Ref: STEX/SECT/2018

August 09, 2018

The Relationship Manager, DCS-CRD BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001 BSE Scrip Code: **500480**	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: **CUMMINSIND**

Subject: Submission of Annual Report for Financial Year 2017-18.

Dear Sir/ Madam,

In terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that 57th Annual General Meeting of the Company was held on Thursday August 09, 2018 at Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045 and a copy of the Annual Report of the Company for FY 2017-18 is attached herewith.

Kindly take this submission on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

VENKATA
KUNTHURU
RAMANA

Digitally signed by VENKATA KUNTHURU RAMANA
DN: c=IN, o=Personal, postalCode=110091, st=Delhi, 2.5.4.20=a73e3b792a53e0b4137d29519e3197dcc2aaff7af3773968b83ed21453bdc218, serialNumber=8b4b0be372284b545158964122eadc4eedd19cfa95c325f1affd712110b300d7, cn=VENKATA KUNTHURU RAMANA
Date: 2018.08.09 20:53:02 +05'30'

K. Venkata Ramana
Group Vice President – Legal & Company Secretary
Membership Number: FCS4138

Encl.: As above.

(This letter is digitally signed)

Cummins India Limited
Registered Office
Cummins India Office Campus
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Pune 411 045 Maharashtra, India
Phone +91 20 67067000 Fax +91 20 67067015
cumminsindia.com
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CIN : L29112PN1962PLC012276

Delivering our Brand Promise through Innovation and Dependability

Cummins India Limited

Annual Report 2017-18

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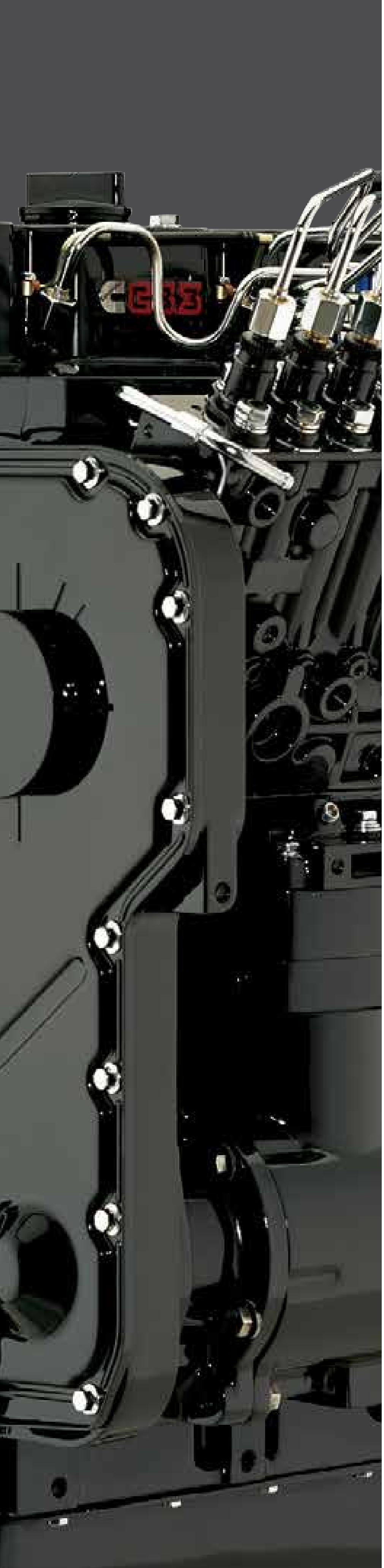


Mark Levett
Chairman,
Cummins India Limited

Dear Shareholders,

Following my recent appointment as Chairman, Cummins India Limited, it is my pleasure to introduce myself to you.

I joined Cummins Inc. in 1973 and since then, have worked in different roles that include Community Relations and Corporate Responsibility, High Horsepower Engine Business, apart from handling the International Asia Pacific among others. It has been an amazing journey and I am extremely proud to work for Cummins as I sincerely believe that ours is an exceptional company with an extraordinary heritage and a promising future.

I am excited to share with you that Cummins Inc. steps into the 100th year of operations this year with a steadfast dedication to the clients, partners and communities we serve, while earning a fair return for our shareholders.

Having said this, I would like to share with you the new Mission, Vision and Values of Cummins that we reinvigorated last year. Our earlier Mission, Vision and Values were developed in 2002. With the changing business environment and Cummins Inc. having grown more than three times since 2002, the whole idea was essentially to communicate that making the world a better place is central to our strategy for success.

While our industry may change over time, what has defined us, what has inspired us and what has enabled us to win hasn't changed. Today, we remain as proud as ever of our heritage and are determined to stay focused on the future and exciting opportunities that lie ahead of us.

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 and Inclusion, Excellence, Caring and Teamwork.

India has always been an important market for us and I am honored to have been chosen to lead Cummins India Limited. Over the last five decades, our confidence in Cummins India has increased with every passing year and this is reflected in our continued investments, the state-of-the-art Cummins India Office Campus, Megasite at Phaltan and now, Cummins Technology Center India (CTCI), the largest research and development facility for Cummins worldwide. All these world class facilities stand tall as a testimony of our confidence in the ability of Cummins India. India is home to some of the best talents in the world. These investments can enable the growth of the economy, generate employment, create equality and contribute to the growth of the Nation.

As much as I am proud of the great business potential of Cummins India as well as the ability and skill of the people here, Cummins' corporate citizenship is a natural extension of the Cummins personality. For a brand that stands by the value of Care, Diversity and Inclusion, Cummins India has always recognized its duties as a responsible corporate citizen and constantly works towards building not just a better company but a better community.

With the appointment of Sandeep Sinha as Managing Director on February 1, 2018, I am confident that Cummins India Limited is well poised to begin a new phase of growth, further strengthen its market position as the leader in the power generation and industrial space and continue to deliver on our brand promise of innovation and dependability of products and services to its customers.

In closing, I would like to express my gratitude to our shareholders for continuing to place their trust on us and to the Board for their invaluable guidance.

Thank You.

Mark Levett

Sandeep Sinha
Managing Director,
Cummins India Limited

Dear Shareholders,

As I take on my new role, I am honored to be entrusted with the leadership of such a large and capable organization. It has been a privilege for the last 14 years to be a part of Cummins, an organization that continues to deliver value to our shareholders, strongly backed by our mission, vision and values.

My India journey with Cummins spanned the last ten years, wherein I helped set up the New and ReCon® Parts business, led the Industrial Engines business, and, moved on to become the Chief Operating Officer.

I am pleased to share the performance of Cummins India Limited (CIL) for the year 2017-18.

Year 2017-18 has been one of the most eventful years for the Indian economy, with the implementation of the Goods and Service Tax (GST) dominating the landscape. Amidst this transition to a new tax structure, CIL was able to successfully overcome the volatile market conditions through its' cost reduction efforts, coupled with a strong customer centric approach towards delivering innovative, dependable products and services, and a legacy of strong partnerships.

It gives me immense pride to share with you that our world-class facility, Cummins Technical Center India (CTCI) was inaugurated by Tom Linebarger, Chairman and CEO Cummins Inc. The CTCI operations will generate leading edge solutions in India which will provide your Company a distinct competitive advantage.

Another feather in the cap for your Company was being conferred with the Confederation of Indian Industries (CII)-ITC award for significant achievement in Corporate Social Responsibility.

2017-18 Financial Performance

In the fiscal year 2017-18, net sales for your Company were at

₹4,952 Crores

Net profit before tax (excluding exceptional items) at

₹852 Crores

Free Cash Flow of

₹651 Crores

We are positive about our ability to grow the company profitably. The Company generated a significant amount of cash, strengthened its balance sheet and continued to return strong value to its shareholders in alignment with its mission.

An interim dividend of ₹5 per fully paid-up equity share of ₹2 each (250 percent) was disbursed in March 2018. The 2017-18 financial year concluded with the Board recommending a final dividend of ₹10 per share of ₹2 fully paid-up (500 percent) aggregating to ₹15 per share of ₹2 each fully paid-up (750 percent), subject to your approval at the Annual General Meeting.

Strong Partnerships with all Stakeholders

Your Company continued to strengthen its long-standing partnerships with our stakeholders including key OEMs, end-users across operating segments, our suppliers and our communities.

During the year, the Industrial, Power Generation and Distribution businesses continued to demonstrate commitment towards providing innovative and dependable products and services to cater to the evolving needs of our stakeholders.

In the Industrial business, your Company was able to strengthen its market presence across operating segments by providing integrated power solutions and value added offerings in partnership with our customers.

Recognizing the need of the Indian Railways to free up space on-board, we introduced and installed the underslung power pack for the Diesel Electric Tower Car (DETC), thereby successfully delivering on our brand promise of innovation. This technology is also being leveraged for Power Car and Diesel Electric Multiple Unit (DEMU) market segments. Your Company has introduced cost-effective, noise attenuation solutions for the Power Car segment in order to help facilitate a comfortable passenger experience.

Your Company continues its strong partnership with the Indian Navy, Coast Guard and Shipyards with its propulsion packages and diesel generator set offerings. Various initiatives were undertaken to strengthen our position in the fishing boats segment as a complete propulsion package provider.

In the Mining segment, we are well positioned to meet high capacity market needs, by powering the BD475 Dozer (largest dozer built in India by Bharat Earth Movers Limited) with the Cummins QST30 engine.

Your Company is also working closely with Defence OEMs to cater to stringent engine and system requirements for guns and tanks. The Advanced Towed Artillery Gun System (ATAGS) developed by Defence Research and Development Organization (DRDO), that set a record of firing shell range of 48 km, was powered by our ISF2.8 engine.

The Construction sector witnessed sustained growth and your Company recorded its highest-ever sector sales driven by increased demand for equipment in roads and infrastructure projects. Anticipating the need of this sector, your Company also entered the Indian Backhoe Loader market with its 3.9-Litre engine. This solution significantly improved customer value through improved productivity, reliability and durability. We have also enhanced our market leadership position in the excavator market by working closely with a variety of customers to launch new products. To address the upcoming Construction Equipment Vehicle-Bharat Stage Four (CEV-BSIV) emission changes in the Indian market in 2020, your Company has initiated programs to launch superior electronic engines with key

Partnering to Succeed: *Launched the Tata-Hitachi Backhoe with the Cummins 3.9-Litre engine*

customers. In addition to this, we continue to partner with global construction equipment manufacturers to increase our exports business.

In the Power Generation Business, your Company continued the trend of gaining market share across its operating segments, especially Data Centers, Infrastructure, Commercial Realty and Manufacturing. Significant gains were also made in key High Horsepower nodes.

Your Company has received a positive market response for the advanced Power Command Control (PCC) 3.3 controller for the High Horsepower segment, which provides significant benefits to customers to manage large multi-generator set installations. In the Low Horsepower segments, the new 20 kVA product, our most compact 2-cylinder power solution that offers best-in-class installation footprint, was also well received by customers.

Focusing on customer needs, your Company took significant steps to improve the power density of its products in order to reduce total cost of ownership, lower maintenance cost and provide the benefit of a smaller installation footprint. Programs have also been initiated to launch products so that your Company is well positioned for the implementation of tighter emission norms in the future.

The overall power deficit of the country is expected to continue its' declining trend. However, your Company believes there will be a sustained demand for backup power due to rapid urbanization, GDP growth and changing preference of consumers.

On a solid footing: *The new 20 kVA product, our most compact 2-cylinder power solution that offers best-in-class installation footprint, has been well received by customers*

In the Distribution Business, your Company took customer support innovation to the next level by launching the "Cummins CARE" mobile application. This application lets our customers raise service requests instantly, track their real-time progress, view service history and provide feedback, all with the convenience of their smartphones. A lighter version of the application has also been created for lower version mobile phones and non-smartphone users. Cummins Dealer Operating System (CDOS) application, the backbone of Distribution business, was enhanced to increase dealership partners' efficiency, comply with GST tax regime requirements and ensure business continuity by protecting and recovering critical data.

We continued our focus on customers through flagship programs such as Customer Connect and Customer Talk in order to understand their needs and challenges. Our Net Promoter Score (NPS), a key indicator of customer loyalty reached an all-time high of 78%, placing us in the top quartile for this category. In an effort to standardize customer visual experience, your Company has successfully branded 48 dealer facilities and 30 express vans across India.

