs is on the 'generation' dimension. This ERG works with a mission that focuses on 'Connecting generations to think together'. Through this ERG, strategic projects have been launched that emphasize on ways to engage and develop the workforce which is our future. This ERG would also work on creating initiatives through which the previous generation workforce can leverage their expertise and pass on their knowledge & experience to them.

Our leaders are fully aware of the challenges that comes when we have a diverse workforce. Hence, Diversity and Inclusion is on their agenda. It is also part of their communications across hierarchies and they ensure they Walk the Talk, when it comes to demonstrating it. Our Diversity & Inclusion framework has in place all the necessary significant drivers that would help us to face and overcome the challenges, the future workplace holds. Promoting and nurturing inclusivity is the prime focus and it's reflection can be seen when designing the state of art child care centers at all our locations, to ensuring strong inclusion catalyst in the form of Employee Resource networks, imparting Diversity and Inclusion education across levels, upgrading diversity sensitive infrastructure & accessibility tools, to introducing work life integration policies & guidelines. Our focus continues to ensure the organization's readiness to adapt itself to the future workplace and working style and continue to be the 'Employer of Choice' to the future generations.

Cummins Health and Wellness Program

Cummins continued its journey in the area of Health and Wellness, throughout 2019-20. Various initiatives are aligned with Cummins' Wellbeing Strategy – "7 Levers of Healthy Lifestyle" namely:

1. Physical Activity
2. Nutrition
3. Sleep
4. Stress Management
5. Substance Free (staying away from addictions)
6. Clean Water
7. Sunshine & Air

Multiple programs were rolled out, which were aligned to these 7 levers namely, Yoga, Employee Assistance Program etc. Employees from across all locations were covered under the Program like EAP Awareness and Theme based Classroom Sessions. EAP introduced at Cummins in 2015 saw significant results this year too. Since inception, employees and family member's availed different EAP services and a significant number of risks have been mitigated through counselling. Keeping in mind the stigma associated with counselling, various communication programs were rolled out in 2019-20. The aim was to demystify people's perception about counselling and assure employees that it is perfectly acceptable to approach a trained counsellor. With the intent to create more awareness of EAP amongst the employees, Cummins continued to provide employee outreach programs that involved a series of emailers on relevant topics help drive usage of online resources and also floor interaction sessions where counsellors from the EAP service provider reached out to employees at their workstations or on the shop floor. Currently, approximately 3% of employees are actively using EAP services. In addition, we had another successful celebration on account of "International Yoga Day 2019" by practicing Yoga across all locations. The sessions were facilitated by both in-house and external yoga trainers. ~ 800 participated in these sessions.

Major Programs such as Birth and Beyond for pregnant women, Anaemia Eradication for female workforce, Diabetes Control and Ideal Weight Drive that were piloted at Megasite Phaltan were extended to all employees at other Cummins offices / plants. These programs were launched with the aim to:

- Help expecting mothers easily tide through the critical ante-natal phase as well as support them in meeting various demands with new motherhood. Further, this initiative also aimed to minimize Caesarean Section deliveries.
- Eradicate anaemia, seen most prevalently deficient in women employees.
- Help employees attain good health through effective changes in lifestyle including weight management.
- Hypertension Control Drive has been added to the programs as it is one of the most prevalent diseases that is influenced by lifestyle and can be a root cause of many life-threatening diseases.
- Advice retiring employees on how they can take care of their physical and emotional health post retirement as part of the 'Health after Retirement' programme - this would help them to start planning for retirement right away.

Many of the employees travel for the business reasons which can impact the health if not taken care. For such employees, your Company has started with initiative called Travelers' Health to spread the message of taking care of their health. For the women employees working on the shop floor, your Company has an initiative to understand their health issues and help them in taking right care of themselves.

The Company ensures that Health Safety and Environment (HSE) related training is imparted to all relevant stakeholders at regular intervals. For this purpose, the Company conducts workshops to train employees with sessions targeted at shop-floor employees.

The Company has a structured process to identify the potential amongst employees in order to confer rewards and recognition. The Company has been organizing sports activities for its employees to promote employee health and morale. Career development is supported through innovative human resource interventions like the Integrated Talent Management system.

Child or forced labor is not tolerated at Cummins and Cummins does not do business with any company which engages in child or forced labor. The Company employs around 3,447 permanent employees out of whom, around 814 are women employees, company also has 288 student category apprentices and 215 temporary employees, taking the total employee strength to 3950, this includes 1 permanent employee with disabilities.

Apart from this, the Company also employs around 1500 contractual and 534 temporary basis (fixed term) employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety, skill up-gradation and mandatory trainings to ensure value alignment, is conducted for various categories of employees. In order to establish proper control measures and to ensure compliance to the law and internal processes, the Company is continuing with automated time and attendance system as well as quarterly audit of Contract Labour Management process.

The Company has a recognized Trade Union 30.4% of production and staff associates forms part of unionized work force through this Trade Union.

Demonstrating Cummins' core value of Diversity and Inclusion, there is 31% women representation in the professional category employed in Cummins pan India. The organization strongly believes and advocates embracing the diverse perspectives of all people and honoring them with dignity and respect. In a bid towards further reinforcing gender equality across all our facilities, various entities across the Cummins group in India, introduced B-shift for women employees on the shop-floor. Complimenting this move, we also have now kept our child care center at our Megasite operational for both A and B-Shift, so that employees (both our male and female) who avail the onsite creche facility can also leverage working in different shifts. This has contributed in creating a very positive impact on the work culture as irrespective of gender employees are seen working in different shifts.

These steps will go a long way in improving gender representation for the organization and set a definitive benchmark for industries in the Automotive Sector. These steps have been introduced after complete compliance with legal requirements as well as absolute adherence to the safety and security of women, further reinforcing Cummins as a 'great and safe place to work'.

Sr. No.	Category	No. of complaints filed during the Financial Year (April 2019 – March 2020)	No. of complaints pending as on the end of the Financial Year (April 2019 – March 2020)
1.	Child labor/ forced labor/ involuntary labor	NIL	NIL
2.	Sexual Harassment	1	NIL
3.	Discriminatory employment	NIL	NIL

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

While Cummins' Code of Conduct ("Code") protects and promotes the ethical behavior that makes it a great place to work, Cummins' Supplier Code of Conduct applies to all businesses that provide product or services to Cummins and its partners, joint ventures, divisions or affiliates. The Supplier Code of Conduct helps the Company to ensure that it is doing business with other companies around the world that share the same values as Cummins.

The Supplier Code of Conduct is built around seven principles:

1. Suppliers must obey the law everywhere
2. Suppliers must treat people with dignity and respect
3. Suppliers must avoid conflicts of interest
4. Suppliers must provide a safe and healthy workspace
5. Suppliers must protect Cummins technology, information and intellectual property
6. Suppliers must protect the environment and conserve natural resources
7. Suppliers must assist Cummins in enforcing this Code

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under Principle No. 2 regarding treating people with dignity and respect, the Code states: “Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees.” It also states suppliers must respect employees’ right to bargain collectively and ban forced or child labor.

Under Principle No. 6 dealing with protecting the environment and conserving natural resources, the Code states: “Suppliers should comply with all applicable environmental laws, regulations and standards. Suppliers should establish procedures for notifying community authorities in case of an accidental discharge or release of hazardous materials into the environment, or in case of any other environmental emergency”. It also states that “Suppliers should implement an audit program for compliance to applicable environmental regulation and standards, including a means to ensure corrective actions, minimal environmental impact and avoidance of recurrence”.

Aligned to its Mission, Vision, Core Values and eight Leadership behaviors, Cummins continues its focus on the well-being of all its stakeholders including shareholders, customers, vendors, employees and the communities it is part of.

Laying a special emphasis on groups which are disadvantaged, marginalized and vulnerable, Cummins strives to improve their lives focusing mainly in the areas of education and empowering under privileged to lead safe and healthy life in a greener environment among other initiatives.

Nurturing Brilliance – Cummins Scholarship Program

With a vision to provide financial & non-financial benefits to meritorious and promising students coming from socio-economically challenged backgrounds, who aim for Higher Education (BE or Diploma), in 2006 Cummins launched a Scholarship Program ‘Nurturing Brilliance’.

Kickstarted at Pune with 13 students getting scholarships, program evolved in every facet. We enhanced the reach of this scholarship program from 13 to 200. At the same time six sigma methodology was adopted to have a robust selection process, to reach out to maximum and the most needful students. In this journey of nurturing brilliance, 1539 students have been benefitted so far.

With the support from experts and teams’ consistent efforts, this program is now digitally transformed. The online process will enable faster reimbursement to Scholars i.e. from 22 days earlier to 14 days now. Digitization will allow Scholars freedom from financial worries and help them concentrate on studies. At the same time, Digitization will reduce fuel consumption and GHG emissions as Scholars are no longer required to travel to local Cummins offices for document submission. Reduced usage of at least 18000 papers per annum will create an impact of Carbon Footprint Avoidance of 29.81 MTCO₂ / Year.

Along with the financial support, another key focus area for this project is towards building competence. To build the competency and provide the students with the necessary guidance for their career and aspiration, each student is engaged with an experienced Cummins senior leader as Mentor. Mentors help students to have better industry exposure, understand practices in Engineering enterprise & shape their career.

Local Community Care

In our comprehensive approach towards serving the underprivileged and disabled, the Company is focused on three primary areas of development: 1) Infrastructure Development & Health and Safety, 2) Conservation of resources and 3) Education, training & process improvement. Cummins has partnered with organizations focused on disadvantaged sections of society like the ones serving the hearing impaired, visually impaired, orphans and old age-elderly.

Cummins employees along with its partners work relentlessly towards providing these groups a healthy environment, safe infrastructure, multiple recreation facilities and good education.

Cummins has supported the residents with better and safe infrastructure which also includes improving natural lighting in the premises, proper ventilation, recreation facilities etc. Use of LED bulbs, bio gas, kitchen garden and use of solar energy has helped in significant reduction in operating expenses and the use of renewable resources for energy. Continuous employee engagement helps in in-process improvements and replication of best practices. Aligned to the strategy of ‘organically grow and horizontally deploy the best practices in all locations’, Cummins has supported 15 NGOs serving 2300 underprivileged and disabled across all plant locations in India. Active employee participation and leadership involvement has enabled a successful project implementation across all institutes.

Principle 5: Businesses should respect and promote human rights

Respect for human rights is fundamental to the sustainability of Cummins and the communities in which we operate. In our Company and with our partners, we are committed to ensuring that people are treated with dignity and respect.