Continuous Improvement

Over the last two years, we have been focusing heavily on improving Quality as this remains one of the most important parameters for our customers. We view our suppliers as strategic partners in the journey of bringing high quality, right-first-time products to the marketplace. In the quest to achieve zero defect in Quality, through the Accelerated Move towards Zero Defect (AMaZe) program, your Company closed over 260 projects that yielded more than 30% YOY improvements across key quality performance indicators. Launching the next phase- AMaZe 2.0, your Company will focus on cultivating a Preventive and Predictive approach to further enhance Quality.

Various cost optimization projects were undertaken to reduce the total cost of ownership for direct materials. Your Company made sustained efforts to stay competitive in the face of increasing commodity prices and pressure due to economic downturn, resulting in accrued savings of approximately ₹51 Crores by implementing 119 cost reduction projects.

Currently in its 14th year, our efforts in Six Sigma resulted in achieving record savings for CIL - over

800 projects with a total financial impact of ₹378 Crores (exceeding target by 20%).

Cummins has been working on a supply chain transformation that focuses on eliminating waste and creating a green supply chain. This includes exhaustive work on introducing returnable packaging, reducing transit lead time to procure parts and expanding supply chain to meet new emission requirements.

Your Company is constantly looking for ways to make a positive environmental impact while delivering economic value to its stakeholders. Your Company disposed 204 Metric Tons (MT) of waste, 22,328 MT of Green House Gas (GHG) emissions and consumed 165 million liters of water in 2017. Waste disposal and GHG emissions increased 5% and 4% respectively with respect to the 2016 baseline due to increase in production, maintenance activities and full-fledged running of the night shift. To combat the increase in waste, the company has taken up various returnable packaging and waste minimization projects. On the waste recycling rate, your Company stands at 95.19%.

Your Company ensures that all its sites comply with the Health, Safety and Environment Management System policy, procedures and initiatives independent of certification status.

The Kothrud Engine Plant transitioned from ISO 14001:2004 to ISO 14001: 2015 while the India Parts Distribution Center (IPDC), upgraded their system from ISO 14001:2004 to ISO 14001:2015. The Power Generation SEZ plant won the Silver and Bronze prizes from 'Quality Circle of India-Pune Chapter' for energy efficiency as well as Gold and Silver awards from 'Automotive Components Manufacturers Association India' for energy efficiency and water conservation efforts.

Living Our Values

Caring, one of Cummins' core values drives our corporate responsibility initiatives in our communities and the purposeful, long-term impacts they are intended to have. I feel incredibly proud to share that your Company was conferred with Confederation of Indian Industries (CII)-ITC Award for significant achievement in Corporate Social Responsibility. In addition to this, your Company was declared the winner for the third consecutive year at the Lakshya Awards organized by National Institute of Industrial Engineering (NITIE) for the project "Ideal Immersion" - Prevention of pollution during festival times.

For the fifth consecutive year, your Company achieved a 100% score under the Every Employee Every Community (EEEC) initiative. These hours were dedicated across the focus areas of Higher Education, Energy & Environment, and Equality of Opportunity.

Towards a better future: *Aditya Gosavi, a hearing impaired employee working at Megasite, Phaltan talks about career development with parents and students at Mahatma Shikshan Samstha, a hearing impaired NGO that is supported by Cummins.*

All for a greener world: *Check dam constructed at Model Village Rajoda near Indore - one of the 12 Cummins model villages, conserving close to 14.3 million liters, supporting drinking water and agricultural needs of the village.*

In the Education space, scholarships were awarded to 200 meritorious and needy scholars - 61% of whom were girls- taking the total number of beneficiaries since program inception in 2006 to 1139. In our 26th year of successful association with Cummins College of Engineering for Women (CCEW), the college has set up a state of the art Center for Research and Intellectual Entrepreneurship (CeRIE) to inculcate a research and innovation culture within the students.

In the Energy and Environment space, the Khadakwasla Dam Rejuvenation project helped conserve 13,300 million liters of water. Coach Them Young - a student program that leveraged the distribution business' and the dealers' network helped create over a million next-gen environment ambassadors. As part of the Safe Chulha initiative to promote healthy indoor cooking, 2100 energy efficient cook stoves were deployed.

Nurturing Brilliance: *Students in Pune from economically challenged backgrounds awarded the Cummins Scholarship in 2017. Every year, close to 200 meritorious students receive the scholarship across locations where Cummins has presence.*

Under Equality of Opportunity, your Company has continued its engagement with 12 Model Villages across our plant locations, by taking up initiatives in the areas of income generation for women and organic farming. As part of the EmpowerHer-'Powering HER for a better tomorrow' initiative, 80 women turned economically self-reliant and 85 farmers in one Model Village were able to double their income by adopting organic farming.

Monsoon Resilient Maharashtra, a long term strategic initiative, is aimed at alleviating the farmers' dependency on seasonal rainfall in rural Maharashtra. This ambitious project that started last year witnessed the success of its pilot phase at four villages and shows significant potential to scale up across Maharashtra in the next 2-3 years.

Children get GreEngaged – GreEngage: *A pan India sustainable Afforestation initiative in which 24,000 trees are planted every year and close to 100,000 trees sustained till date.*

Sowing the seeds for a greener future: *Employees contribute towards "grass-seeding" on farm bunds at Moreband Village in Satara district – one of the four villages under the Monsoon Resilient Maharashtra program.*

Looking Ahead

After the economy's successful bounce back post GST implementation, we are confident of stepping into the New Year with renewed vigor.

The Indian Government's impetus on infrastructure development and 'Make in India' not only promises to be a key enabler to our business success but also opens up several opportunities for us to strengthen and sustain our market leadership in the future.

I would also like to thank our Board of Directors for placing their trust on us, which motivates and drives us to take on newer and bigger challenges. Your guidance, support and experience allows us to reach ever greater pinnacles of achievement.

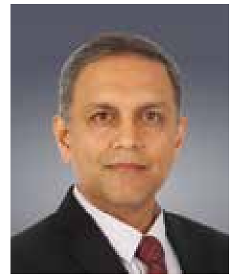
In closing, I would like to thank you for your valued and continued association with Cummins India Limited and assure you, on behalf of my leadership team and myself, of our continued commitment and dedication to ensure the success of your Company.

Sincerely,

Sandeep Sinha

BOARD OF DIRECTORS

Mark Levett
Chairman



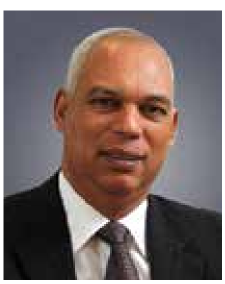
Sandeep Sinha
Managing Director

Rajeev Bakshi
Independent Director

P. S. Dasgupta
Independent Director

Nasser Munjee
Independent Director

Venu Srinivasan
Independent Director

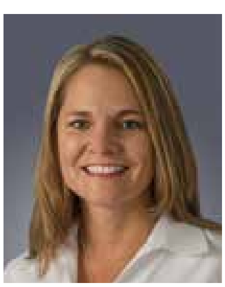


Prakash Telang
Independent Director

Mark Smith
Additional Director

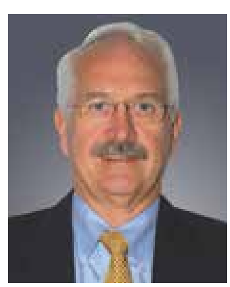
Antonio Leitao
Non-Executive Director

Norbert Nusterer
Non-Executive Director



Suzanne Wells
Non-Executive
Director

Nicole McDonald
Alternate Director
to Suzanne Wells



J. M. Barrowman
Alternate Director
to Norbert Nusterer

BANKERS :

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

ICICI Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

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
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E-mail	:	cil.investors@notes.cummins.com
Website	:	www.cumminsindia.com

DIRECTORS' REPORT

The Directors take pleasure in presenting the Fifty-Seventh Annual Report together with the audited financial statements for the year ended March 31, 2018. With the challenging economic conditions of the previous year continuing into 2018, your Company has focused on improving productivity, eliminating waste, re-aligning the cost structure and increasing market share.

1. FINANCIAL RESULTS:

On Standalone basis:-

During the Financial Year 2017-18, revenue from operations was ₹ 516,106 Lacs as compared to ₹ 542,875 Lacs during the previous year (4.9% lower). Profit after tax decreased to ₹ 70,847 Lacs from ₹ 73,463 Lacs recorded for the previous year (3.6% lower).

On Consolidated basis:-

During the Financial Year 2017-18, revenue from operations was ₹ 519,045 Lacs as compared to ₹ 545,779 Lacs during the previous year (4.9% lower). Profit after tax reduced to ₹ 71,182 Lacs from ₹ 73,627 Lacs recorded for the previous year (3.3% lower).

Financial summary

	Standalone		Consolidated	
	2017-18 (₹ in Lacs)	2016-17 (₹ in Lacs)	**2017-18 (₹ in Lacs)**	2016-17 (₹ in Lacs)
APPROPRIATION OF PROFIT:				
Profit before taxation	**90,840**	90,824	**84,077**	84,301
Net Profit for the year after tax	**70,845**	73,463	**71,182**	73,627
Tax on dividend	**7,901**	7,901	**7,901**	7,901
Dividend	**38,808**	38,808	**38,808**	38,808

2. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 10/- per equity share of ₹ 2/- each fully paid-up, in addition to the interim dividend of ₹ 5/- per equity share of ₹ 2/- each fully paid-up share declared on February 01, 2018, aggregating to ₹ 15/- (i.e. 750%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2018 (last year ₹ 14/- per equity share i.e. 700%). The final dividend payout is subject to approval of the Members at the ensuing Annual General Meeting.

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

3. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associates as on March 31, 2018:-

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

CSSPL (*formerly known as*, Cummins Svam Sales & Service Private Limited) 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 ₹ 8,354.25 Lacs from its operations for the year ended March 31, 2018, as compared to ₹ 7,922.34 Lacs during the previous year (5.5% higher).

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

The revenue from the operations of Cummins Research and Technology India Private Limited (CRTI), a 50:50 joint venture between Cummins Inc., USA and your Company for the year ended March 31, 2018, was Nil previous year (Nil). CRTI 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. Effective 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. This has further enabled your Company to enhance efficiency, optimize the response time, reduce the administrative procedures, and avoid duplication of efforts. In short, there has been simplicity in running the same activities in a more effective manner.

c) Valvoline Cummins Private Limited (VCPL):

VCPL, a 50:50 joint venture with Valvoline International Inc., USA, a global leader in lubricants and engine oils, generated a revenue of ₹ 128,006 Lacs from its operations for the year ended March 31, 2018, as compared to ₹ 125,374 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 ₹ 63,807 Lacs from its operations for the year ended March 31, 2018, as compared to ₹ 60,245 Lacs during the previous year (5.91% higher).

Your Company announces consolidated financial results on an annual basis. As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, consolidated financial statements of the Company, its subsidiary, joint ventures and associate, 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 statement 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.

4. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

Other than the unsecured loan given to Cummins Technologies India Private Limited (which is a subsidiary of Cummins Inc., USA) in 2011 in compliance with the then applicable, Companies Act, 1956 and Rules thereunder, no other loan or guarantee was given or investment was made by your Company during the Financial Year 2017-18.

5. 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.cumminsindia.com/investors/corporate-goverance.

6. CONSERVATION OF ENERGY:

During the Financial Year 2017-18, your Company has strived to imbibe energy conservation principles and initiatives across all its facilities - Kothrud Engine Plant (Pune), Phaltan Midrange Upfit Centre (Phaltan), Power Generation Business Unit Plant (Phaltan), Distribution Business Unit Plants (Phaltan) and India Parts Distribution Centre (Phaltan).

A 635 kWp grid connected solar power plant was installed and made operational at the Distribution Business Unit Plant at Phaltan in Financial Year 2017-18. This installation has helped save 60,000 units of electricity every month and has resulted in a monthly saving of ₹ 4.5 Lacs in energy costs.