Your Company believes that the organization gets stronger because of the diversity of its employees and as a Company serving customers globally, it needs a work environment that is welcoming and allows employees to best use their unique talents and diverse perspectives so ideas and innovation can flourish.

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

The Company supports human rights around the world and strives towards complying with all applicable laws regarding treatment of the employees and other stakeholders. The Company has zero tolerance policy on bonded, child or forced labour. The Company respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

The Company is committed to quality and value which also extends to its joint ventures, suppliers and other partners. Cummins makes sure that its suppliers and partners treat their stakeholders in ways that reflect Cummins values and Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

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

Cummins firmly believes the companies that are successful in the future will deliver more value to customers with less of an environmental impact. Cummins intends on being one of those companies. Environmental sustainability is an interconnected systems concept – our communities and our business depend on our collective response to improve the health of the planet.

The Monsoon Resilient Maharashtra (MRM)

The "Monsoon Resilient Maharashtra" project was conceived to address the acute scarcity of water in the rural communities of Maharashtra. Droughts are cyclic in Maharashtra and continue to haunt the state, bringing acute challenges to the farmers. Farmers in the state heavily depend on the monsoons for their agriculture activity, with very little fall back on other source of income. MRM aims to make these communities resilient to the challenges that come with erratic, inadequate and untimely monsoons.

Emphasis of this project since its beginning is water budgeting and appropriate use of available water. With this goal in mind, there is focus on both sides, the supply side i.e. improving the quantity of water available to the community, and the demand side, which focusses on judicious use of water by instituting protocols and improved agricultural practices. After working for four years on improving the supply side of water, the project progressed to manage the demand side of water availability i.e. ensuring efficient utilization of available water through improved agricultural practices, and sustainable alternate livelihoods. In demand side management, MRM imparts extensive hands on training and through external field visits ensures implementation of the said practices.

We have developed, piloted, and scaled up the unique MRM model to address scarcity of water in Maharashtra. The four-pronged approach of a ridge to valley watershed development aided with Hydrogeology, remote sensing data and including community participation has been established. A third-party impact assessment report recorded substantial growth in the predefined indicators.

Having witnessed success in the pilot, MRM moved on to nineteen villages in Maan Taluka, a more drought prone region of Maharashtra. The Monsoon of 2019, comparatively moderate to low in Maan Taluka, witnessed considerable ground water increase and recharge of the wells owing to the positive impact of MRM.

In MRM, concerted effort is made to build capabilities within the community to enhance engagement during the watershed implementation. The project creates various resource persons from within the community who are tomorrow's leaders to take up the responsibility of all the assets created with the community and ensure sustainability over long term; thereby becoming permanently water secure. Emphasis is laid on creating women entrepreneurs through trainings, guidance and project support. A key differentiating factor of the project is its experienced and skilled team of NGOs who bring unique skill sets and vast experience to the project. The implementation on a large scale has been effortless due to the use of cutting-edge technology such as GIS, telematics, water sensors, etc.

Over the last few decades the need for fuel, building material, farming activity has increased, depleting forests and creating barren lands. Through MRM each household was given a set of indigenous fruit trees, enabling nutrition at the door step and eventually increasing the green cover of the area.

MRM has directly touched 45,000 lives in drought prone villages of Maharashtra. Efforts are now being directed to build partnerships and implement the project through collaborations, ultimately to deliver a massive project across the state of Maharashtra.

Clean Air Delhi

In Delhi, poor quality air irreversibly damages the lungs of 2.2 million or 50 percent of all children. India has the world's highest death rate from chronic respiratory diseases and asthma, according to the WHO. The primary sources of smoke are stubble burning, lit garbage, road dust, power plants, factories, and vehicles. In 'Clean Air Better Life' initiative Cummins in partnership with CII and NITI Aayog, is working towards engaging business, civil society and government to learn from peers and take actionable steps to improve the air quality in cities which have reached crisis levels like Delhi-NCR.

Under this initiative four taskforces have been formed (Clean Fuel, Clean Transport, Biomass Management, Clean Industry) which aim towards solutions for detrimental situations created due to rampant biomass burning, transport services, harmful fuel emissions and industry sources. Suitable interventions for Clean Fuel, Clean Transport, Clean Industries and Biomass Management is recommended through experts by the means of the taskforces.

For season 2019-20, Cummins's Crop Residue Management intervention was scaled to 102 villages across covering approximately 1 lakh acre farmland and 20,000 farmers in two states of Punjab and Haryana. Your Company initiated monitoring of air quality in rural communities on the pilot-basis in 2019. Twelve sensor-based air quality monitors have been installed across region in the year 2019-20 including 4 each in Nabha and Raikot clusters of Punjab and 2 each in Fatehabad and Sirsa clusters of Haryana. In addition to promoting in-situ application of rice straw, village-scale ex-situ solutions (including composting and biogas) were deployed in the year 2019-20.

From our interim assessment in Financial Year 2019-20, approximately 75% of the adopted cropland is managed using sustainable crop management methods which do not involve burning. Further, it is estimated that 68 lac tonnes of rice straw are avoided from open burning. With 75% of intervened area free from burning of rice straw, it is estimated that approximately 726 tonnes of fine Particulate matter (PM2.5) and 1.87 lac tonnes of CO₂e GHG emissions are avoided due to the intervention.

Creating the Environmental Stewards of Tomorrow – “Coach Them Young”

Coach Them Young aims at teaching children about the environment - for them to make caring for nature part of their lives, as opposed to just studying it. The idea behind this is for young people to develop a firm ecological mindset and use it to overcome today's environmental challenges with a proactive attitude and a strong commitment. Studies have proven that primary education is a crucial stage in the development of a person's behaviour, social awareness and selflessness.

At school we learn values and behaviors which stays with us throughout our adulthood and defines who we are. That is what makes it so important to spark an interest in caring for and protecting the environment while children are still at school. Coach Them Young leverages the enormous reach of the Cummins distribution network via school students and passively via their friends, parent's relatives etc.

The program has covered an array of topics over the years, including Waste Segregation, Air Pollution, Noise Pollution, Plastic usage and Recycling, Electronic Waste & Recycling and Climate Change. Driving sustainable awareness program since 2012 through an integrated approach that is innovative, inclusive, collaborative, replicable and scalable. This project is unique as it leverages the extensive pan India coverage of the distribution unit, has a large scale of execution and has a diverse reach in local languages. In 2019, emphasis was laid on impact assessment and action.

With each passing year, Cummins has been consistently improving the content of the program as a response to the feedback from the community. Addressing the target audience, two videos are developed that are tailor made specifically for the students from classes 1-4 and classes 5-9. This video is available in eight Indian languages to ensure that the content is relevant for the students.

In the year 2019, the program reached 1.2 million students and more than 5.6 million students till date across 150+ cities in 15 states in the country. Through the latest impact assessments, it has been ascertained that the students have helped conserve 165+ Million Gallons of water and through various waste management and electricity conservation practices, about 28000+ MT of carbon footprint was avoided.

Enabling Sustainable and Integrated Waste Management in our communities

India generates 62 Million Tones waste per year of which only 27% is being treated. Several health, social, economic and environmental impacts are consequences of improper waste management. People's participation, availability of the right resources, systems and technology form key factors in ensuring proper waste management right from generation to disposal in any community, town or city. Strong social awareness and will are the foundational pillars to the right waste management behaviors.

To address these gaps, Cummins has been working closely with local government authorities since 2010 to promote behavioral change and introduce sustainable waste management in our communities. Through extensive employee participation under the EEEIC initiative along with strong collaboration with partners, in 2019, many of the core programs were

scaled to greater heights and some new partners were onboarded in this journey. Need was felt for creating zero waste slums – an area largely underserved and wrought with many challenges.

Creating Zero Waste Slums

As the city of Pune is growing in scale, the problem of its waste generation is also increasing exponentially. Today, Pune generates approximately 2100 tons of solid waste per day. Rapidly growing city population has led to strained infrastructure causing a major waste management and disposal issue. In addition, unscientific disposal of heterogeneous solid waste in the overflowing landfills is polluting environment and causing health disorders.

Zero Waste is a philosophy that encourage redesign of resource life cycles so that all products are reused and that no trash is sent to landfills or incinerators. This project was started with Pune Municipal Corporation back in the year 2012 at Katraj ward where Cummins volunteers spent months together to spread awareness about the benefits of segregation of waste. This model was replicated at Baner-Balewadi and Kothrud wards of Pune.

Building on the successes of these initiatives, in 2019, the focus turned to creating zero waste ward at Laxmi Nagar slum in Kothrud, Pune. Close to forty percent of the population in Pune live in slums, where the waste management systems are severely lacking, collection levels are poor, segregation almost non-existent, riddled with many socio-economic challenges that drive the behavior on a day-to-day basis. Launched in 2019 along with Pune Municipal Corporation, the Kothrud slum project explores the ways and means for creating an ecosystem of behavioral change in more than 1200 families, with a holistic approach to waste management. Considering the women as change agents for health & hygiene in slum, the focus has been on to upgrade vocational, marketing & entrepreneur skills of women Self Help Group resulting into income generation to 20 women.

In the short few months of our intervention, through initiatives like mapping of houses, awareness at individual household level, weekly corner meetings, street plays, puppet shows, fort making Competition for children, wall painting and beautification near the entrance of the slum and close co-ordination with sanitary and health officials of Municipal corporation, the Company has witnessed visible impacts through the project.

Segregation rates improved from 3.2% to 80%, door to door coverage increased from 30% to 82% and 5 out of 8 identified chronic spots in the area have been eliminated. About 54000 kg of waste was diverted from landfills and was recycled, leading to an equivalent carbon footprint avoidance of close to 600 MT.

A crucial element of the project relies on the relentless work done by the waste pickers, aiming to provide them with dignity and sustained source of income, through the Zero Waste initiative, about 125 waste pickers have been provided with better livelihood opportunities across various wards.

Inorganic Waste Management – Ensuring Responsible Recycling of E-Waste and Plastic Waste

E-Waste: Discarded electronic and electrical items are considered as E-Waste. This is the fastest growing stream of waste in the country. India is the 5th largest producer of e-waste in the world and less than 30% of the population is aware of the need for and the right methods of E-Waste management. Considering the growth rate in consumption of electronic items over the next 3 years, there is an urgent need to address this issue.

Plastic Waste: India generates 26000 Tons of plastic every day, of which at least 10000 Tones remains uncollected ending up in landfills or oceans. It is estimated that by 2050, the amount of plastic in seas and oceans will outweigh the fish.

Addressing the imbalance between waste generation, its management in Pune and people's limited knowledge, Cummins partnered with various NGOs, schools and local communities to create awareness on e-waste and plastic waste. Teams from Cummins and PMC are working with authorized recyclers for ensuring eco-friendly processing of E-Waste and Plastic Waste.

Cummins and its implementing partner are powering sustainable and end to end Electronic and Plastic management solutions since 2014 through an integrated approach. This approach is innovative, inclusive, collaborative, replicable and scalable.

In the year 2019, the Plastic and E -Waste management project by Cummins and implementing partners resulted into -

- Awareness among more than 12 Lac citizens by conducting mass scale awareness programs in more than 200 schools & colleges and close to 500 housing societies and community spaces for the need for safe and environmentally friendly disposal of E and Plastic Waste.
- Enabled Sustainability by instituting systems and processes for safely collection and disposal of close to 45 MT of E-Waste and 200 MT of Plastic Waste by conducting drives and establishing permanent centers in partnership with authorized recyclers.

- Creating employment and income generating opportunities for 100+ people from disadvantaged communities.
- Multiplied scale by bringing like-minded partnerships to the project.

Ensuring sustainability through institutionalization, Cummins has helped establish more than 25 collection centers across the city. Taking this project to the next level, Cummins team along with community partners are closely working to establish 40 permanent collection centers across the city with Pune Municipal Corporation. This project has grown organically from creating mass scale awareness to changing mind set about handling e-waste which contain toxic elements and plastic waste which has infiltrated our daily lives.

Organic Waste Management – Building year-round initiatives from successful programs on festival waste processing

The Nirmalya and Patravali programs over multiple years addressed the waste generated during two major festival / religious events that took place every year in the state of Maharashtra. The Nirmalya project is a multi-dimensional, multi-stakeholder level project that involved months of planning, logistics and coordination during the annual Ganesh festival.

It revolved around creating a mindset transformation among citizens to not pollute water bodies by immersing Ganesh idols and Nirmalya (organic material like flowers, coconut, spices which are offerings). The Nirmalya so collected at immersion points is composted and this organic and fertile compost is distributed to the farmers in the area.

Similarly, during the Pandharpur pilgrimage, over a million pilgrims travel on foot over 21 days in a 250 kms trail of procession every year. It has been observed that during these 21 days, sub-standard plastic / thermocol plates are used for serving food. Plastic and thermocol plates are not biodegradable and end up in landfills taking more than 300 years to decompose. The project aims to ensure use of leaf-based plates and bowls as an alternative to thermocol, plastic and steel leading to significant decrease in consumption of plastic or thermocol plates and conservation of water otherwise used for washing of plates after every use. The project also, like the Nirmalya project, ensures end to end management of the waste by converting the green waste into organic compost and distributing it among enroute farmers. In the years to come, the aim is to work with the local governing bodies like the Nagar and Gram Parishads across the Wari route to set up permanent distribution centers along with permanent disposal and composting centers as well as to create a truly “Plastic Free Wari”.

In 2019, collectively through both these initiatives, 500 Tons of Nirmalya and Patravali was collected and converted into organic compost, more than 300 people gained income generating opportunities in the process, 9+ million green plates and bowls were put in use and approximately 4 Million Gallons of water was conserved.

Year-round compost generation from temple flower waste: Building on the success from the Nirmalya project, a year-round composting program of temple flower waste has been kickstarted. Piloting with three wards of Pune, this project aims to compost around 20 Tons of flower waste daily and to create additional income opportunity for at least 6 people of disadvantaged section of the society. Based on the success of this project, the plan is to replicate it in other wards of the city.

Creating incense sticks from temple flower waste: This initiative serves the dual objectives of women empowerment and responsible waste management, it was launched in 2019. As part of the pilot initiative, 6 tribal women have been provided income generating opportunity to convert temple flower waste into incense sticks. The plan is to scale it to other wards and to create market linkages in the months to come.

Urban Watershed Management Initiatives – leading to conservation of 3000+ Million Gallons of water

Urbanization in Pune district is among the highest in the state, and the rapid growth in Pune’s urban area leading increase demand for water. Climate change has led to erratic and less rainfall in the surrounding areas. Existing water bodies like wells, lakes run dry – leading to non-availability of water for many months over the year. Communities are heavily dependent on external water supply by water tankers and there is inadequate infrastructure to stop and store water.

Through subject matter experts and implementing partners, Cummins has developed a watershed development framework for urban areas. The approach includes increasing the capacity of existing water bodies and preventing pollution by creating awareness in our communities.

The projects begin with a hydrogeological survey which is the foundational document on which the next three years’ interventions are planned. Solutions like continuous contour trenches, lakes, check dams, revival of ponds and spring boxes have been implemented in 2019. These interventions spread across Khadakwasla, Special Reserve Police Force’s Wadachiwadi area, Aundh Military area have resulted in conservation of over 3000 Million Gallons of water.

Plans are in place to enhance the capacities and rejuvenating existing water bodies around Pune that will have a significant impact on our communities.

Developing Green Lungs for our communities

Planting Trees is low-tech, sustainable and possibly the most effective solution to fight climate change. Tree cover plays a

vital role in restoring and maintaining the ecological balance. Increased efforts in afforestation, will over a time result in balancing the water table, stabilizing climate, attracting rains, preserving wild-life and replenishing soil nutrients. Ensuring plantation of native trees and water management for their sustenance, Cummins has been working on 4 hillocks around Pune, around Khadakwasla reservoir and large swatches of land at the Aundh military station along with sites in our model villages since 2011.

In the Financial Year 2019-20, we continued to sustain previous efforts and have taken the project to the next level by implementing dense forest concept. This would help build oxygen hubs in and around Cummins office sites while providing a haven to improve biodiversity of the site. We signed two tripartite agreements with the state forest department for development of Warje and Kalaj hills.

Till date, we have been able to sustain over 1,70,000 trees with a survival rate of 90% across all sites. These efforts have resulted into a carbon footprint avoidance of about 6240 MT along with creation of multiple biodiversity spots where more than 250 species of flora and fauna are flourishing

Your Company continues to take innovative approach towards increasing the green cover in the communities where we are present.

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

For Cummins, the major advocacy areas are related to emissions for automotive, power generation and off-highway equipment sectors. Cummins had major success on the power generation advocacy front with the Government launching lower emission, Europe-like CPCB II generator emissions. Every year, Cummins works with respective associations to encourage better and tighter emission norms to improve the quality of air in the country. This is also Cummins' contribution to society aligned to its belief that advanced technologies can lead to cleaner air.

The Company partners with respective industry associations on various advocacy initiatives related to the industry. The Society of Indian Automobile Manufacturers (SIAM) takes up issues related to the auto sector with the Government, NGOs and think-tanks. Cummins advocates issues on the automotive segment along with SIAM as a partner. On broader issues relating to the business, environment and society, Cummins works very closely with Confederation of Indian Industries (CII). Similarly, for issues on power generation, Cummins works with the Indian Diesel Engines Manufacturers Association (IDEMA) and Indian Construction Equipment Manufacturers' Association (ICEMA) for construction industry related issues.

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

Principle 8: Businesses should support inclusive growth and equitable development

Cummins is an Equal Opportunity Employer, extending this belief company constantly tries to increase opportunity and equity for those who are in utmost need through its various Corporate Social Responsibility projects that address social justice issues.

Cummins Powers Women with Rise Up

This year marks the second anniversary of Cummins' global initiative – Cummins Powers Women (CPW). Since its inception, the CPW program has positively impacted more than 100,000 women across the globe. In India too, we have made strong headway and have empowered 20 visionary social entrepreneurs to advance social justice, improve education and provide economic empowerment for girls and women. We have partnered with global non-profit, Rise Up, who focus on advancing health, education and equity for girls, youth and women everywhere.

The 20 visionary leaders were chosen for their strong leadership and potential to advance social justice on a large scale. This program will continue to enable these leaders to further strengthen their leadership and ability to advocate for change.

Many of the cohort leaders have received grant funding to implement strategies that improve education, leadership, and equity by responding to the cultural, political, and economic challenges facing girls and women at community, local and national levels.

Our program envisions the enabling, over time, of 200 such visionaries across the country and thereby catalyze them to create large-scale positive impact towards empowering women and girls in India.

Phaltan Town Development

This project was conceived with a vision to make Phaltan the best in its category and size in India by 2030. There are many

components of a model town. However, a need assessment of the town indicated that solid waste management required most attention, hence was taken up on priority to be addressed.

In this journey Cummins' role is of a catalyst, mostly collaborating with the local community to provide the much-needed support to tackle the waste in the town. Cummins along with the implementing partner has created awareness for systematic segregation and door to door collection of waste. In both respects there has been a drastic improvement in cleanliness, resulting in a visible change in the town.

A concerted effort made to clean 70 chronic dumping spots led to improved hygiene of the town. Round the clock monitoring of these spots was done to ensure sustenance and selected 30 spots were beautified to convert them into usable spaces.

Various sections of the community were roped in and motivated in events like mega cleaning drives, student rallies, senior citizen events, student competitions, and street plays. These initiatives helped create a positive mind set of the community, leading to participation and alignment to the project. These efforts upped the town's ranking from a 264th position to 75th in the western zone of the Swachh Sarvekshan 2019 competition.

Nearly 100% daily wet waste composting has vastly reduced the outflow to the landfill. Steps taken to scientifically dispose of sanitary waste, dry waste and e-waste is further reducing the waste going to the landfill.

Efforts are made to create awareness to continuously improve segregation, door to door collection, scientific disposal of medical waste, to align with the town's central waste management system. In the forthcoming year, plans are in place to continue work to further improve the waste management processes and systems making the town cleaner and more hygienic.

Cummins is also working on creating beautiful green spaces in the town, through various initiatives like tree plantations along boulevards, public spaces and traffic islands.

Holistic Rural Development Program

Cummins commitment towards holistic rural development started with one village in 2010 and its journey has come a long way as it touched the lives of people in 25 villages in 2019. This program benefits more than 50,000 lives in rural areas. With the support of the village community, partnerships with the expert NGOs and government agencies, we have now successfully replicated model village work at all plant locations in India.

To scale up model village project impact, Cummins had partnered with NABARD for 1 model village project in 2018. Cummins leveraged partnership with NABARD for total 3 model village projects by signing an MOU of 50:50% funding partnership. Availability of partial funding through partnership helped Cummins to take up additional villages. This partnership will help Cummins to reach out to more villages in upcoming years.