The other key initiatives across multiple areas are highlighted below –

HVAC – Your Company has undertaken initiatives such as installation of energy efficient air compressors, cooling towers, air conditioning units as well as High-Voltage-Low-Speed (HVLS) fans across the operation areas of key facilities.

Lighting – Your Company took the initiative to replace old lighting fittings with new-age energy efficient LED fittings within and outside some of our facilities

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

<u>IMPACT OF THE ABOVE MEASURES</u>:

These key initiatives resulted in annual energy savings of approximately 10.31 Lac units of electricity and ₹ 91.55 Lacs of saving in Energy costs

7. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

Your Company is committed to introducing new products and improving existing products to have better performance levels, lower life cycle costs, excellent safety, recyclability characteristics, meet stringent emission norms for the specific needs of the Indian customer. The Technical Center of your Company continues in this endeavour by indigenizing components and developing the next generation of systems in collaboration with the parent company - Cummins Inc., USA.

Improved technical productivity, through new methodologies and technologies being introduced, 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 computer models that help minimize hardware testing and therefore accelerate product development cycle times.

To ensure the health and safety of employees, the Technical Center also pursued several initiatives to help drive towards the goal of zero-recordable incidents.

A. New Product Development:-

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

1. Key Rail engine product families to support the growing Rail Business
2. Key Marine engine product families to support the increasing commercial Marine Business
3. Further enhancement of non-diesel product development capability as alternative fuels are being explored in India
4. Telematics capability has been developed to improve uptime and fuel efficiency of our products

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

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

C. Future plans include:-

1. Developing local 'fit-for-market' solutions to meet upcoming emission regulations and market needs on commercial off-highway segment
2. Technological innovation to add value to the products in the areas of alternate fuels, recycle / re-use and hybrid engines
3. Continued expansion of the product range to serve the local and global market needs
4. Continued focus on indigenization and partnering with suppliers for waste elimination initiatives
5. Alternate source development for various components across the product line
6. Focussed engine development for the Power Generation market for the upcoming emissions norms

D. Your Company continues to draw benefits from Cummins Inc.'s technical capabilities and advanced technology. With continued support from Cummins Inc., USA your Company is committed to develop advanced fuel-efficient and emission-compliant products that work on a variety of energy sources and comply with upcoming domestic and global emission regulations. These help to reduce Greenhouse Gas emission and improve Air Quality, whilst also enabling the products to deliver superior performance, reliability, durability and recyclability.

E. Expenditure on R & D:-

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

	2017-2018 (₹ Lacs)	2016-2017 (₹ Lacs)
Capital	**26**	395
Recurring	**2,892**	3,067
Total	**2,918**	3,462
Total R&D expenditure as a percentage of total sales turnover	**0.4%**	0.6%

8. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 6,994 engines and 7,998 generator sets thereby achieving total export earnings of ₹ 144,484 Lacs.

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

			2017-2018 (₹ in Lacs)		2016-2017 (₹ in Lacs)
(a)	Earnings		**161,030**		163,131
(b)	Outgo –		**102,543**		93,683
	- Raw Materials/components	**62,578**		56,894	
	- Capital Equipment	**1,341**		1,712	
	- Others	**38,624**		35,077	

9. 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 and the same is appended as **Annexure '5'** which forms part of this Report.

10. EXTRACT OF THE ANNUAL RETURN:

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

11. RISK MANAGEMENT:

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities. As a process, the 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.

12. 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.

13. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

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

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

14. CODE OF CONDUCT COMPLIANCE:

All members of the Board and Senior Management have affirmed compliance to the Code of Conduct for the Financial Year 2017-18. A declaration signed by the Chairman & Managing Director affirming compliance with the Company's Code of Conduct by the Board of Directors and Senior Management for the Financial Year 2017-18 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.

15. 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 2017-18.

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, 2018, 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, 2018 and of the profit for the period April 01, 2017 to March 31, 2018;

(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.

16. DIRECTORS:

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

During the year, Mr. Anant J. Talaulicar (DIN: 00031051) resigned as Chairman and Managing Director of the Company with effect from November 08, 2017 and Mr. Pradeep Bhargava, (DIN: 00525234) resigned as an Alternate Director of the Company with effect from February 23, 2018.

During the year, Mr. Sandeep Sinha (DIN: 02400175) was appointed as Managing Director of the Company with effect from February 01, 2018 and Mr. Mark Levett (DIN: 00368287) was appointed as an Additional Director and Chairman of the Board with effect from March 02, 2018.

The Board at its meeting held on August 3, 2017 noted the presence of Mr. Norbert Nusterer (DIN: 07640359) during July 31, 2017 to August 5, 2017 and Ms. Suzanne Wells (DIN: 06954891) during July 31, 2017 to August 4, 2017 in India and consequent cessation of Mr. J. M. Barrowman (DIN: 00668324) as an Alternate Director for Mr. Norbert Nusterer and Ms. Nicole McDonald (DIN: 07369062) as an Alternate Director to Ms. Suzanne Wells, effective July 31, 2017.

The Board confirmed appointment of Mr. J. M. Barrowman in terms of its resolution dated October 26, 2016, as an Alternate Director to Mr. Norbert Nusterer effective August 5, 2017 and appointment of Ms. Nicole McDonald in terms of its resolution dated November 5, 2015, as an Alternate Director to Ms. Suzanne Wells effective August 4, 2017 upon return of Original Directors to U.S.A.

The Board at its meeting held on August 3, 2017, appointed Mr. Mark Smith (DIN: 06852777), as an Additional Director effective August 3, 2017 and Mr. Pradeep Bhargava (DIN: 00525234), as an Alternate Director to Mr. Mark Smith.

The Board at its meeting held on October 26, 2017 noted the presence of Mr. Norbert Nusterer (DIN: 07640359) during October 23, 2017 to October 27, 2017 in India and consequent cessation of Mr. J. M. Barrowman (DIN: 00668324), as an Alternate Director for Mr. Norbert Nusterer, effective October 23, 2017. The Board confirmed appointment of Mr. J. M. Barrowman in terms of its resolution dated October 26, 2016, as an Alternate Director to Mr. Norbert Nusterer effective October 27, 2017 upon return of Original Director to U.S.A.

The Board noted the presence of Mr. Norbert Nusterer (DIN: 07640359) and Ms. Suzanne Wells (DIN: 06954891) during January 29, 2018 to February 2, 2018 in India and consequent cessation of Mr. J. M. Barrowman and Ms. Nicole McDonald as Alternate Directors effective January 29, 2018. The Board confirmed appointment of Mr. J. M. Barrowman in terms of its resolution dated October 26, 2016, as an Alternate Director to Mr. Norbert Nusterer effective February 2, 2018 and appointment of Ms. Nicole McDonald in terms of its resolution dated November 5, 2015, as an Alternate Director to Ms. Suzanne Wells effective February 2, 2018 upon return of Original Directors to USA.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Antonio Leitao (DIN: 05336740), Director of the Company, retires by rotation and is eligible for re-appointment.

Additional information as required under the Companies Act, 2013 and Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements), 2015 in respect of the directors' appointment/ reappointment is provided below:

Particulars	**Mr. Mark Levett**	**Mr. Sandeep Sinha**	**Mr. Antonio Leitao**
Age (years)	69	47	54
Qualification	BA from Hanover College & MBA from Michigan State University	Bachelor's degree- Production Engineering, Manipal Institute of Technology (India) and Master's degree from Kelly School of Business	Holds a degree in Electrical Engineering from the University of Brittany in France and an executive MBA from Stanford University
Experience/ Expertise/ Brief Resume	Refer item no. 6 of the explanatory statement of the Notice convening this Meeting.	Refer item no. 5 & 7 of the explanatory statement of the Notice convening this Meeting.	Refer item no. 4 of the explanatory statement of the Notice convening this Meeting.
Relationship with other Directors / Key Managerial Personnel (KMP)	Not related to any Director / KMP	Not related to any Director / KMP	Not related to any Director / KMP
Directorships/ Membership of Committees in listed entities as on March 31,2018	NIL	NIL	NIL
Shareholding as on March 31, 2018	NIL	NIL	NIL

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

b) Committees of the Board:

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

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

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

c) Policy on Director's Appointment and Remuneration:

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

d) Board Performance Evaluation Mechanism:

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

e) Familiarization Programme for Independent Directors:

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

f) Declarations from the Independent Directors:

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

17. PARTICULARS OF EMPLOYEES:

The details in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, is appended as **Annexure '9'** which forms part of this Report.

A statement containing the details as prescribed under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time 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.

18. INDUSTRIAL RELATIONS:

Industrial relations at the Company's plants continue to be cordial. Many initiatives have been rolled out providing development and growth opportunities to our shop employees e.g. B. Tech program has been launched in partnership with BITS Pilani.

19. AUDITORS:

SECRETARIAL AUDITOR:

Dr. K. R. Chandratre, Company Secretary in Practice, was appointed to conduct the secretarial audit of the Company for the Financial Year 2017-18, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 for Financial Year 2017-18 is appended as **Annexure '10'** which forms part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS:

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) 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 and Associates, Pune, to audit the cost accounts of the Company for the Financial Year 2018-19 on a remuneration of ₹ 950,000 plus taxes as applicable and re-imbursement of out of pocket expenses. As required under the Companies Act, 2013, the Members' ratification for the remuneration payable to M/s. Ajay Joshi and Associates, Cost Auditors is being sought at the ensuing Annual General Meeting.

20. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

Your Company is an early adopter of the Corporate Social Responsibility (CSR) initiatives. Corporate 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.cumminsindia.com/investors/corporate-goverance. The Annual Report on our CSR Activities, is appended as **Annexure '11'** which forms part of this Report.

21. 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.

22. 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.

23. GENERAL:

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

a. Details relating to deposits covered under Chapter V of the Companies Act, 2013;

b. Issue of equity shares with differential rights as to dividend, voting or otherwise;

c. Issue of shares (including sweat equity shares) by theCompany to its employees;

d. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;

e. No frauds were reported by auditors under Section 143(12) of the Companies Act, 2013;

f. 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

g. No material changes and commitments occurred during April 01, 2018 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,

	Mark Levett	Sandeep Sinha
Place : Mumbai	Chairman	Managing Director
Date : May 24, 2018	DIN: 00368287	DIN: 02400175

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 (earlier known as, Cummins Svam Sales & Service Private Limited and originally incorporated as 'Cummins Svam Sales & Service Limited')
2.	**Reporting period for the subsidiary concerned, if different from the holding company's reporting period :**	Financial Year 2017-18
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 :**	₹ 165.28 Lacs
6.	**Total assets :**	₹ 3,175.89 Lacs
7.	**Total Liabilities :**	₹ 1,810.61 Lacs
8.	**Investments :**	Nil
9.	**Turnover :**	₹ 8,354.25 Lacs
10.	**Profit before taxation :**	₹ 210.81 Lacs
11.	**Provision for taxation :**	₹ 54.95 Lacs
12.	**Profit after taxation :**	₹ 155.86 Lacs
13.	**Proposed Dividend :**	Not Applicable
14.	**% of shareholding :**	100

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

Annexures to the Directors' Report

Part "B": Associates and Joint Ventures : -

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

Name of 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, 2018	March 31, 2018	March 31, 2018
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)
Extend 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	₹ 253 Lacs	₹ 10,500 Lacs	₹ 9,187 Lacs
6. Profit/Loss for the year			
i. Considered in Consolidation	₹ (25.73) Lacs	₹ 7,316.10 Lacs	₹ 1,316.77 Lacs
ii. Not Considered in Consolidation	₹ (25.73) Lacs	₹ 7,316.10 Lacs	₹ 1,395.98 Lacs

Notes: -

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

For and on behalf of the Board

Mark Levett
Chairman
DIN : 00368287

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

K. Venkata Ramana
Group Vice President Legal & Company Secretary
M. No. : FCS4138

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place : Mumbai
Date : May 24, 2018

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, 2018, 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
Sale of internal combustion engines, their parts and accessories by the Company for the Financial Year 2017-18	Cummins Limited, UK	Cummins Limited, UK and Cummins India Limited both are subsidiaries of Cummins Inc., USA	Exports in the ordinary course of business based on the Purchase Orders raised from time to time	62,428
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2017-18	Tata Cummins Private Limited, Jamshedpur (TCPL)	- 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. Sandeep Sinha, Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL. - Mr. Rajiv Batra, Chief Financial Officer (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL.	Purchase of B & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	79,210

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

with Cummins Limited, UK and TCPL, Jamshedpur are Material RPTs. It may be noted that during the Financial Year 2017-18, the total annual consolidated turnover of the Company was ₹ 506,020 Lacs and that the Company had transactions with Cummins Limited, UK of ₹ 62,428 Lacs (i.e. of 12.34%) and that with Tata Cummins Private Limited of ₹ 79,210 Lacs (i.e. of 15.65%). A similar trend of transactions with Cummins Limited, UK and TCPL is expected in the current year. Therefore, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee and the Board of Directors have approved these transactions on February 01, 2018 and shall present the same for approval by the shareholders at the ensuing Annual General Meeting.