Efforts put in water shed development and water conservation helped the villages conserve ~ 451 Million Gallons of water every year. This was done through check dams, ponds, desilting, contour trenches, soak pits etc. This ensured availability of water for drinking and irrigation throughout the year. To uplift the educational infrastructure and provide quality education, Cummins upgraded 28 schools by providing toilets, classrooms, clean drinking water, e-learning software, benches, theme painting, playground, compound wall etc. This resulted in improved learning and reduction in dropout rate. With help from Cummins medical team, health checkup camps, health awareness and cataract surgeries are performed for the poor in villages.

In 2019, Cummins continued support for holistic development of villages with focus in increasing income of families. With help from subject matter experts and scientific approach, Organic Farming and Community Farming program was scaled up. So far 278 model farmers are developed and have adopted 100% organic farming practice. Organic farming complemented with the use of new equipment has resulted into increased agricultural yield to which doubled income of many families. Cummins teams also helped in marketing of farm produce at Cummins plants to secure the additional income to farmers.

Kamdhenu Ayog of Maharashtra State Government formally appreciated and recognized Cummins approach for organic farming. Ayog officials also visited Cummins model villages to witness the bumper yield through scientific organic farming practices.

Empower-Her is an initiative for financial inclusion and independence of women at model villages. Under this program we launched the initiative "Udgam" at Phaltan Megasite in 2017 which aims at creating awareness about Sanitary Hygiene, usage of sanitary napkins and enabling Entrepreneurship by setting sanitary pads production machine to produce eco-friendly napkin at lower cost. Manufacturing and marketing of the product is done by women self-help group with the support of Anganwadi and Asha workers. Project provides additional income beyond agriculture to women in villages.

This program was quite successful and gained good response from villagers at Phaltan. Cummins Medical Team and subject matter experts were key pillars in successful execution and replication of this project. This helped to have best

practices for health awareness, improved manufacturing, procure mandatory certification from approved laboratory. Subject matter expert team from Cummins is also helping Udgam program in establishing external marketing linkages.

This project addresses an important aspect of women health in rural areas which remained neglected. With the best community impact and high replication potentials, Cummins plan to replicate “Udgam” program in partnership with stakeholder/supplier/s at various locations in India.

Empower-HER initiative has so far benefitted more than 351 women with additional income opportunity to support their families. Women Entrepreneurship developed through women self-help groups (SHG) for setting up small enterprises like Water ATM, Backyard Poultry, milking machine etc. Water ATMs have sustained with the increased awareness on clean drinking water and maintenance of the water ATM done by women self-help group. So far Cummins has installed the Water ATMs in 7 villages providing clean and safe drinking water to villagers. Under the initiative of Backyard Poultry, Cummins continued to support women SHGs for training at Krishi Vigyan Kendra. Many women have enhanced their backyard poultrys to find additional income

Cummins College of Engineering for Women, Pune

India's 1st women's engineering college- The Cummins College of Engineering for Women (CCEW), was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha.

Our collaboration with Cummins College of Engineering for Women, Pune comes a long way with the 25th batch graduating in the year 2020 and till date more than 9000 students have passed out of the college. Cummins' senior executives are deeply involved in this signature project, frequently interacting with the staff and students. The students get a chance to interact with the industry through internships and exchange programs. Regular PhDs and paper presentations keep the staff updated on technology. Continuous development of the college is being ensured through new infrastructure and up-gradation of lab equipment.

SAE India organizes a unique competition viz. SAEISS Aero Design Challenge for engineering students to hone their skills and acquire experience in unmanned system technology. The purpose of the SAEISS Aero Design Challenge is to promote and develop Indian expertise and experience in unmanned systems technologies at the university and college levels. The competition is intended to provide undergraduate and graduate engineering students with a real-life engineering challenge. It has been designed to provide exposure to the kinds of situations that engineers face in their real-life work environment. Each team is required to conceive, design and develop a prototype of fixed wing UAV meeting the mission requirements.

This year CCEW team 'BHARADWAJ' made a remarkable opening of 2020. They participated in SAEISS Aero Design Challenge in OVERALL PERFORMANCE segment. The competition took place at Chennai from February 28 to March 01, 2020 wherein 140 teams participated - PAN India Team 'BHARADWAJ' ranked 3rd in overall performance and stood 2nd in Technical presentation.

Dr. Anagha Kulkarni from CCEW (Head - Department of Information Technology, Faculty Advisor SWE) has been awarded the SWE 2020 WE local engaged advocate award.

Technical Education for Communities (TEC)

The globalized world today requires right skills to convert the growth opportunities into jobs. Fundamentally there is a void when it comes to the content and context of the education which generally phase lags with the need of rapidly changing manufacturing industries across the globe.

Cummins global initiative TEC (Technical Education for Communities) aims at bridging the skill gap and increasing the access of good jobs for students through its comprehensive five pillar frame work comprising of 1. Market Relevant skills 2. Quality curriculum 3. Effective Teachers 4. Work place & Classroom learning and 5. Career Guidance.

Cummins is addressing this opportunity globally through TEC: Technical Education for Communities. TEC provides a comprehensive education framework and set of tools to strengthen school programs and improve the job prospects of students.

In our effort to reach out to more students under TEC India, we have established one more site at Indore in partnership with dealers (Deccan sales and services), which is in addition to our existing TEC sites in Phaltan and Kolhapur. Overall, we now have four TEC sites in India.

Along with uplifting the vocational education system, TEC India is also committed towards nurturing female students and their representation in technical education at our TEC sites. To encourage girls in technical education, Cummins has sponsored the education of first batch of girls at ITI SMAK under TEC in this year.

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

The Company is dedicated to serving the customers in the best possible way. Cummins continues to strengthen customers relationships, support and engagement through:

- Formation of key account management structure
- Standard sales process for the channel
- Dealer engagement
- Service penetration improvement

The introduction of the Cummins CARE mobile application is another step towards providing increased value to the customer and improving customer satisfaction. The application would enable customers to raise service requests instantly, track the real-time progress of service, see service history and provide feedback with the convenience of their own smartphones. Through this initiative, the Company has been able to take huge strides in providing best in class service and support. With customer feedback, the Company will continually enhance and evolve the functionality of Cummins CARE.

The Distribution Business continues to leverage savings due to Six Sigma projects and has successfully executed 11 Customer Focused Six Sigma Projects. Most projects are aligned to key business initiatives for driving improvement in customer support, supply chain, business growth and channel management.

The Net Promoter Score (NPS), a measure of customer loyalty strengthened to 84.86% resulting in the Distribution Business in India to be on top in the global NPS scores across Cummins sites. For context, the channel served over six lacs service requests in this period.

Cummins provides a 24 X 7 India Cummins Care to its customers to reach out through a Toll-Free number or e-mail to register their grievances. In the Financial Year 2019-20, 1602 complaints were registered, 1526 were resolved and 76 of which were under resolution on March 31, 2020. There were 11 active consumer litigations at the end of March 2020, with 2 cases resolved during the year.

Cummins displays product information on the product label as mandated as per local laws. Cummins recognizes and respects consumer rights under various Acts (e.g. Sale of Goods Act) and does not restrict the freedom of choice and free competition in any manner while designing, promoting and selling its products.



Business Responsibility Report 2019-20 Executive Summary

This document summarizes the Business Responsibility Report and reflects Cummins' broad view on sustainability, including safety, diversity and inclusion, people development and engagement in addition to the Company's environmental initiatives, efforts to nurture innovation and its community improvement programs.

Right Environment Statement

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

-Cummins India Leadership Team

Cummins Scholarship Program



- **1539** students have been benefited till date
- Paperless (Digital) scholarship process created a significant impact in reduction of carbon footprint:
 1. Carbon footprint reduction of **29.81** metric tons of carbon dioxide per year
 2. Reduction in paper usage of **18,000** papers per annum

Coach Them Young

The initiative to imbibe right values at right age for a sustainable future.

- Reached **12** lakh students this year in **150+** cities across **15** states of the country
- **65+** million gallons of water conserved through various waste management and electricity conservation practices
- Empowered **56** lakh students till date
- **28,000+** metric tons of carbon footprint was reduced



Clean Air, Better Life

- The scaling up reached to **102** villages across Punjab and Haryana covering approximately **1** lakh acre farmland
- Active engagement of **20,000** farmers resulted in significant decline in stubble burning incidents
- Approximately **75%** of the adopted cropland is managed using sustainable crop management methods which do not involve burning
- **68** lakh tons of rice straw are avoided from open burning
- Approximately **726** tons of fine Particulate matter (PM2.5) and **1.87** lakh tons of CO₂e GHG emissions are avoided due to the intervention



Driving Sustainability

E-waste and Plastic Waste

Enhanced awareness for correct disposal of e-waste and plastic waste for a safer and healthier environment.

- Reached **12** lakh citizens by conducting mass awareness programs in more than **200** schools, colleges and **500** housing societies and community spaces
- Safe collection and disposal of close to **45** metric tons of e-waste and **200** metric tons of plastic waste
- Helped establish **25+** waste collection centres across Pune city



Powering Equality

Cummins Powers Women

- Since its inception, the Cummins Powers Women program has positively impacted more than **100,000** women across the globe
- In India, too, we have made strong headway and have empowered **20** visionary social entrepreneurs to advance social justice, improve education and provide economic empowerment for girls and women
- We have partnered with a global non-profit organization, Rise Up, whose focus is on advancing health, education and equity for girls, youth and women everywhere

Organic Festival Waste Management

- **500** tons of Nirmalya and Patravali was collected and converted into organic compost
- More than **300** people gained income from the opportunities generated in the process
- Taking the project to the next level, we converted temple flower waste to organic compost and eco-friendly incense sticks throughout the year
- The project also created an additional income opportunity for **6** tribal women and **6** people from disadvantaged section of the society
- A pilot project with **3** wards of Pune, converted around **20** tons of flower waste daily to compost and make organic incense sticks. The plan is to scale it to the other wards and create market linkages in the months to come

9+ million green plates and bowls were put to use

Approximately **4** million gallons of water was conserved



Phaltan Model Town

- A concerted effort was made to clean **70** chronic dumping spots which led to improved hygiene of the town
- Round the clock monitoring of these spots ensured cleanliness and the selected **30** spots were beautified to convert them into usable spaces
- Nearly **100%** daily wet waste composting has vastly reduced the outflow to the landfill
- Steps taken to scientifically dispose of sanitary waste, dry waste and e-waste is further reducing the waste going to the landfill

Monsoon Resilient Maharashtra

Impact

- Directly touched **45,000** lives in drought-prone villages of Maharashtra
- Efforts are focussed to building partnerships and implementing the project through collaborations eventually to deliver a massive project across Maharashtra

Enabling Prosperity

Cummins College of Engineering for Women

- Participated in SAEISS Aero Design Challenge in the overall performance segment
- Ranked **3rd** in overall performance and **2nd** in technical presentation

25th batch graduated in 2020

9000+ students graduated till date



Expanding Horizons

Empower Her

Empower Her– A project for financial inclusion and independence of women at Cummins model villages.

- **350+** women benefited till date with an additional income opportunity to support their families
- Women entrepreneurship developed through women self-help groups (SHG) for setting up small enterprises like water ATM, back yard poultry, milking machines etc.
- Water ATMs have sustained with the increased awareness of clean drinking water and maintenance of the water ATM is done by women self-help groups. So far Cummins has installed water ATMs in 7 villages providing clean and safe drinking water to villagers



Project Udgam- Create a world where women have menstrual dignity.



Building Foundations

Urban Watershed Management Initiatives

- Phase wise implementation through use of hydrological surveys.
- Project partners- Indian Army, State Reserve Police Force, Pune and the Irrigation Department
- Conservation of **3000+** million gallons of water



Towards Environmental Sustainability

- Green Supply Chain
- Returnable packaging
- Regenerative dynos for test cells
- Remanufactured engines and components
- Water neutral plants
- Renewable energy through solar panels

Environmental Sustainability

- The Power Generation SEZ plant won the “Golden Peacock Occupational Health and Safety Award”
- CPG SEZ was presented with the “Innovative Environmental project” title at the 6th Confederation of Indian Industries (CII) Environmental Best Practice Awards 2019
- IPDC also won the Greentech Environment award for their 2018 environmental performance
- Kothrud Engine plant successfully installed **1000** kWp solar PV plant on site



“While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance.”

- J. Irwin Miller
Former CEO, Cummins Inc.

Health and Wellness

7 Levers of Healthy Lifestyle

- Physical Activity
- Nutrition
- Sleep
- Stress Management
- Substance Free (staying away from addictions)
- Clean Water
- Sunshine and Clean Air

Who we are

A group of complementary business units that design, manufacture, distribute and service engines, generator sets and related technologies.

Founded in

1962

India

Headquarters

Cummins India Office
Campus, Pune

Over **3,447**
employees across India

The gender diversity
is **23%**

Markets and Segments

- Serves domestic markets in India, Nepal and Bhutan and exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations
- Caters to segments such as construction, compressor, mining, marine, railway, oil and gas, pumps, defence and power generation

Net Sales

₹ 5,062
Crores

Cummins India Facilities

5 world-class factories
1 parts distribution center
450+ service touch points

All factories and offices demonstrate the five principles of sustainability



Safe



Green



Clean



Lean



Diverse

www.cumminsindia.com



Cummins India Limited

Registered Office:

Cummins India Office Campus,
Tower A, 5th Floor,
Survey No. 21, Balewadi,
Pune - 411 045, Maharashtra, India
Tel: +91 20 67067000
Fax: +91 20 67067015
CIN: L29112PN1962PLC012276
www.cumminsindia.com
cil.investors@cummins.com

Cummins India Limited

Registered Office: Cummins India Office Campus, Tower A, 5th Floor,
Survey No. 21, Balewadi, Pune 411 045
(CIN : L29112PN1962PLC012276)
Telephone : 020 67067000 Fax : 020 67067015
Website : www.cumminsindia.com
E-mail : cil.investors@cummins.com

NOTICE OF THE 59th ANNUAL GENERAL MEETING

To

The Members of Cummins India Limited,

NOTICE is hereby given that the Fifty-Ninth Annual General Meeting of the Members of Cummins India Limited will be held on Tuesday, the 25th day of August 2020, at 3:30 p.m. Indian Standard Time (IST) through Video Conference ("VC") / Other Audio Visual Means ("OAVM") facility, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited standalone financial statements of the Company for the Financial Year ended March 31, 2020, the reports of the Board of Directors and Auditors thereon.
2. To receive, consider and adopt the audited consolidated financial statements of the Company for the Financial Year ended March 31, 2020 and the report of the Auditors thereon.
3. To declare final dividend on equity shares for the Financial Year ended March 31, 2020 and to confirm the payment of interim dividend for the Financial Year 2019-20.
4. To appoint a Director in place of Mr. Antonio Leitao (DIN: 05336740), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

5. **To appoint Mr. Ashwath Ram (DIN: 00149501) as a Director and to approve his appointment as Managing Director of the Company**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Article 110 of the Articles of Association of the Company, Mr. Ashwath Ram (DIN: 00149501), who was appointed by the Board of Directors of the Company as an Additional Director with effect from August 17, 2019 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1) of the Act and pursuant to the recommendation of Nomination and Remuneration Committee and the Board of Directors and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the Act and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of the Articles of Association of the Company, all applicable guidelines issued by the Central Government from time to time and subject to such other approvals, as may be necessary, approval of the Members be and is hereby accorded for the appointment of Mr. Ashwath Ram (DIN: 00149501) as the Managing Director of the Company, for a period of three (3) years from

August 17, 2019 to August 16, 2022 upon the terms and conditions of appointment including remuneration as set out in the Explanatory Statement annexed to the Notice.

RESOLVED FURTHER THAT, the Board of Directors, be and is hereby authorized to alter and vary the terms and conditions of appointment and / or remuneration, subject to the same not exceeding the limits specified under Section 197 read with Schedule V of the Act (including any statutory modifications or re-enactments thereof, for the time being in force).”

6. To appoint Ms. Lorraine Alyn Meyer (DIN: 08567527) as a Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Article 110 of the Articles of Association of the Company, Ms. Lorraine Alyn Meyer (DIN: 08567527), who was appointed by the Board of Directors of the Company as an Additional Director with effect from October 01, 2019 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1) of the Act and pursuant to the recommendation of Nomination and Remuneration Committee and the Board of Directors and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing her candidature for the office of the Director (Non-Executive and Non-Independent), be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To appoint Ms. Rama Bijapurkar (DIN: 00001835) as a Non-Executive Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 and any other applicable provisions of the Companies Act, 2013 (“the Act”) read with Schedule IV of the Act and Rules framed thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Article 110 of the Articles of Association of the Company, Ms. Rama Bijapurkar (DIN:00001835), who was appointed by the Board of Directors of the Company as an Additional Director (Non-Executive and Independent) of the Company with effect from June 17, 2020 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1) of the Act and pursuant to the recommendation of Nomination and Remuneration Committee and the Board of Directors and in respect of whom the Company has received a notice in writing under Section 160 of the Act, from a Member proposing her candidature for the office of the Director, be and is hereby appointed as an Independent Director of the Company to hold office for a period of five (5) consecutive years with effect from June 17, 2020 to June 16, 2025 and is not liable to retire by rotation.”

8. To ratify remuneration payable to the Cost Auditor, M/s. Ajay Joshi & Associates, for the Financial Year 2020-21

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration not exceeding ₹ 950,000/- (Rupees Nine Lacs Fifty Thousand only) plus applicable taxes and reimbursement of out-of-pocket expenses payable to the Cost Auditor, M/s. Ajay Joshi and Associates, Cost Accountants for the year ending March 31, 2021, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified.”

9. To approve the material related party transaction(s) with Cummins Limited, UK

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT approval of the Members of the Company be and is hereby accorded for material related party transaction(s) for sale of engines/gensets, their parts and accessories by the Company to Cummins Limited, UK in the ordinary course of business and at arm’s length basis for an estimated amount of ₹ 80,000 Lacs (Rupees Eighty Thousand Lacs only) for the Financial Year 2020-21.”

10. To approve the material related party transaction(s) with Tata Cummins Private Limited:-

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED that approval of the Members of the Company be and is hereby accorded for material related party transaction(s) for purchase of B, C and L series internal combustion engines, parts and accessories thereof by the Company from Tata Cummins Private Limited in the ordinary course of business and at arm’s length basis for an estimated amount of ₹ 100,000 Lacs (Rupees Hundred Thousand Lacs only) for the Financial Year 2020-21.

Registered Office:
Cummins India Office
Campus, Tower A,
5th Floor, Survey no. 21,
Balewadi,
Pune 411 045

Place : Pune
Date : July 30, 2020

By Order of the Board,
For Cummins India Limited,

Vinaya A. Joshi
Company Secretary
Membership No. : A25096

NOTES:

- A.** The Statement of additional information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) in respect of Item Nos. 4 to 10 and the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (“the Act”) in respect of Special Business under Item Nos. 5 to 10 of the Notice, is annexed hereto.
- B.** Additional information in respect of Directors seeking appointment/ re-appointment at the 59th AGM is annexed to the Notice.
- C. General instructions to the Members participating in the 59th AGM through VC/OAVM facility:**
1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as “MCA Circulars”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Act, SEBI Listing Regulations and MCA Circulars, the 59th AGM of the Company is being held through VC / OAVM facility, which does not require physical presence of Members at a common venue. The deemed venue for the 59th AGM shall be the Registered Office of the Company.
 2. In terms of the MCA Circulars, since the physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 59th AGM. Hence, the Proxy Form and Attendance Slip are not annexed to the Notice. However, in pursuance of Section 112 and Section 113 of the Act, representatives of the Members may be appointed for the purpose of voting through remote e-Voting, for participation in the 59th AGM through VC/OAVM facility and e-Voting during the 59th AGM.
 3. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM facility on its behalf and to vote either through remote e-voting or during the AGM. The said resolution/authorization should be sent electronically through their registered email address to the Scrutinizer at info@csladda.com with a copy marked to cil.investors@cummins.com.
 4. Members attending the AGM through VC/OAVM facility shall be counted for the purpose of reckoning the quorum for 59th AGM as per Section 103 of the Act.
 5. Since the AGM will be held through VC/OAVM facility, the Route Map is not annexed in the Notice.
 6. KFin Technologies Private Limited (“KFin”) will be providing facility for voting through remote e-Voting, for participation in the 59th AGM through VC/OAVM facility and e-Voting during the 59th AGM.
 7. In line with the MCA Circulars and SEBI Circular, the Notice of the 59th AGM and Annual Report for FY 2019-20 will be available on the Company’s website www.cumminsindia.com, on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of KFin at <https://evoting.karvy.com>.
 8. Members may join the 59th AGM through VC/OAVM facility by following the procedure as mentioned in para ‘G’. The facility for joining the meeting shall open for Members from 3:15 p.m. IST i.e.15 minutes before the time scheduled to start the 59th AGM and the Company may close the window for joining the VC/OAVM facility 15 minutes after the scheduled time to start the 59th AGM.
 9. Members may note that the VC/OAVM facility provided by KFin allows participation of at least 1,000 Members on a on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the 59th AGM without any restriction on account of first-come first- served principle.