On behalf of the Board of Directors,

	Mark Levett	Sandeep Sinha
Place : Mumbai	Chairman	Managing Director
Date : May 24, 2018	DIN: 00368287	DIN : 02400175

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- The growth rate of Indian economy in the Financial Year 2017-18 was projected to be ~6.6%[1] on the back of lower inflation, improved current account balance and focus on infrastructure spending.

- Post recovery from demonetization and GST implementation, the Indian economy witnessed robust signs of revival during second half of Financial Year 2017-18.

- Government spend on infrastructure has been increasing (up by 20.8%[2] in Financial Year 2017-18 over previous year) primarily in roads (up by 31.4%[2] in Financial Year 2017–18 from previous year) and railways (up by 8.2%[2] in Financial Year 2017-18 from previous year). This has stimulated foreign and private investments in infrastructure and fostered economic growth.

- An impetus on developing industrial corridors and smart cities in addition to the 'Make in India' campaign by the government would assist in industrial development and promoting the domestic manufacturing sector while programs like 'Bharat Net' and 'Digital India' would help establish a digital infrastructure in India.

- Global trade has shown signs of moderate recovery in 2017. However, uncertainty about international government action and a rising tendency towards protectionist and restrictive trade policies pose a significant risk.

- The continual rise in global oil, gas, metals and commodity prices pushed inflation upwards, intensifying supply side price pressures.

- In the long term, India's growth story remains intact, driven by strong private consumption, public push for infrastructure spend and recovery from disruption of the GST rollout. This is also reflected in the International Monetary Fund Financial Year 2018-19 outlook for India economic growth, projected at 7.4%.

Note:

1) At constant market prices as per the 2nd Advance Estimates of National income 2017-18 Central Statistics Office (CSO) - Ministry of Statistics & Programme Implementation (released in Feb 2018).

2) Based on revised estimates of Financial Year 2017-18 against actuals for Financial Year 2016-17 from Ministry of Railways and Ministry of Road Transport and Highways.

2. Opportunities and Threats

Key Opportunities

Industrial

- Government's impetus through different initiatives especially in manufacturing and infrastructure, along with the "Make in India" push will boost growth across the product portfolio.

- **Railways:** Your Company believes that the announced railway budget that outlines an investment of ₹ 1.48 lakh Crores for capacity creation, track doubling of 18,000 km of lines and rail track renewal of 36,000 km will spur demand of Track Maintenance equipment and Diesel Electric Tower Cars (DETC).The continued focus on increasing production of safer Linke Hofmann Busch (LHB) coaches will result in a growth in Power Car demand.

- **Mining:** With the Coal Ministry's target of 1BT coal production by 2020, your Company anticipates expansion of higher tonnage mining equipment market. The increased outsourcing to private contractors will also result in an increased demand for small tonnage equipment in the private mining sector.

- **Marine:** Emphasis on inland water transport development coupled with the "Make in India" focus, will boost manufacturing of transport vessels thereby, increasing demand for marine main propulsion engines and diesel generator sets.

- **Oil & Gas:** Your Company expects strong demand in the city gas compression market based on the government's smart city and City Gas Distribution (CGD) initiative.

- **Construction:** Your Company believes the focus of Indian government on road and infrastructure development projects along with the "Make in India" initiative will lead to a sustained growth in demand for construction equipment. Your Company has strong partnerships with all major equipment manufacturers and will continue to leverage technology leadership to continue our growth in this sector.

Power Generation

- Your Company expects the segment to grow, on the back of the Governments' emphasis on infrastructure projects and the 'Make in India' initiative.

- With increasing digitalization of the economy, the Data Centers segment is expected to grow, which would further fuel demand for High Horsepower generator sets, where your Company holds a significant market share.

- The Commercial Realty segment is expected to exhibit higher growth as the demand for office spaces and commercial establishments continues to increase with the growing economy.

- The overall power deficit of the country is expected to continue its' declining trend. However, your Company believes there will be a sustained demand for backup power due to rapid urbanization, GDP growth and changing preference of consumers.

Distribution

- Government's emphasis on infrastructure projects like road and bridge construction, augmenting coastal infrastructure, and expansion of railway infrastructure will drive purchase and higher utilization of equipment, resulting in positive outlook for parts, new engines and rebuild engine sales.

Exports

- Your Company has identified new opportunities for supply of machined components to Cummins Inc. Parts Distribution Centers and other inter-company units.

Key Threats

Industrial

- 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. Thus, pan-India availability and usage of unadulterated fuel would be a need to ensure minimal performance issues on electronic engines platforms.

- Increasing commodity and production costs not being reimbursed by customers continue to add to price pressures.

Power Generation

- Competitive activity in Power Generation market is increasing from international players who have established their manufacturing footprint in India as well as from domestic players who have expanded their product portfolio

Distribution

- The power deficit levels in India have remained in the range of 0.5% to 2% during Financial Year 2017–18. Your Company foresees reduction in power deficit to continue in the coming year, impacting the utilization of diesel generators resulting in sluggish aftermarket parts and services sales.

Exports

- Sluggish growth in the global economy and changing demand pattern is resulting in volatility in demand. The challenge is being mitigated with close interaction and timely execution actions to manage the impact.

3. Product-wise Performance

Industrial

- An increase in value-additions, along with introduction of integrated solutions helped the Industrial Business grow by 8% over Financial Year 2016-17.

- The Rail segment grew by an unprecedented 48% over Financial Year 2016-17 on the back of introducing fit-for-market solutions in the Power Car, Diesel Electric Multiple Units and Diesel Electric Tower Car segments.

- The Construction segment grew by 13% in Financial Year 2017-18, led by robust 6-cylinder & 4-cylinder engines powering earthmoving equipment and road machinery.

- Your Company has partnered with key customers in launching new equipment variants across all operating segments.

Power Generation

- Your Company continued to sustain a dominant market share across operating segments, especially Data Centers, Infrastructure, Manufacturing and Commercial Realty, in addition to making significant inroads into key Medium & High Horsepower nodes, despite the entry of new competitors

- The Low Horsepower business witnessed a strong performance on the back of new product introductions as well as targeted marketing initiatives.

Distribution

- Your Company's Distribution Business grew significantly over the last year despite challenges on account of GST implementation. The Parts and replacement new Engine sales contributed to the higher growth. New engine sales were bolstered by demand from Railways, DBU OEMs, Construction and Compressor segments. The concentrated efforts coupled with sales initiatives led to the higher growth.

Exports

- 14-litre mechanical marine engines see a declining trend in the market due to global emission standards while the electronic version of the same 14-litre engine is witnessing an increase in demand.

4. New Business initiatives for Financial Year 2017-18

Industrial

- Recognizing the need of the Indian Railways to free up space on board, your Company introduced and installed the underslung power pack for Diesel Electric Tower Car (DETC), thereby successfully delivering on our promise of innovation and dependability. This technology is also being leveraged for Power Car and Diesel Electric Multiple Unit (DEMU) market segments

- Your Company had introduced innovative cost effective noise attenuation solutions for Power Car segment for a comfortable passenger experience.

- Your Company is working on various initiatives to strengthen its position in the fishing boats segment as a complete propulsion package provider as well as an integrated propulsion package solutions provider to Marine customers

- Your Company entered the Indian Backhoe Loader market this year with its 3.9-litre engine, providing a value proposition of improved productivity, reliability and durability.

Power Generation

- Your Company has received a positive market response for the advanced (Power Command Control) PCC 3.3 controller for the High Horsepower segment, which provides significant benefits to customers to manage large multi-generator set installations. In the Low Horsepower segments, the new 20KVA product, our most compact 2-cylinder power solution that offers best-in-class installation footprint, was also well received by customers.

- Focusing on customer needs, your Company took significant steps to improve the power density of its products in order to reduce total cost of ownership, lower maintenance cost and provide the benefit of a smaller installation footprint

- Programs have also been initiated to launch products so that your Company is well positioned for the implementation of tighter emission norms in the future.

Distribution

- Your Company has been constantly on the lookout for opportunities to leverage technology in the way it operates and supports our customers. This year we are working to bring in technology for Field Service Management for dealer engineers and technicians, enabling real time service reporting and tracking of field issues.

Exports

- Your Company has added new parts to the existing portfolio of machined components, so as to bring in additional business.

5. Achievements

Industrial

- The Industrial Business recorded highest annual sales of 771 Crores in Financial Year 2017-18.

- In order to provide dedicated installation and commissioning support to Indian Railways, your Company inaugurated a site office at Integral Coach Factory (ICF), Chennai.

- To support Railways electrification work, your Company successfully developed and supplied 110 units of underslung engines for Diesel Electric Tower Wagons.

- The largest dozer BD475, built in India by Bharat Earth Movers Limited (BEML) that was inaugurated by the Defence Minister, was powered with Cummins 923 HP QST30 T1 engine. This also enables your Company to position itself effectively for the high capacity market needs of mining segment.

- Your Company was presented with the “Best Supplier” award by BEML in 2017 for the last two consecutive years – 2015 & 2016.

- The Advanced Towed Artillery Gun System (ATAGS) developed by Defense Research and Development Organization (DRDO) that set a record of firing shell range of 48 km was powered by Cummins ISF2.8 engine.

- Your Company enhanced its position in the Construction & Compressor segments with a sustained growth of 20% by volume in Financial Year 2017–18 over Financial Year 2016–17.

- Your Company has also partnered with OEMs to launch products to cater to a variety of Construction applications.

Power Generation

- The Power Generation business has achieved volumes of over 22,000 generator sets, the highest in the last 3 years.

- For the 2nd consecutive year, we have provided over 4000MW of backup power to customers across India.

- Your Company’s QSK60 product powered the National Informatics Center’s first Data Center in Eastern India at Bhubaneswar. This was inaugurated by the Union Minister of Electronics & Information Technology.

Distribution

- The Net Promoter Score (NPS) which is a measure of customer loyalty, has improved to 78% in 2017 which has resulted in placing the Distribution Business in the first place across all Cummins regions globally.

- Your Company is also making significant strides in creating a diverse and inclusive workplace. The Distribution Business’ gender representation has steadily increased from 14% in 2016 to 22% in 2017.

- Your Company further strengthened the nation-wide ‘Coach Them Young’ initiative, a program aimed at imparting awareness about the importance of environment protection to the budding generation of our country. With the commitment from our employees and channel partners, the project successfully covered over a million students this year, taking the total to about 3.3 million students since 2012.

6. Outlook and Initiatives for the Current Year and Thereafter

Industrial

- Government’s impetus through different initiatives, especially in manufacturing and infrastructure will boost growth across the product portfolio.

- With the underslung technology and innovative cost-effective noise attenuation solutions, your Company is well positioned for the Indian Railways’ plan to focus on safety and modernization.

- Your Company continues its strong partnership with Indian Navy, Coast Guard and major shipyards with its main propulsion engine and propulsion package along with diesel generator set offerings. In addition, your

Company is working on various initiatives to strengthen its position in the fishing boats segment as a complete propulsion package provider.

- Your Company is working with global partners to develop Factory Mutual and/or Underwriting Laboratories (FM/UL) certified products for pump applications.

- Your Company is also working closely with Defence OEMs for stringent engine and system requirements for guns and tanks.

- Due to sustained government initiatives, the highways sector in the country is in revival mode. With investments in infrastructure growth like Rail, Road and Irrigation set to go up, the demand for construction equipment is set to rise further.