10. The Company has fixed Tuesday, August 18, 2020 as the 'Cut- off Date' for the purpose of remote e-voting and as 'Record Date' for determining entitlement of Members to final dividend for the Financial Year ended March 31, 2020, if approved at the 59th AGM.
11. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the Cut-off Date only shall be entitled to avail the facility of remote e-voting or e-voting during the AGM.
12. In case of joint shareholders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. Pursuant to MCA Circulars and SEBI Circular dated May 12, 2020, the Notice of the 59th AGM along with the Annual Report for FY 2019-20 are being sent only by email to the Members, whose email addresses are registered with the Company/ Depositories. Therefore, those Members, whose email address is not registered with the Company or with their respective Depository Participant/s, and who wish to receive the Notice of the 59th AGM and the Annual Report for FY 2019-20 and all other communication sent by the Company, from time to time, can get their email address registered by following the steps as given below:
 - (i) For Members holding shares in physical form, please send scan copy of a signed request letter mentioning your folio number, complete address, email address to be registered along with scanned self-attested copy of the PAN and any document (such as Driving License, Passport, Bank Statement, AADHAR) supporting the registered address of the Member, by email to the Company's email address cil.investors@cummins.com. All these details can be uploaded the given link in one go https://linkintime.co.in/emailreg/email_register.html.
 - (ii) For the Members holding shares in demat form, please update your email address through your respective Depository Participant/s.
14. The Company has appointed Link Intime India Private Limited, Mumbai as its Registrar and Transfer Agent. All correspondence relating to transfer and transmission of shares, sub-division of shares, issue of duplicate share certificates, change of address, dematerialization of shares, payment of dividend etc. will be attended to and processed at the office of the Registrar and Transfer Agent at the following address:-

Link Intime India Private Limited
Unit: Cummins India Limited
C-101, 1st Floor, 247 Park
L.B.S. Marg, Vikhroli (West)
Mumbai 400083, Maharashtra
Phone No.: (022) 49186270
Fax No.: (022) 49186060
Contact person: Mrs. Sujata Poojary
E-mail :sujata.poojary@linkintime.co.in /rnt.helpdesk@linkintime.co.in
15. The Board of Directors of the Company in their meeting held on June 17, 2020, has recommended Final Dividend of Rs. 7/- per equity share. The Record Date for final dividend for the Financial Year 2019-20 will be August 18, 2020. The final dividend once approved, by the Members in the ensuing AGM, will be paid on September 21, 2020, electronically through various online transfer modes to those Members who have updated their bank account details. For Members who have not updated their bank account details, dividend warrants/ demand drafts/ cheques will be dispatched to their registered address by post upon normalization of the postal services. To avoid delay in receiving the dividend, shareholders are requested to update their Bank account details along with the documents mentioned therein, at: https://linkintime.co.in/emailreg/email_register.html.
16. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of Members w.e.f. April 01, 2020 and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. For Resident Members, taxes shall be deducted at source under Section 194 of the Income Tax Act, 1961, as follows –

Shareholders having valid PAN	7.5% or as notified by the Government of India
Shareholders not having PAN / valid PAN	20% or as notified by the Government of India

A Resident Individual Member with PAN will not be liable to pay income tax if the total dividend to be received during Financial Year 2020-21 does not exceed Rs. 5,000 and also in case where the Member provides a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source, on the given link: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F and any other document which may be required to avail the tax treaty benefits, on the given link: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>.

The last date for submission of required documentation for the purpose of final dividend for the Financial Year ended March 31, 2020 is August 14, 2020. Please note that submission of documents post August 14, 2020, shall not be considered for the purpose of final dividend to be declared in the 59th AGM.

17. Dividend, subject to deduction of tax at source, will be preferably paid through National Electronic Clearing Services (NECS), under separate intimation to the Members, wherever the facility is available. In other cases, Dividend will be paid by account payee or not negotiable banking instruments, upon normalization of the postal services. To ensure timely payment of dividend, the Members are requested to correctly update their respective bank account details either with Depository Participant or Registrar and Transfer Agent, from time to time.
18. Transfer of Unclaimed / Unpaid amounts to the Investor Education and Protection Fund (IEPF):

Pursuant to Sections 205A and 205C, and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed / unpaid dividend, remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, were required to be transferred to the IEPF. Sections 124 and 125 of the Companies Act 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 7, 2016, also contain similar provisions for transfer of such amounts to the IEPF. Accordingly, all unclaimed / unpaid dividend remaining unclaimed / unpaid for a period of seven (7) years from the date they became due for payment, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the amounts so transferred.

As per Section 124(6) of the Act read with the IEPF Rules as amended, all the shares in respect of which dividend has remained unpaid/unclaimed for seven (7) consecutive years or more are required to be transferred to an IEPF Demat Account. Accordingly, all the shares in respect of which dividend has remained unclaimed / unpaid for seven (7) consecutive years or more, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the shares so transferred.

In the event of transfer of shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF Authority by submitting an online application in the prescribed Form IEPF-5 available on the website: www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5. The Members are requested to contact RTA in case of any queries on the same.

19. Unclaimed dividends for the Financial Year 2012-13 and 2013-14 can be claimed from the Company by completing the requisite formalities. To claim final dividend for the Financial Year 2012-13 and interim dividend for the Financial Year 2013-14, the requisite formalities are required to be completed prior to September 06, 2020, and March 12, 2021 respectively. Thereafter the unclaimed dividend for the said years is liable to be transferred to the Investor Education and Protection Fund established by the Central Government as per Section 125 of the Act. For details of unclaimed dividend(s), the Members are requested to write to Link Intime India Private Limited, Mumbai at the above given address.

20. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts, if not given already. Members holding shares in physical form can submit their PAN to the Company / Link Intime India Private Limited.
21. In accordance with the proviso to Regulation 40(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from April 01, 2019, transfer of shares in physical mode is prohibited and mandates holding in demat except in case of transmission and transposition. Accordingly, Members are requested to convert physical holding to demat through depository participant. Members may contact the Company/ RTA for any assistance in the said process of physical to demat of shares.
22. Pursuant to Section 72 of the Companies Act, 2013, Shareholders holding shares in physical form may file nomination in the prescribed Form SH-13 with the Company's Registrar and Transfer Agent. In respect of shares held in electronic / demat form, the nomination form may be filed with the respective Depository Participant. The Nomination Form SH-13 prescribed by the Government can be obtained from the Registrar and Share Transfer Agent or from the Company.

Registration of nomination makes easy for dependents to access your investments and set out proportion of your benefits to the nominees. Registration and/or updation of bank mandate ensures the receipt of dividend and/ or any other consideration timely, faster and easier and more important avoids fraudulent encashment of warrants. Members are requested to submit their bank registration documents i.e. request letter, cancelled cheque and self-attested photocopy of PAN Card and address proof with the Company and/or Depository Participants.

23. The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 04, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Members who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each. Members who have not so far surrendered their old certificates in exchange for new certificates for sub-divided Shares of the face value of ₹ 2/- each, are requested to do so immediately.
24. The Company on September 26, 2011, allotted Bonus shares in the ratio of 2:5. Members holding shares in physical form, to whom shares certificates were sent by post and but returned unclaimed by postal authorities are requested to contact the Registrar and Transfer Agent of the Company immediately.
25. Members requiring information on the audited financial statement for the Financial Year ended March 31, 2020 are requested to write to the Company on email address cil.investors@cummins.com at least seven (7) days before the date of the meeting to enable the Company to furnish the information in suitable manner.
26. During the 59th AGM, Members may access the statutory registers and electronic copy of the documents referred to in the accompanying Notice of the AGM and the Explanatory Statement through the link <https://emeetings.kfintech.com>.
27. Mr. Pramodkumar Ladda (Membership No. FCS 7326 CP No. 8006) Partner of M/s Ladda Bhutada & Associates, Company Secretaries, Pune, has been appointed as the Scrutinizer to scrutinize the e-voting process and vote casted through e-voting during the meeting in a fair and transparent manner. Members may note that the scrutinizer will provide consolidated report for the votes casted through remote e-voting and e-voting during the meeting.

D. Instructions for remote e-voting by Members:

In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by KFin Technologies Private Limited (KFin) on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (remote e-voting).

(A) Members who receives an email from KFin (for Members whose email IDs are registered with the Company/ Depository Participants(s)), please follow the below instructions:

1. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
2. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) [●] followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with KFin for e-voting, you can use your existing User ID and password for casting your vote.
3. After entering these details appropriately, click on **“LOGIN”**.
4. You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc). The system will prompt you to change your password and update your contact details like mobile number, email Id etc., on first login. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
5. You need to login again with the new credentials.
6. On successful login, the system will prompt you to select the **“EVENT”** and click on **‘Cummins India Limited’**.
7. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date of August 18, 2020 under **“FOR/AGAINST”** or alternatively, you may partially enter any number **“FOR”** and partially **“AGAINST”** but the total number in **“FOR/AGAINST”** taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option **ABSTAIN**. If the Member does not indicate either **“FOR”** or **“AGAINST”**, it will be treated as **“ABSTAIN”** and the shares held will not be counted under either head.
8. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat account.
9. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
10. You may then cast your vote by selecting an appropriate option and click on **“SUBMIT”**.
11. A confirmation box will be displayed. Click **“OK”** to confirm, else **“CANCEL”** to modify. Once you have voted on the resolution(s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted all the resolution(s).

(B) In case of Members who have not registered their e-mail address (including Members holding shares in physical form), please follow the steps for registration of e-mail address and obtaining User ID and Password for e-voting as mentioned in para 13 of the “Notes” and para (e) under the “Other Instructions” section below.

(C) A Member can opt for only single mode of voting i.e. either through remote e-voting or voting at the AGM. If a Member has already casted votes through remote e-voting, option of voting during the AGM shall not be available for that Member.

E. Voting at the Annual General Meeting: Those Members who are present in the Meeting through VC/OAVM facility and have not cast their vote on the resolutions through remote e-voting, can vote through e-voting facility available at the Meeting. Members who have already cast their votes through remote e-voting are eligible to attend the Meeting. However, those Members are not entitled to cast their vote again at the Meeting.

F. Other instructions related to e-voting:

In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.karvy.com> or contact Mr. S V Raju, Deputy General Manager and Mr. D S Nagaraja, Deputy Manager, KFin Technologies Private Limited, Toll-free No.: 1800-345-4001 and e-mail id: nagaraja.ds@kfintech.com.

- a) The remote e-voting period commences on Saturday, August 22, 2020 (9.00 a.m. IST) and ends on Monday, August 24, 2020 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the Cut-off Date of Tuesday, August 18, 2020, may cast their votes electronically as per the process detailed in this Notice. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently. A person who is not a Member as on the Cut-off Date should treat this Notice for information purposes only.
- b) The voting rights of Members shall be in proportion to their share of the paid-up equity share capital of the Company as on the Cut-off Date i.e. Tuesday, August 18, 2020.
- c) In case a person has become a Member of the Company after dispatch of the AGM Notice but on or before the Cut-off Date for e-voting i.e. Tuesday, August 18, 2020, or has registered his/her/its e-mail address after dispatch of the AGM Notice, he/she/it may obtain the User ID and Password in the manner as mentioned below:
 - i. If the mobile number of the Member is registered against Folio No./DP ID Client ID, the Member may send SMS: MYEPWD <space> E-Voting Event Number+ Folio No. or DP ID Client ID to 9212993399

Example for NSDL - MYEPWD <SPACE>
IN12345612345678

Example for CDSL - MYEPWD <SPACE>
1402345612345678

Example for Physical - MYEPWD <SPACE>
XXXX1234567890

- ii. If e-mail address or mobile number of the Member is registered against Folio No./DP ID Client ID, then on the home page of <https://evoting.karvy.com> the Member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
 - iii. Member may call KFin toll free number 1800-345-4001 for any assistance.
 - iv. Member may send an e-mail request to nagaraja.ds@kfintech.com. However, KFin shall endeavour to send User ID and Password to those new Members whose e-mail ids are available.
- d) The Scrutinizer will submit his report to the Chairman after the completion of scrutiny and the result of the voting will be declared within 48 hours of conclusion of the meeting. The declared results along with the Scrutinizer Report will also be displayed on the website of the Company at www.cumminsindia.com and will simultaneously be communicated to BSE Limited and National Stock Exchange of India Limited where equity shares of the Company are listed.

G. Instructions for attending the AGM through VC:

1. Members may access the platform to attend the AGM through VC at <https://emeetings.kfintech.com> by using their remote e-voting credentials. The link for the 59th AGM will be available in the Members login where the "EVENT" and the "Cummins India Limited" can be selected. Please note that the Members who have not registered their e-mail address or do not have the User Id and Password for e-voting or have forgotten the User Id and Password may retrieve the same by following the remote e-voting instructions mentioned in this Notice.

2. The facility for joining the AGM shall open 15 minutes before the scheduled time for commencement of the AGM i.e. 3.15 p.m. IST and shall be closed after the expiry of 15 minutes after such scheduled time.
3. Members are encouraged to join the Meeting using Google Chrome (preferred browser), Safari, Internet Explorer, Microsoft Edge or Mozilla Firefox.
4. Members will be required to grant access to the web-cam to enable two-way video conferencing.
5. Members are advised to use stable Wi-Fi or LAN connection to participate at the AGM through VC in a smooth manner. Participants may experience audio/video loss due to fluctuation in their respective networks.
6. Members who may want to express their views or ask questions at the AGM may visit <https://evoting.karvy.com> and click on the tab “**Post Your Queries Here**” to post their queries in the window provided, by mentioning their name, demat account number/folio number, email Id and mobile number.
7. In addition to the above-mentioned step, the Members may register themselves as speakers for the AGM to pose their queries. Accordingly, the Members may visit <https://evoting.karvy.com/> and click on “**Speaker Registration**” during the remote e-voting period. Members shall be provided a ‘queue number’ before the AGM. The company reserves the right to restrict the speakers at the AGM to only those Members who have registered themselves, depending on the availability of time at the AGM.
8. During the AGM, the Chairman will announce the start of voting through e-voting facility provided at the AGM.
9. Members who have not cast their vote through remote e-voting shall be eligible to cast their vote through e-voting system available at the AGM. Members may cast votes at the AGM by clicking on the “**Instapoll**” icon on the left side of the screen. Members are requested to follow the instructions as displayed to vote on the resolutions.
10. Members who may require any technical assistance or support before or during the AGM are requested to contact KFin at Toll-free No.: 1800-345-4001.
11. The Members who are eligible and interested to cast their votes at the AGM can do so till the time fixed for closure of Instapoll at 59th AGM.

Members are requested to visit the link mentioned below for ease of understanding:
<https://emeetings.kfintech.com/video/howitworks.aspx>

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 and statement of additional Information as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to following items of the Notice:

Item No. 4

To appoint a Director in place of Mr. Antonio Leitao (DIN: 05336740), who retires by rotation and being eligible, offers himself for re-appointment

Mr. Antonio Leitao (DIN: 05336740), (aged 56) joined the Board of Cummins India Limited on August 01, 2013. Mr. Antonio Leitao holds a degree in electrical engineering from the University of Brittany in France and an executive MBA from Stanford University.

Mr. Antonio Leitao is the Vice President – Cummins Inc. and Europe ABO Leader. Prior to assuming this role in January 2017, he served as President of Cummins Power Generation (PGBU), Vice President of PowerGen Market, Executive Director of Global Commercial Products and Director of EMEA & APAC Commercial Generator Set Business. He joined Cummins in 2002 as the Director for Commercial Generator Sets in the Europe, Middle East and Africa region. In 2007, Mr. Antonio Leitao assumed leadership of the Commercial Generator Set business in the Asia Pacific region and in 2008, he was promoted to Executive Director of Commercial Products. In that role, he was responsible for the global commercial generator set business. Previously, Mr. Antonio Leitao was employed by SDMO, a French Company that produces power-generating equipment, where he served in various roles related to Operations, Electrical Engineering and Global Sales.

The details of directorship or membership of Committees of Mr. Antonio Leitao forms part as Annexure to the Notice. For Mr. Antonio Leitao's attendance at the meetings of the Board of Directors, Members may refer to the Corporate Governance Report appended as Annexure '4' to the Directors' Report for Financial Year 2019-20.

The Company has received the relevant disclosures from Mr. Antonio Leitao including the following:

- (i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Mr. Antonio Leitao does not hold any shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company.

Except Mr. Antonio Leitao, no other Director or Key Managerial Personnel, or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item No. 4 of the Notice for approval by the Members.

Item No. 5

To appoint Mr. Ashwath Ram (DIN: 00149501) as a Director and to approve his appointment as Managing Director of the Company

Mr. Ashwath Ram (aged 50), holds a bachelor's degree in Science and Industrial Engineering from the Purdue University, West Lafayette, IN (USA) and a Master's Degree from the IU Kelley School of Business, Indiana University (USA).

Mr. Ashwath Ram is associated with Cummins Group since January 2008. Throughout his tenure, he had taken up various roles and won many accolades. He led the Engine Business Unit (EBU) which includes 3 major plants in India, where his key focused areas of the business included strategy, sales, profitability, operations and supply chain. He was instrumental in implementing Six Sigma processes with respect to business, people and leadership development, VPI and Project management; materials, quality, cost and manufacturing functional excellence. This included relationship management with large OEMs, suppliers and other key stakeholders. Currently, he is also Managing Director of Tata Cummins Private Limited, nominated as such by Cummins Inc. being one of the Joint Venture partners, without any remuneration.

Prior to Cummins, Mr. Ashwath Ram has worked with CV Designers, Affinity Express and VP Technologies and Business Development. He also managed consultancy business of Ashra Consultants and Perfect Ceiling Systems.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors (the "Board") at its Meeting held on August 07, 2019, appointed Mr. Ashwath Ram (DIN: 00149501) as an Additional Director of the Company with effect from August 17, 2019, under Article 110 of the Articles of Association of the Company.

Under Section 161 of the Companies Act, 2013, Mr. Ashwath Ram holds office of the Additional Director till the date of this Annual General Meeting. A notice has been received from a Member, as required under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. Ashwath Ram for office of the Director.

At the said meeting, the Board also appointed Mr. Ashwath Ram as the Managing Director of the Company pursuant to Sections 196, 197 and Schedule V to the Companies Act, 2013 and the provisions of the Articles of Association of the Company for a period of three (3) years effective from August 17, 2019 to August 16, 2022 on the terms and conditions and remuneration as given below:

- **Salary:** Consolidated Salary not exceeding Rs. 5 crores per annum till the tenure of appointment including:
 - i) Annual increment;
 - ii) Annual variable pay which may vary maximum between variable compensation payout factor 0 to 2. The variable pay is decided on the ROANA (Return on Average Net Assets) performance of Cummins Inc. for the previous year. Until financial results of Cummins Inc. are finalised, audited and published, the payout factor is not confirmed for payment;
 - iii) Grants: Cummins Long Term Retention Grant (LTG) as per policy of Cummins Inc. cost not exceeding ₹ 1.5 Cr. per annum which includes the following elements:
 - a) Performance cash: 34% of the total LTG to be borne by Cummins India Ltd.
 - b) Performance shares: 33% of the total LTG to be borne by Cummins Inc.
 - c) Stock Options: 33% of the total LTG to be borne by Cummins Inc.

In addition to salary, Mr. Ashwath Ram will be entitled for the following perquisites:

- **Medical / Hospitalization Benefits:** As per Company policy.
- **Free use of Car:** One Company maintained car with driver for Company's business.
- **Minimum Remuneration:**

The above remuneration shall be subject to limits laid down under Sections 196 and 197 of the Companies Act, 2013 including any statutory modifications and/or re-enactment thereof.

In the absence of inadequacy of profits, in any year, the remuneration payable to Mr. Ashwath Ram by way of salary, allowances and perquisites shall not exceed the limits prescribed under Schedule V of the Companies Act, 2013 and rules made thereunder or any statutory modifications and/or re-enactment thereof.

Mr. Ashwath Ram's appointment as Managing Director of the Company is by virtue of his employment in the Company and his appointment will be subject to the provisions of Sections 167(1), 197, 198, 203 and other applicable provisions of the Companies Act, 2013, read with Rules thereunder and Schedule V to the said Act or any modifications or re-enactment for the time being in force. So long as Mr. Ashwath Ram continues to occupy the position of Managing Director, he will not be a Director liable to retire by rotation.

The details of directorship or membership of Committees of Mr. Ashwath Ram forms part as Annexure to the Notice. For Mr. Ashwath Ram's attendance at the meetings of the Board, Members may refer to the Corporate Governance Report appended as Annexure '4' to the Directors' Report for Financial Year 2019-20.

The Company has received the relevant disclosures from Mr. Ashwath Ram including the following:

- (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Mr. Ashwath Ram holds 13,600 shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company.

Except Mr. Ashwath Ram, no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item No. 5 of the Notice for approval by the Members.

Item No. 6

To appoint Ms. Lorraine Alyn Meyer (DIN: 08567527) as a Director

Ms. Lorraine Alyn Meyer (aged 58 years), holds a bachelor's degree in Computer Science from the University of Wisconsin (USA).