- Both earthmoving and road construction segments are witnessing significant growth, led by road-building and infrastructure development initiatives of the Indian Government. Your Company expects to retain its strong position in these markets.

Power Generation

- 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 and higher fuel efficiency.

- Data Centers and Infrastructure segments are expected to continue their growth trend and your Company is undertaking targeted initiatives to sustain and improve its' dominant position in these segments.

- Your Company expects the power deficit to remain low, intensifying the shift in generator set usage towards a standby pattern. However, with the renewed push on infrastructure & industrial development, as well as increasing urbanisation, the demand outlook for backup power continues to be optimistic.

- Recent advances in energy storage technologies are expected to create significant opportunities as a result of disruptions in the power landscape. Your Company is preparing to take advantage of these developments.

Distribution

- Your Company is expected to continue the growth story on account of continued demand for Spares, Engines and Service Contracts. The demand is primarily driven by key accounts. Focus will also be on business development through expansion of product range to new customers, development of repowering packages and penetration improvement with the existing customers.

Exports

- Your Company is focused on increasing the exports of its products and is positioned strongly in all its export markets as the global markets recover. Your Company has identified profitable opportunities to supply parts to various Cummins engine plants and parts distribution centers globally.

7. Risks and Concerns the Management Perceives

- Rising oil prices, financial market volatility and potential trade wars pose a threat to the economic outlook.

- The risk due to widening of India's current-account deficit, primarily due to a combination of higher oil prices, rising external vulnerabilities and a sharp slowdown in portfolio flows, is expected to weigh on the rupee.

- Your Company's export growth hinges on increase in demand in partner countries which continues to be uncertain and weak.

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 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), have had a significant positive influence on your Company's profitability. Continued focus on these efforts will help your Company maintain cost leadership in the domestic market and remain the preferred source for exports.

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 with regard to maintaining of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. 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 compliances, product quality and product planning.

9. Human Resources Development and Industrial Relations

The total number of employees stands at 3,518 as on March 31, 2018.

Leadership Excellence –

In building leadership excellence across the organization, 69 managers underwent the 'Leadership Conversations – Building Success in Others' program. This year, 72 employees were sponsored for higher education, at your Company's partner institutions such as the Kelley School of Business at the Indiana University in the US, the S. P. Jain Institute of Management and Research (S. P. Jain) for post graduate management program and ARAI-Vellore Institute of Technology for the Master's in Engineering Program. A two-year Bachelors in Technology course in partnership with BITS Pilani for our shop employees and a special certification in Industrial Relations with Tata Institute of Social Sciences (TISS) for Business and HR managers engaged in plant roles are also being offered.

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 also 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 256 professional employees have moved into different roles or functions within the group.

As your Company continues to grow and expand throughout the world, it becomes increasingly important to get visibility to talent insights, no matter what country it operates in. 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.

Campus Hiring –

Continuing the focus around employing the right talent at the entry level and developing them for future roles within the organization, this year, your Company hired 93 employees from Engineering, CA, MBA and M.Tech. fields. Around 75 women were hired (which is 81% of total hires in Financial Year 2017-18), thus showcasing the commitment towards gender equality. Your Company continues to hire diverse workforce from other regions of India (east, south and north) thus endorsing your Company’s inclusive culture.

Your Company also strengthened partnerships with distinguished MBA and Engineering colleges. These include institutes such as Indian Institute of Management, Indore (IIM – Indore), Indian Institute of Management, Udaipur (IIM – Udaipur), S. P. Jain, Symbiosis Institute of Business Management (SIBM Pune), Narsee Monjee Institute of Management Studies (NMIMS), Symbiosis Centre of Management and Human Resource Development (SCMHRD), National Institute of Industrial Engineering (NITIE) Mumbai, Indian Institute of Technology Bombay (IIT-Bombay), Manipal Institute of Technology (MIT) and the Indian School of Business (ISB), by appointing senior leaders as ‘sponsors’ to take up the responsibility to engage with these colleges at various levels including participating in guest lectures, symposiums, college events, event-sponsorships, tech shows, case studies, etc. The last year saw 2 major events hosted by Cummins, called ‘Redefine Case Study Contest’ and ‘Redefine Strategy Challenge’, inviting students from some of the premiere management institutes in the country.

Diversity –

Given the impact of diversity as a powerful business driver, your Company moved a step ahead and added Inclusion along with Diversity as a core value. The efforts put in this journey for the past ten years has put women representation at professional levels at ~33%.

Your Company revisited the diversity roadmap with more focus on representation of Cummins as a reflection of the socio-cultural and demographic dimensions of the country and sought every opportunity to interlace Inclusion. Keeping in mind that diversity encompasses more than just representation and the fact that a changing workforce means changing demands and expectations, few new Affinity Groups have been launched. These Affinity Groups would work on various diversity dimensions namely: Generation, Culture, Differently Abled and LGBT. The objectives of these Affinity Groups would be to focus on initiatives aligned with the organization’s mission, values, goals, business practices and objectives.

The Women’s Affinity Group (WAG) continues to partner with the business with initiatives focusing on the three pillars namely: Safety (Physical and Emotional), Health/Wellness and Development. Your Company continues to provide crèche facilities at all its plants and corporate office to support working mothers. This facility is also being extended to the male employees in the organization.

Megasite Update –

At the Cummins Megasite, living up to the spirit of ‘One Cummins’, your Company continues to invest in Team Based Work Systems (TBWS), which helps create an inclusive environment across all its plants. The ‘train the trainer’ workshop on TBWS audit mechanism and cross-entity audit was completed which resulted in a gap analysis and identification of best practices.

Your Company has achieved 22% female representation amongst the shop-floor employees and 18% female representation amongst the professional employees. Infrastructure facilities such as the learning centre, crèche and health centre are already in place. To retain talent and provide safe and harmonious living conditions to employees based at Phaltan, your Company initiated enrolment at Cummins Residential Campus, with state of the art facilities such as emergency medical services, 24/7 security, cafeteria and other amenities. Cummins Residential Campus currently houses 427 employees with 48% female residents.

As a part of their health improvement, special initiatives for woman employees (Birth & Beyond, anaemia eradication, ideal weight drive) were also organized. For the first time in Megasite history, an all women football tournament was organized over and above the regular sporting events like cricket, carrom, etc. For the fourth year in a row, the Megasite women employees came together along with their plant leadership teams, to celebrate the International Women's Day with the theme "Press for Progress". 17 exemplary women employees were awarded with the 'Woman Achiever of Megasite Awards' (WAMA) for 2017.

Right Environment

Our efforts to have all employees understand and commit to the 'Cummins Code of Business Conduct' and 'Treatment of Each Other at Work' policy continues. This remains the core in creating and sustaining the right environment for all our stakeholders, both inside and outside the organization. Your 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. Your 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.

10. Cautionary Statement

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

Annexures to the Directors' Report

Annexure 4 – CORPORATE GOVERNANCE REPORT

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

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

Your Company believes that good governance is the foundation for a truly sustainable company. The commitment to do what is right and to do what we will say we will do, this long-standing commitment to integrity provides the framework for all our business activities and serves as the foundation for the Company's governance policies and procedures. Your 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:**

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors, and comprises of 11 directors, with 1 Promoter (Executive) Director, 5 Promoter (Non-Executive) Directors, including 1 Woman director and 5 Independent (Non-Executive) Directors.

Mr. Mark Levett (DIN 00368287), has been appointed as the Chairman of Board of Directors of the Company effective March 02, 2018. Mr. Sandeep Sinha (DIN 02400175), has been appointed as the Managing Director of the Company effective February 01, 2018.

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

b) **Board meetings:**

i. During the Financial Year, the Board of Directors met four times on May 18, 2017, August 03, 2017, October 26, 2017 and February 01, 2018.

The Independent Directors held their separate meeting on February 01, 2018 without the attendance of Non-Independent Directors and Members of the management.

ii. **Attendance at the Board meetings and Annual General meeting ('AGM') for F.Y. 2017-18:**

Name of Directors	Dates of Meeting				Date of AGM
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018	August 3, 2017
Mr. Mark Levett	NA	NA	NA	NA	NA
Mr. Sandeep Sinha	NA	NA	NA	NA	NA
Mr. Anant Talaulicar	✓	✓	✓	NA	✓
Mr. Antonio Leitao	X	X	X	✓	X
Mr. Mark Smith	X	X	✓	X	X
Ms. Suzanne Wells	X	✓	X	✓	✓

Name of Directors	Dates of Meeting				Date of AGM
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018	August 3, 2017
Mr. Nasser Munjee	✓	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	X	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	X	✓	✓
Mr. J. M. Barrowman	✓	NA	✓	NA	NA
Mr. Pradeep Bhargava	✓	✓	✓	✓	✓
Ms. Nicole McDonald	✓	NA	X	NA	NA
Mr. Norbert Nusterer	X	✓	✓	✓	✓

Notes: -

1. All the Independent Directors attended the separate meeting of Independent Directors held on February 1, 2018 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Mr. Nasser Munjee, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Audit Committee of the Board of Directors of the Company.

3. Mr. P. M. Telang, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee of the Board of Directors of the Company.

4. Mr. Rajeev Bakshi, Independent Director, attended the Annual General Meeting in capacity as the Chairman of Risk Management Committee of the Board of Directors of the Company.

5. Mr. J. M. Barrowman, Alternate Director to Mr. Norbert Nusterer, attended the Board Meeting held on October 26, 2017 by special invitation.

6. Mr. Pradeep Bhargava, Alternate Director to Mr. Mark Smith, attended the Annual General Meeting / Board Meeting held on August 03, 3017 and Board Meeting held on October 26, 2017 by special invitation.

7. Mr. Mark Levett and Mr. Sandeep Sinha were appointed as Additional Director on the Board of the Company effective March 02, 2018 and February 01, 2018 respectively.

8. Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 08, 2017.

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

Name	Category	No. of other Directorships		No. of other Committee memberships	
		Chairman	*Member	Chairman	**Member
***Mr. Anant J. Talaulicar	Promoter Executive	2	9	3	10
****Mr. Mark Levett	Promoter Non-Executive	1	1	-	-
*****Mr. Sandeep Sinha	Promoter Executive	-	3	-	2
Mr. Antonio Leitao	Promoter Non-Executive	-	1	-	-
Mr. Mark Smith	Promoter Non-Executive	-	1	-	2
Ms. Suzanne Wells	Promoter Non-Executive	-	1	-	-
Mr. Norbert Nusterer	Promoter Non-Executive	-	1	-	-
Mr. Nasser Munjee	Independent Non-Executive	2	8	14	25
Mr. P. S. Dasgupta	Independent Non-Executive	-	16	5	17
Mr. P. M. Telang	Independent Non-Executive	3	11	9	16
Mr. Rajeev Bakshi	Independent Non-Executive	-	5	-	3
Mr. Venu Srinivasan	Independent Non-Executive	4	14	4	9
Mr. J. M. Barrowman	Alternate Director to Mr. Norbert Nusterer	-	1	-	-
******Mr. Pradeep Bhargava	Alternate Director to Mr. Mark Smith	-	9	5	11
Ms. Nicole McDonald	Alternate Director to Ms. Suzanne Wells	-	1	-	-

* Number of Membership of Board includes Chairmanship of Board.

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

***Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 08, 2017.

**** Mr. Mark Levett was appointed as the Chairman of the Board effective March 02, 2018.

*****Mr. Sandeep Sinha was appointed as the Managing Director of the Company effective February 01, 2018.

******Mr. Pradeep Bhargava, Alternate Director to Mr. Mark Smith, resigned as an Alternate Director of the Company effective February 23, 2018.

Notes:-

1. As on March 31, 2018, Mr. P. M. Telang jointly with Mrs. Anjali Telang held 1,400 fully paid shares of ₹ 2/- each in the equity share capital of the Company.

2. Directorships in Foreign Companies are excluded in the above table.

3. As per the records available with the Company, none of the directors holds the office of Independent Director in more than seven listed Companies.

4. The details of the familiarisation programmes imparted to the Independent Directors can be viewed at http://www.cumminsindia.com/investors/corporate-goverance.