Ms. Lorraine Alyn Meyer is responsible for Talent Management at the Global Enterprise Level at Cummins Group. In this role, she stewards strategy, process and tools designed to enable business growth through seamless movement of talent in an environment where employees have opportunities to achieve their full potential. Some of the focus areas include Recruitment, Learning & Development, Performance Management, Leadership Development, Talent Reviews, Succession Management, Skill Assessment, Training and Employee Surveys. Ms. Lorraine Alyn Meyer oversees implementation of an enterprise approach to change management that enables leaders and employees to navigate and sustain the changes that drive Cummins Group's Vision to innovate for our customers to power their success. Ms. Lorraine Alyn Meyer is committed to ensuring Cummins group's Leadership Culture and Leadership Behaviors are brought to life through the more consistent application of our tools and processes across all businesses, regions and employee types.

Her career with Cummins began through the acquisition of Nelson Industries where she was the Director of Information Technology (IT) for the Nelson business based in Stoughton, Wisconsin (USA). She transitioned into the Director of Human Resources (HR) for Filtration Global Operations and later completed a one-year development assignment in Operations (Manufacturing).

Ms. Lorraine Alyn Meyer is a certified Six Sigma Green Belt. Prior to working at Cummins, Ms. Lorraine Alyn Meyer led a small computer consultancy company owned by Nelson Industries (USA), providing customized business solutions.

Based on the recommendations of Nomination and Remuneration Committee, the Board of Directors appointed Ms. Lorraine Alyn Meyer (DIN: 08567527) as an Additional Director of the Company with effect from October 01, 2019, under Article 110 of the Articles of Association of the Company.

Under Section 161 of the Companies Act, 2013 Ms. Lorraine Alyn Meyer holds office of the Additional Director till the date of this Annual General Meeting. A notice has been received from a Member, as required under Section 160 of the Companies Act, 2013, proposing the candidature of Ms. Lorraine Alyn Meyer for office of the Director of the Company.

The details of directorship or membership of Committees of Ms. Lorraine Alyn Meyer forms part as Annexure to the Notice. For Ms. Lorraine Alyn Meyer's attendance at the meetings of the Board of Directors, Members may refer to the Corporate Governance Report appended as Annexure '4' to the Directors' Report for Financial Year 2019-20.

The Company has received the relevant disclosures from Ms. Lorraine Alyn Meyer including the following:

- (i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Ms. Lorraine Alyn Meyer does not hold any shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company.

Except Ms. Lorraine Alyn Meyer, no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item No. 6 of the Notice for approval of the Members.

Item No. 7

To appoint Ms. Rama Bijapurkar (DIN: 00001835) as a Non-Executive Independent Director

Ms. Rama Bijapurkar (aged 63 years), holds a BSC (Hons) degree in Physics from Delhi University and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.

Ms. Rama Bijapurkar is one of India's most experienced independent directors and has served on the Boards of several of India's blue-chip companies. Her past directorships include Axis Bank, RBL Bank, Bharat Petroleum, National Payments Corporation of India, CRISIL, Godrej Consumer Products Ltd., Infosys, ICICI Prudential Life Insurance, Redington Gulf FZE.

She has also served on the Governing Council of the Banking Codes and Standards Board of India and IIM Ahmedabad. Ms. Rama Bijapurkar is also a member of the Eminent Persons Advisory Group of the Competition Commission of India. Presently the Boards that she serves on include ICICI Bank, Mahindra & Mahindra Financial Services Limited, Nestle India Limited, Emami Ltd and VST Industries Limited.

Based on the recommendations of Nomination and Remuneration Committee, the Board of Directors appointed Ms. Rama Bijapurkar (DIN: 00001835), as an Additional Director in the capacity of Independent Director of the Company with effect from June 17, 2020, for a consecutive period of five years, under Article 110 of the Articles of Association of the Company.

Under Section 161 of the Companies Act, 2013 Ms. Rama Bijapurkar holds office of the Additional Director till the date of this Annual General Meeting. A notice has been received from a Member, as required under Section 160 of the Companies Act, 2013, proposing the candidature of Ms. Rama Bijapurkar for office of the Director of the Company.

The details of directorship or membership of Committees of Ms. Rama Bijapurkar forms part as Annexure to the Notice.

Ms. Rama Bijapurkar has given a declaration to the Board that she meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In the opinion of the Board, Ms. Rama Bijapurkar fulfills the conditions specified in the Act and the rules framed thereunder for appointment as an Independent Director and that she is independent of the Management.

In compliance with the provisions of section 149 read with Schedule IV of the Companies Act, 2013 the appointment of Ms. Rama Bijapurkar as Independent Director is now being placed before the Members for their approval.

The Company has received the relevant disclosures from Ms. Rama Bijapurkar including the following:

- (iii) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (iv) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Ms. Rama Bijapurkar does not hold any shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company.

Except Ms. Rama Bijapurkar, no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item No. 7 of the Notice for approval by the Members.

Item No. 8

To ratify remuneration payable to the Cost Auditors, M/s. Ajay Joshi & Associates, for the Financial Year 2020-21

The Board of Directors of the Company on the recommendation of the Audit Committee, have approved the appointment of M/s. Ajay Joshi and Associates, Pune, to conduct the audit of the cost records of the Company for the Financial Year 2019-20 at the remuneration not exceeding ₹ 950,000/- (Rupees Nine Lacs Fifty Thousand only) plus applicable taxes and reimbursement of out of pocket expenses.

In terms of the provisions of Section 148 of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company.

The Board is of the opinion that the fees quoted by M/s. Ajay Joshi and Associates, Pune, are reasonable and in line with the rates prevailing in the market for the similar assignment.

No Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item No. 8 of the Notice for approval by the Members.

Item Nos. 9 and 10

To approve the material related party transactions with Cummins Limited, UK and Tata Cummins Private Limited

Under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Related Party Transactions shall require prior approval of the Audit Committee and all material Related Party Transactions shall require approval of the Shareholders. The said Regulation further provides a definition of the term 'Material' as follows:

"a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last Audited Financial Statements of the Company."

As a part of its regular business, the Company sells the internal combustion engines gensets their parts and accessories, etc. to Cummins Limited, UK at an arm's length basis under the purchase orders raised from time to time and in the Financial Year 2020-21, the aggregate value of these transactions is likely to be around ₹ 80,000 Lacs ("Cummins on-going transaction").

Further, as a part of its regular business, the Company purchases B, C and L series internal combustion engines, their parts and accessories, etc. from Tata Cummins Private Limited ("TCPL") at an arm's length basis under the purchase orders raised from time to time and in the Financial Year 2020-21, the aggregate value of these transactions is likely to be around ₹ 1,00,000 Lacs ("TCPL on-going transaction").

Cummins Limited, UK is a subsidiary of Cummins Inc., USA which is the holding company of the Company. TCPL is 50:50 joint venture company between Cummins Inc., USA and Tata Motors Limited, India. Cummins Inc., USA is the holding company of the Company.

Mr. Ashwath Ram, Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also the Managing Director of TCPL without any remuneration and Mr. Rajiv Batra, erstwhile Chief Financial Officer (also, the erstwhile Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is a Director of TCPL.

Mr. Ashwath Ram holds 13,600 shares in the Company. However, none of his relatives holds any shares in the Company, Cummins Limited, UK or TCPL. Nor Mr. Batra or any of his relatives hold any shares in the Company, Cummins Limited, UK or TCPL.

The Audit Committee of the Board of Directors of the Company reviewed the Cummins on-going transactions and TCPL on-going transactions and recommended the same for approval by the Board of Directors at their meeting held on January 28, 2020. The Board of Directors at their meeting held on January 28, 2020 reviewed the Cummins on-going transactions and TCPL on-going transactions and proposed the same to be placed before the Members for their approval.

The Members' approval to the above material related party transactions is sought in terms of Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Except Mr. Ashwath Ram, Managing Director, being interested in the TCPL on-going transactions at Item Nos. 9 & 10 as Managing Director of TCPL, no other Director, Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 9 & 10 of the Notice.

The Board recommends the Ordinary Resolution at set out at Item Nos. 9 and 10 of the Notice for approval of the Members.

Registered Office:
Cummins India Office
Campus, Tower A,
5th Floor, Survey no. 21,
Balewadi,
Pune 411 045

Place : Pune
Date : July 30, 2020

By Order of the Board,
For Cummins India Limited,

Vinaya A. Joshi
Company Secretary
Membership No. : A25096

Additional information as required under the Companies Act, 2013 and Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 in respect of the Directors' appointment/ re-appointment is provided below:

Name	Age (Years)	Educational Qualification	Experience/ Expertise/ Brief Resume	Relationship with other Directors / Key Managerial Personnel (KMP)	Directorships and No. of Membership of Committees in other entities as on March 31, 2020	Shareholding as on March 31, 2020
Mr. Antonio Leita	56	Holds a degree in electrical engineering from the University of Brittany in France and an Executive MBA from Stanford University	Refer item No. 4 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	NIL	NIL
Mr. Ashwath Ram	50	Holds a bachelor's degree in Science and Industrial Engineering from the Purdue University, West Lafayette, Indiana (USA) and a master's degree from the IU Kelley School of Business, Indiana University (USA)	Refer item No. 5 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	NIL	13,600 Shares
Ms. Lorraine Alyn Meyer	58	Holds a bachelor's degree in Computer Science from the University of Wisconsin (USA)	Refer item No. 6 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	NIL	NIL
Ms. Rama Bijapurkar	63	Holds a BSC Hons degree in Physics from Delhi University and a post graduate diploma in management from the Indian Institute of Management (IIM), Ahmedabad.	Refer item No. 7 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	Independent Director in 1. Nestle India Limited (Chairperson of SRC*) 2. VST Industries Limited (Chairperson of SRC* and Member of Audit Committee) 3. Emami Limited 4. ICICI Bank Limited 5. Mahindra and Mahindra Financial Services Limited (Chairperson of SRC* and Member of Audit Committee)	NIL

Note:

*(SRC) - Stakeholders Relationship Committee.

Terms and conditions of appointment or re-appointment including remuneration:

- Mr. Antonio Leita and Ms. Lorraine Alyn Meyer, Non-Executive and Non-Independent Directors, are liable to retire by rotation and are not entitled to any remuneration.
- Ms. Rama Bijapurkar, Independent Director, is not liable to retire by rotation. The terms of remuneration including sitting fees for attending Board and Committee meetings, reimbursement of expenses and the profit related commission as permissible under law from time to time, are as approved by Members.