3. COMMITTEES OF THE BOARD:

a) AUDIT COMMITTEE:

The Board of Directors of the Company, at their meeting held on May 18, 2017, approved the change in name of the existing 'Audit and Risk Management Committee' to 'Audit Committee.

As on March 31, 2018, the Audit Committee comprised of 6 Directors including 1 Promoter (Non-Executive) Director – Mr. Mark Smith and 5 Independent Directors – Mr. Nasser Munjee (Chairman), Mr. P. M. Telang, Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Venu Srinivasan.

Attendance at the Audit Committee meetings for F.Y. 2017-18:

Name of Directors	Date of Audit Committee Meeting			
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018
*Mr. Anant J. Talaulicar	✓	✓	✓	NA
Mr. Mark Smith	X	X	X	X
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. P. M. Telang	✓	✓	X	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	X	X

*Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 08, 2017 and consequently has ceased to be the Member of the Committee.

The Committee reviewed the audited financial statement for the year ended March 31, 2018 and unaudited financial results for the quarters ended June 30, 2017, September 30, 2017 and December 31, 2017. The Committee also reviewed (i) appointment of Statutory, Secretarial, Cost and VAT Auditors of the Company; (ii) performance of Subsidiary, Joint Ventures & Associates; (iii) reports of the Internal Auditor; (iv) Cost Audit Report for the year 2016-17; (v) acquisition/ sale of assets; (vi) Directors' Responsibility Statement; (vii) Related Party Transactions; (viii) performance of Statutory and Internal Auditors; (ix) Legal Compliance Reports; (x) major litigations; (xi) Monitoring of the Code of Conduct; (xii) Forex Management Policy and (xiii) Ethics and related matters.

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

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

Broad terms of reference to the Audit Committee in brief:

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 http://www.cumminsindia.com/investors/corporate-goverance.

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:**

The Nomination and Remuneration Committee was reconstituted on October 26, 2017. As on March 31, 2018, the Commitee comprised of 4 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Nasser Munjee.

Attendance at the Nomination and Remuneration Committee meetings for F.Y. 2017-18:

Name of Directors	Date of Nomination and Remuneration Committee Meeting			
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018
Mr. Prakash Telang	✓	✓	X	✓
Mr. P.S. Dasgupta	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	✓	✓
* Mr. Anant J. Talaulicar	✓	✓	✓	NA
** Mr. Rajeev Bakshi	NA	NA	NA	✓

* Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 08, 2017 and consequently has ceased to be the Member of the Committee.

** Mr. Rajeev Bakshi was appointed as Member of the Committee effective October 26, 2017.

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 http://www.cumminsindia.com/investors/corporate-goverance.

Broad Terms of Reference of the Nomination and Remuneration Committee:

- 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; and

- To formulate and recommend to the Board, a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

Performance evaluation criteria for Directors including Independent Directors:

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

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

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

The Head – HR then works with the Chairman 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 to a discussion of and decisions relating to the actionable items.

REMUNERATION OF DIRECTORS

The Non-Executive Independent Directors are paid sitting fees and annual commission. The annual commission is paid on 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. The Managing Director is paid remuneration as approved by the shareholders.

There is no pecuniary relationship or transactions of any of the Non-Executive directors, except Mr. P. S. Dasgupta, vis-à-vis the Company, apart from the remuneration as detailed in this Report.

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 law. Quantum of sitting fees may be subject to review on a periodic basis, as 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 law. Overall remuneration practices shall be consistent with recognised best practices.

The Nomination and Remuneration Committee shall recommend to the Board, the quantum of commission for each Independent Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings.

In addition to the sitting fees and commission, the Company may pay 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 1, 2017 to March 31, 2018:

₹ in Lacs

Name of the Director	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	4.00	15.00	19.00
Mr. P. S. Dasgupta	4.00	15.00	19.00
Mr. Prakash Telang	3.00	15.00	18.00
Mr. Rajeev Bakshi	4.00	15.00	19.00
Mr. Venu Srinivasan	3.00	15.00	18.00

Details of remuneration paid to Mr. Anant J. Talaulicar, (erstwhile Chairman and Managing Director) and Mr. Sandeep Sinha, Managing Director of the Company during the financial year April 01, 2017 to March 31, 2018:

₹ in Lacs

	Sitting fees	Salary	Commission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
*Mr. Anant J. Talaulicar	-	247.00	-	11.71	0.04	0.99	10.33	270.07
**Mr. Sandeep Sinha	-	23.94	-	-	-	-	1.34	25.28

*The consolidated salary to Mr. Talaulicar paid between the period April 1, 2017 till November 8, 2017.

** Mr. Sandeep Sinha's compensation effective February 1, 2018 till March 31, 2018.

Remuneration paid to Mr. Pradeep Bhargava, Alternate Director for Mr. Mark Smith, for rendering professional services on a retainership basis for the year April 01, 2017 to February 23, 2018 is ₹ 22.07 Lacs.

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.

3. The Company paid ₹ 268,197/- towards fees for professional services rendered by New Delhi Law Offices, a law firm of which Mr. P. S. Dasgupta is the Managing Partner, during the Financial Year 2017-18. (₹ 22,000/- during the Financial Year 2016-17) after obtaining prior approval by the Audit Committee of the Board of Directors of the Company. The same are not material in nature.

4. 'Other Benefits' in the remuneration details provided for Mr. Anant J. Talaulicar and Mr. Sandeep Sinha consists of expenses related to the car and communication facilities.

c) STAKEHOLDERS RELATIONSHIP COMMITTEE:

As on March 31, 2018, the Stakeholders Relationship Committee comprised of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. P. S. Dasgupta and Mr. Venu Srinivasan.

Attendance at the Stakeholders Relationship Committee meetings for F.Y. 2017-18:

Name of Directors	Date of Stakeholders Relationship Committee Meeting			
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018
*Mr. Anant J. Talaulicar	✓	✓	✓	NA
Mr. P. M. Telang	✓	✓	X	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Venu Srinivasan	✓	✓	X	X

* Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 8, 2017 and consequently has ceased to be the Member of the Committee.

Broad Terms of Reference to Stakeholders Relationship Committee:

The Committee reviews and advises the Company on any grievance in relation to (a) Non-transfer of shares (b) Non-receipt of Annual Report (c) Non-receipt of dividend/ interest warrants and (d) Any other investors' grievance raised by any shareholder.

Compliance Officer: Mr. K. Venkata Ramana, Group Vice President – Legal & Company Secretary

The following shareholder complaints were received and resolved during the year April 01, 2017 to March 31, 2018:

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

Number of complaints pending with the Company: NIL

Number of pending share transfers: NIL

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

d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

As on March 31, 2018, the Corporate Social Responsibility Committee comprised of 3 Independent Directors – Mr. P. M. Telang (Chairman), Mr. Nasser Munjee and Mr. P. S. Dasgupta.

Attendance at the Corporate Social Responsibility Committee meetings for F.Y. 2017-18:

Name of Directors	Date of Corporate Social Responsibility Committee meeting			
	May 18, 2017	August 3, 2017	October 26, 2017	February 1, 2018
*Mr. Anant J. Talaulicar	✓	✓	✓	NA
Mr. P. M. Telang	✓	✓	X	✓
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓

* Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 8, 2017 and consequently has ceased to be the Member of the Committee.

Broad Terms of Reference of Corporate Social Responsibility Committee:

- To formulate and recommend to the Board, a Corporate Social Responsibility 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**

The Board of Directors of the Company, at their meeting held on May 18, 2017 constituted a Risk Management Committee of the Board of Directors. As on March 31, 2018, the Risk Management Committee comprised of total 6 Directors including 1 Promoter (Non-Executive) Director – Mr. Mark Smith and 5 Independent Directors – Mr. Rajeev Bakshi (Chairman), Mr. P. M. Telang, Mr. P. S. Dasgupta, Mr. Nasser Munjee and Mr. Venu Srinivasan.

Attendance at the Risk Management Committee meetings for F.Y. 2017-18:

Name of Directors	Date of Risk Management Committee Meeting		
	August 3, 2017	October 26, 2017	February 1, 2018
*Mr. Anant J. Talaulicar	✓	✓	NA
Mr. Mark Smith	X	X	X
Mr. Nasser Munjee	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓
Mr. P. M. Telang	✓	X	✓
Mr. Rajeev Bakshi	✓	✓	✓
Mr. Venu Srinivasan	✓	X	X

*Mr. Anant J. Talaulicar resigned as Chairman and Managing Director of the Company effective November 8, 2017 and consequently has ceased to be the Member of the Committee.

The Committee reviewed the risk assessment and minimization procedures for the quarter ended September 30, 2017, December 31, 2017 and March 31, 2018.

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

(a) To periodically assess risks to the effective execution of business strategy and review key leading indicators in this regard;

(b) To periodically review and approve the Risk Management Framework including the risk management processes and practices of the Company;

(c) To evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner;

(d) 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

(e) 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 2014–15	FY 2015–16	FY 2016-17
Date and Time	06.08.2015 At 12 noon	04.08.2016 At 12 noon	03.08.2017 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

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

At its Annual General Meeting held on August 06, 2015, the Members of the Company passed the Special Resolutions for following matters:

a) Appointment of M/s. Ajay Joshi and Associates, Pune, Cost Accountants to conduct the audit of the cost records of the Company for the Financial Year 2015-16 for ₹ 900,000/- (Rupees Nine Lacs only) at the remuneration plus service tax as applicable and re-imbursement of out of pocket expenses pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and Rules thereunder;

b) Approval for material related party transaction(s) for sale of internal combustion engines, their parts and accessories by the Company to Cummins Limited, UK on arm's length basis for a consideration estimated at ₹ 124,600 Lacs for the Financial Year 2015-16 pursuant to Clause 49 (VII) of the Equity Listing Agreement; and

c) Approval for material related party transaction(s) for purchase of B and L series internal combustion engines, parts and accessories thereof by the Company from Tata Cummins Private Limited on arm's length basis for a consideration estimated at ₹ 101,000 Lacs for the Financial Year 2015–16.

No special resolution was passed at the Annual General Meeting held on August 04, 2016 and August 03, 2017.

Postal Ballot: No resolution was passed through Postal Ballot during the Financial Year 2017-18 or is being proposed at the ensuing Annual General Meeting.

5. DISCLOSURES:

a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at http://www.cumminsindia.com/investors/corporate-goverance.

b) The Company has disclosed the Material Subsidiary Policy on its website and is accessible at http://www.cumminsindia.com/investors/corporate-goverance.

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 of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

e) The Company follows a 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 (the then, Clause 49 of the Listing Agreements with BSE Limited and National Stock Exchange of India Limited). No person has been denied access to the Audit Committee under the Vigil Mechanism Policy.

f) Foreign exchange risk and hedging activities:

During the Financial Year 2017-18, 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).

g) The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge, there are no deviations in the accounting treatments that require specific disclosure.

6. MEANS OF COMMUNICATION:

a) The quarterly shareholding pattern and quarterly / half-yearly / yearly un-audited / audited financial results were posted on the Company's website www.cumminsindia.com.

b) The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.

c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2018 and quarters ended June, September and December 2017 were published in Business Standard (All editions) and Maharashtra Times (Pune Edition).

d) Transcript of Conference calls with the Analysts held on May 19, 2017, August 4, 2017, October 27, 2017 and February 2, 2018 and the Chairman's Presentation to the Shareholders made at the AGM held on August 03, 2017 were displayed on the Company's website www.cumminsindia.com

7. GENERAL SHAREHOLDER INFORMATION:

<table>
<tr><td>Registered Office</td><td colspan="2">Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411 045 Maharashtra, India
Phone No. : (020) 67067000
Fax No. : (020) 67067015
Website : www.cumminsindia.com</td></tr>
<tr><td>Annual General Meeting</td><td colspan="2">Date and Time : August 09, 2018 at 12:00 noon
Venue : The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411045</td></tr>
<tr><td>Financial Year</td><td colspan="2">The Financial Year of the Company is 1st April to 31st March.</td></tr>
<tr><td>Financial calendar</td><td colspan="2">■ Results for quarter ending June 30, 2018 – By second week of August, 2018
■ Results for quarter and half year ending September 30, 2018 – By first week of November, 2018
■ Results for quarter and nine months ending December 31, 2018 – By first week of February, 2019
■ Results for the year ending March 31, 2019 – By second week of May, 2019</td></tr>
<tr><td>Dates of Book Closure</td><td colspan="2">August 04, 2018 to August 09, 2018 (both days inclusive).</td></tr>
<tr><td>Interim dividend payment date</td><td colspan="2">March 01, 2018</td></tr>
<tr><td>Final Dividend payment date</td><td colspan="2">September 07, 2018 (subject to approval of shareholders)</td></tr>
<tr><td rowspan="3">Listing on Stock Exchanges</td><td>Name of Exchange</td><td>Stock Code</td></tr>
<tr><td>1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400 001</td><td>500480</td></tr>
<tr><td>2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra–Kurla Complex, Bandra (E), Mumbai : 400 051</td><td>CUMMINSIND</td></tr>
<tr><td>Payment of Listing Fees</td><td colspan="2">The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2018-19.</td></tr>
</table>

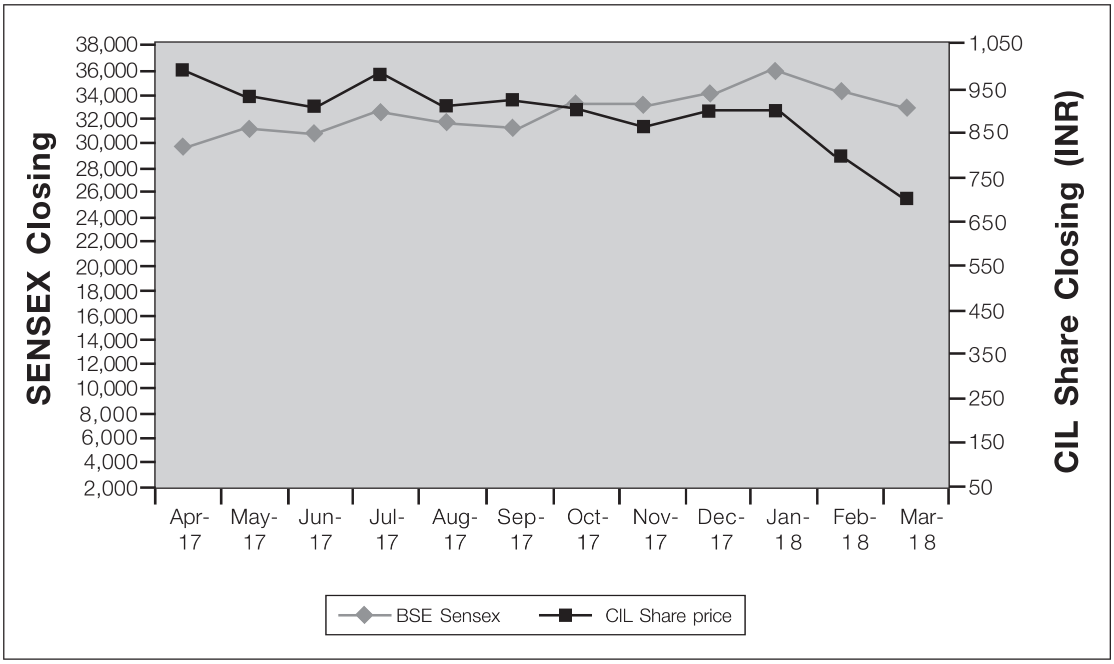
Market price data: High, Low during each month in the Financial Year 2017 – 18

BSE			NSE		
Month	**High (₹)**	**Low (₹)**	**Month**	**High (₹)**	**Low (₹)**
April 2017	1,031.00	935.00	April 2017	1,028.95	933.95
May 2017	1,096.20	885.00	May 2017	1,096.80	884.55
June 2017	958.00	889.30	June 2017	959.00	888.00
July 2017	1,043.80	902.10	July 2017	1,044.10	875.00
August 2017	1,012.00	873.00	August 2017	1,011.65	871.05
September 2017	951.80	877.00	September 2017	952.70	875.10
October 2017	943.25	875.00	October 2017	946.40	871.35
November 2017	925.00	829.15	November 2017	912.00	841.00
December 2017	954.90	828.00	December 2017	954.00	826.00

BSE			NSE		
Month	**High (₹)**	**Low (₹)**	**Month**	**High (₹)**	**Low (₹)**
January 2018	993.45	893.00	January 2018	984.00	893.00
February 2018	910.15	767.05	February 2018	908.90	761.00
March 2018	810.55	670.95	March 2018	811.20	680.65

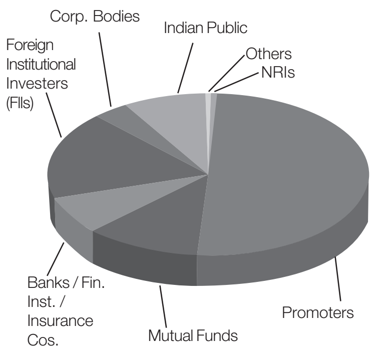
Performance in comparison to broad-based indices such as BSE Sensex.	Chart A depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2018.

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) 2017-18



Registrar and Transfer Agent	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:- 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)
Share Transfer System	Share Transfer requests in physical form are processed within 15 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.

Distribution of shareholding as on March 31, 2018



Category	No. of shares of ₹ 2/- each	% of shareholding
Promoters	141,372,683	51.00
Mutual Funds	39,453,177	14.23
Banks/ Financial Institutions/ Insurance Companies	18,967,432	6.84
Foreign Institutional Investors (FIIs)	39,101,381	14.11
Corporate Bodies	7,130,275	2.57
Indian Public	25,619,180	9.24
NRIs	2,906,022	1.05
Others	2,649,850	0.96
TOTAL	**277,200,000**	**100.00**

Distribution of shareholding within various categories (as on March 31, 2018)

Category (shares)	No. of shareholders	No. of Shares	% of shareholders to total shareholders	% of shares to total shares
1-1,000	61,072	5,128,200	89.08	1.85
1,001-2,000	2,773	1,968,120	4.04	0.71
2,001-4,000	1,714	2,383,920	2.50	0.86
4,001-6,000	812	1,995,840	1.18	0.72
6,001-8,000	433	1,496,880	0.63	0.54
8,001-10,000	339	1,524,600	0.50	0.55
10,001-20,000	803	6,042,960	1.17	2.18
20,001 and above	620	256,659,480	0.90	92.59
Total	**68,566**	**277,200,000**	**100.00**	**100.00**

Dematerialisation of shares and liquidity (as on March 31, 2018).	98.10% 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	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, Tal. Phaltan, Satara – 415523, Maharashtra. 4. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai – 600 060, Tamilnadu
Address for correspondence	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 1) Ms. Janhvie Khele, Managing Counsel E-mail – janhvie.khele@cummins.com 2) Mr. K. Venkata Ramana, Group Vice President - Legal & Company Secretary E-mail – venkat.ramana@cummins.com 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 Dr. K. R. Chandratre, Practising Company Secretary, confirming compliance with conditions of the Code of Corporate Governance as stipulated in Regulation 34 read with Schedule V of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 and the same is appended as **Annexure '5'** to the Directors' Report.

Declaration – Code of Conduct

As per Regulation 26 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the Financial Year 2017-18.

For Cummins India Limited

Sandeep Sinha
Managing Director
DIN: 02400175

Place : Mumbai
Date : May 24, 2018

Annexures to the Directors' Report

Annexure 5 – CERTIFICATE ON COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015 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 March 31, 2018.

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 the 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 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.

Dr. K R Chandratre
Practising Company Secretary
FCS No. 1370. Certificate of Practice No. 5144

Place: Pune
Date: May 24, 2018

Annexures to the Directors’ Report

Annexure 6 – EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

[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, 1st 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	89%
2.	Generator Sets	271	11%

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	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, 5th 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, 6th Floor, Survey No. 21, Balewadi, Pune 411045 Maharshtra India	U31101PN1991PTC061456	Associate	48.5%	2(6)

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

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(A) 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	37,732,600	1,575	37,734,175	13.61	39,407,044	1,575	39,408,619	14.22	0.61
(b) Venture Capital Funds	-	-	-	0	-	-	-	0	0
(c) Alternate Investment Funds	-	-	-	0	26,883	-	26,883	0.01	0.01
(d) Foreign Venture Capital Investors	-	-	-	0	-	-	-	0	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(e) Foreign Portfolio Investor	39,587,090	5,635	39,592,725	14.28	39,096,396	4,985	39,101,381	14.11	-0.18
(f) Financial Institutions / Banks	206,396	10,795	217,191	0.08	556,388	10,795	567,183	0.21	0.13
(g) Insurance Companies	19,246,508	-	19,246,508	6.94	18,400,249	-	18,400,249	6.64	-0.31
(h) Provident Funds/ Pension Funds	-	-	-	0	-	-	-	0	0
(i) Any Other (Specify)									
Foreign Mutual Fund	1,909,735	-	1,909,735	0.69	1,712,601	-	1,712,601	0.62	-0.07
UTI	12,300	5,375	17,675	0.01	12,300	5,375	17,675	0.01	0
Sub Total (B)(1)	98,694,629	23,380	98,718,009	35.61	99,211,861	22,730	99,234,591	35.80	0.19
[2] Central Government/ State Government(s)/ President of India									
Central Government / State Government(s)	602,986	-	602,986	0.22	664,056	-	664,056	0.24	0.02
Sub Total (B)(2)	602,986	-	602,986	0.22	664,056	-	664,056	0.24	0.02
[3] Non-Institutions									
(a) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh.	20,963,545	2,803,350	23,766,895	8.57	20,259,532	2,640,968	22,900,500	8.26	-0.31
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	2,122,777	142,590	2,265,367	0.82	1,905,871	142,590	2,048,461	0.74	-0.08
(b) NBFCs registered with RBI	-	-	-	0	-	-	-	0	0
(c) Employee Trusts	-	-	-	0	-	-	-	0	0
(d) Overseas Depositories(holding DRs) (balancing figure)	-	-	-	0	-	-	-	0	0
(e) Any Other (Specify)									
Trusts	27,400	-	27,400	0	44,204	-	44,204	0.02	0.01
Foreign Nationals	60	-	60	0	-	-	-	0	0
Hindu Undivided Family	647,341	-	647,341	0.23	642,667	-	642,667	0.23	0
Non Resident Indians (Non Repat)	744,268	43,165	787,433	0.28	748,447	42,940	791,387	0.29	0
Other Directors	1,400	-	1,400	0	1,400	-	1,400	0	0
Non Resident Indians (Repat)	441,998	-	441,998	0.16	402,034	-	402,034	0.15	-0.02
Office Bearers	25,719	-	25,719	0.01	26,152	-	26,152	0.01	0
Clearing Member	207,606	-	207,606	0.07	1,940,694	-	1,940,694	0.7	0.63
Market Maker	1,145	-	1,145	0	896	-	896	0	0
Bodies Corporate	8,164,458	169,500	8,333,958	3.01	6,960,810	169,465	7,130,275	2.57	-0.43
Sub Total (B)(3)	33,347,717	3,158,605	36,506,322	13.17	32,932,707	2,995,963	35,928,670	12.96	-0.21
Total Public Shareholding (B)=(B)(1)+(B)(2)+(B)(3)	132,645,332	3,181,985	135,827,317	49.00	132,808,624	3,018,693	135,827,317	49.00	0
Total (A)+(B)	274,018,015	3,181,985	277,200,000	100.00	274,181,307	3,018,693	277,200,000	100.00	0
(C) Non Promoter - Non Public									
[1] Custodian/DR Holder	-	-	-	-	-	-	-	0	-
[2] Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014)	-	-	-	-	-	-	-	0	-
Total (A)+(B)+(C)	274,018,015	3,181,985	277,200,000	100.00	274,181,307	3,018,693	277,200,000	100.00	

ii) Shareholding of Promoters

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

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

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

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

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
1	Life Insurance Corporation of India	**16,157,738**	**5.83**				**16,157,738**	**5.83**
				14 Apr 2017	-12,038	Market Sale	16,145,700	5.82
				13 Oct 2017	-167,575	Market Sale	15,978,125	5.76
				20 Oct 2017	-9,920	Market Sale	15,968,205	5.76
				27 Oct 2017	-32,329	Market Sale	15,935,876	5.75
				03 Nov 2017	-363,777	Market Sale	15,572,099	5.62
				10 Nov 2017	-189,366	Market Sale	15,382,733	5.55
				26 Jan 2018	-142,102	Market Sale	15,240,631	5.50
				02 Feb 2018	-323,354	Market Sale	14,917,277	5.38
	At the end of the year						**14,917,277**	**5.38**

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
2	Reliance Capital Trustee Co. Ltd. A/c Reliance Equity Opportunities Fund	**7,058,053**	**2.55**				**7,058,053**	**2.55**
				07 Apr 2017	3,019	Market Purchase	7,061,072	2.55
				14 Apr 2017	14	Market Purchase	7,061,086	2.55
				21 Apr 2017	-173	Market Sale	7,060,913	2.55
				28 Apr 2017	127	Market Purchase	7,061,040	2.55
				05 May 2017	49,915	Market Purchase	7,110,955	2.57
				12 May 2017	-85	Market Sale	7,110,870	2.57
				19 May 2017	-22,185	Market Sale	7,088,685	2.56
				26 May 2017	-156	Market Sale	7,088,529	2.56
				02 Jun 2017	-3,258	Market Sale	7,085,271	2.56
				09 Jun 2017	-297,653	Market Sale	6,787,618	2.45
				23 Jun 2017	-522	Market Sale	6,787,096	2.45
				30 Jun 2017	-1,200	Market Sale	6,785,896	2.45
				07 Jul 2017	3,806	Market Purchase	6,789,702	2.45
				14 Jul 2017	-20,000	Market Sale	6,769,702	2.44
				21 Jul 2017	-20,502	Market Sale	6,749,200	2.43
				28 Jul 2017	-31,905	Market Sale	6,717,295	2.42
				04 Aug 2017	-77	Market Sale	6,717,218	2.42
				11 Aug 2017	174	Market Purchase	6,717,392	2.42
				18 Aug 2017	-21,817	Market Sale	6,695,575	2.42
				25 Aug 2017	-21,756	Market Sale	6,673,819	2.41
				01 Sep 2017	-47,017	Market Sale	6,626,802	2.39
				08 Sep 2017	-110,199	Market Sale	6,516,603	2.35
				15 Sep 2017	78,737	Market Purchase	6,595,340	2.38
				22 Sep 2017	2,070	Market Purchase	6,597,410	2.38
				29 Sep 2017	-119,215	Market Sale	6,478,195	2.34
				06 Oct 2017	-177,920	Market Sale	6,300,275	2.27
				13 Oct 2017	-156,799	Market Sale	6,143,476	2.22
				20 Oct 2017	86,870	Market Purchase	6,230,346	2.25
				27 Oct 2017	651	Market Purchase	6,230,997	2.25
				03 Nov 2017	1,229,904	Market Purchase	7,460,901	2.69
				10 Nov 2017	1,320,930	Market Purchase	8,781,831	3.17
				17 Nov 2017	191,023	Market Purchase	8,972,854	3.24

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				24 Nov 2017	281,023	Market Purchase	9,253,877	3.34
				01 Dec 2017	893	Market Purchase	9,254,770	3.34
				08 Dec 2017	375,925	Market Purchase	9,630,695	3.47
				15 Dec 2017	2,478	Market Purchase	9,633,173	3.48
				22 Dec 2017	126,924	Market Purchase	9,760,097	3.52
				29 Dec 2017	-40,032	Market Sale	9,720,065	3.51
				05 Jan 2018	51,755	Market Purchase	9,771,820	3.53
				12 Jan 2018	300,910	Market Purchase	10,072,730	3.63
				19 Jan 2018	89,363	Market Purchase	10,162,093	3.67
				26 Jan 2018	597,055	Market Purchase	10,759,148	3.88
				02 Feb 2018	301,844	Market Purchase	11,060,992	3.99
				09 Feb 2018	1,311	Market Purchase	11,062,303	3.99
				16 Feb 2018	26,762	Market Purchase	11,089,065	4.00
				23 Feb 2018	822	Market Purchase	11,089,887	4.00
				02 Mar 2018	-26,526	Market Sale	11,063,361	3.99
				09 Mar 2018	32,179	Market Purchase	11,095,540	4.00
				16 Mar 2018	1,260	Market Purchase	11,096,800	4.00
				23 Mar 2018	487,747	Market Purchase	11,584,547	4.18
				31 Mar 2018	-9,025	Market Sale	11,575,522	4.18
	At the end of the year						**11,575,522**	**4.18**
3	Franklin Templeton Investment Funds	**8,723,838**	**3.15**				**8,723,838**	**3.15**
				07 Apr 2017	32,400	Market Purchase	8,756,238	3.16
				14 Apr 2017	148,000	Market Purchase	8,904,238	3.21
				21 Apr 2017	36,400	Market Purchase	8,940,638	3.23
				09 Jun 2017	3,664	Market Purchase	8,944,302	3.23
				13 Oct 2017	-3,554	Market Sale	8,940,748	3.23

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				20 Oct 2017	-2,453	Market Sale	8,938,295	3.22
				26 Jan 2018	40,369	Market Purchase	8,978,664	3.24
	At the end of the year						**8,978,664**	**3.24**
4	ICICI Prudential Long Term Equity Fund Tax Saving	**2,488,824**	**0.90**				**2,488,824**	**0.90**
				07 Apr 2017	722	Market Purchase	2,489,546	0.90
				14 Apr 2017	-131,814	Market Sale	2,357,732	0.85
				21 Apr 2017	296	Market Purchase	2,358,028	0.85
				28 Apr 2017	-101,357	Market Sale	2,256,671	0.81
				05 May 2017	-1,902	Market Sale	2,254,769	0.81
				12 May 2017	321	Market Purchase	2,255,090	0.81
				19 May 2017	539	Market Purchase	2,255,629	0.81
				26 May 2017	733,103	Market Purchase	2,988,732	1.08
				02 Jun 2017	83,893	Market Purchase	3,072,625	1.11
				09 Jun 2017	-129,087	Market Sale	2,943,538	1.06
				16 Jun 2017	-16,449	Market Sale	2,927,089	1.06
				23 Jun 2017	239	Market Purchase	2,927,328	1.06
				30 Jun 2017	44,649	Market Purchase	2,971,977	1.07
				07 Jul 2017	220,256	Market Purchase	3,192,233	1.15
				14 Jul 2017	413,250	Market Purchase	3,605,483	1.30
				21 Jul 2017	-5,060	Market Sale	3,600,423	1.30
				28 Jul 2017	-99,438	Market Sale	3,500,985	1.26
				04 Aug 2017	-151,227	Market Sale	3,349,758	1.21
				11 Aug 2017	210,923	Market Purchase	3,560,681	1.28
				18 Aug 2017	152,623	Market Purchase	3,713,304	1.34
				25 Aug 2017	62,537	Market Purchase	3,775,841	1.36
				01 Sep 2017	1,540	Market Purchase	3,777,381	1.36
				08 Sep 2017	7,543	Market Purchase	3,784,924	1.37
				15 Sep 2017	49,831	Market Purchase	3,834,755	1.38

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				22 Sep 2017	-37,929	Market Sale	3,796,826	1.37
				29 Sep 2017	-7,154	Market Sale	3,789,672	1.37
				06 Oct 2017	1,618	Market Purchase	3,791,290	1.37
				13 Oct 2017	1,021	Market Purchase	3,792,311	1.37
				20 Oct 2017	72,926	Market Purchase	3,865,237	1.39
				27 Oct 2017	-90,881	Market Sale	3,774,356	1.36
				03 Nov 2017	-349,176	Market Sale	3,425,180	1.24
				10 Nov 2017	72,710	Market Purchase	3,497,890	1.26
				17 Nov 2017	589,311	Market Purchase	4,087,201	1.47
				24 Nov 2017	651,899	Market Purchase	4,739,100	1.71
				01 Dec 2017	181,763	Market Purchase	4,920,863	1.78
				08 Dec 2017	64,941	Market Purchase	4,985,804	1.80
				15 Dec 2017	505	Market Purchase	4,986,309	1.80
				22 Dec 2017	33,596	Market Purchase	5,019,905	1.81
				29 Dec 2017	-43,299	Market Sale	4,976,606	1.80
				05 Jan 2018	-21,313	Market Sale	4,955,293	1.79
				12 Jan 2018	1,147	Market Purchase	4,956,440	1.79
				19 Jan 2018	521,619	Market Purchase	5,478,059	1.98
				26 Jan 2018	12,212	Market Purchase	5,490,271	1.98
				02 Feb 2018	-18,151	Market Sale	5,472,120	1.97
				09 Feb 2018	461,591	Market Purchase	5,933,711	2.14
				16 Feb 2018	87	Market Purchase	5,933,798	2.14
				23 Feb 2018	98,908	Market Purchase	6,032,706	2.18
				02 Mar 2018	5,195	Market Purchase	6,037,901	2.18
				09 Mar 2018	432,524	Market Purchase	6,470,425	2.33
				16 Mar 2018	1,207,087	Market Purchase	7,677,512	2.77
				23 Mar 2018	10,455	Market Purchase	7,687,967	2.77

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				31 Mar 2018	251,074	Market Purchase	7,939,041	2.86
	At the end of the year						**7,939,041**	**2.86**
5	Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life Front Line Equity Fund	**4,925,892**	**1.78**				**4,925,892**	**1.78**
				21 Apr 2017	-16,081	Market Sale	4,909,811	1.77
				28 Apr 2017	-25,303	Market Sale	4,884,508	1.76
				05 May 2017	144,881	Market Purchase	5,029,389	1.81
				26 May 2017	-21,908	Market Sale	5,007,481	1.81
				02 Jun 2017	-189,206	Market Sale	4,818,275	1.74
				09 Jun 2017	-609	Market Sale	4,817,666	1.74
				14 Jul 2017	-19,150	Market Sale	4,798,516	1.73
				21 Jul 2017	-283,000	Market Sale	4,515,516	1.63
				28 Jul 2017	-98,600	Market Sale	4,416,916	1.59
				04 Aug 2017	-199,872	Market Sale	4,217,044	1.52
				11 Aug 2017	-6,551	Market Sale	4,210,493	1.52
				08 Sep 2017	-2,180	Market Sale	4,208,313	1.52
				15 Sep 2017	-20,384	Market Sale	4,187,929	1.51
				22 Sep 2017	-4,000	Market Sale	4,183,929	1.51
				29 Sep 2017	-20,000	Market Sale	4,163,929	1.50
				06 Oct 2017	-3,300	Market Sale	4,160,629	1.50
				20 Oct 2017	-22,460	Market Sale	4,138,169	1.49
				01 Dec 2017	-23,255	Market Sale	4,114,914	1.48
				08 Dec 2017	-13,149	Market Sale	4,101,765	1.48
				22 Dec 2017	-12,034	Market Sale	4,089,731	1.48
				29 Dec 2017	-8,000	Market Sale	4,081,731	1.47
				12 Jan 2018	-166	Market Sale	4,081,565	1.47
				16 Mar 2018	-15,855	Market Sale	4,065,710	1.47
	At the end of the year						**4,065,710**	**1.47**
6	Pinebridge Investments GF Mauritius Limited	**4,028,749**	**1.45**				**4,028,749**	**1.45**
				18 Aug 2017	-40,000	Market Sale	3,988,749	1.44
				08 Dec 2017	-56,527	Market Sale	3,932,222	1.42
				15 Dec 2017	-70,980	Market Sale	3,861,242	1.39
				16 Feb 2018	-33,568	Market Sale	3,827,674	1.38
	At the end of the year						**3,827,674**	**1.38**

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
7	Franklin Templeton Mutual Fund A/c Franklin India Bluechip Fund	**4,457,517**	**1.61**				**4,457,517**	**1.61**
				14 Apr 2017	-220,000	Market Sale	4,237,517	1.53
				12 May 2017	-88,710	Market Sale	4,148,807	1.50
				19 May 2017	-11,290	Market Sale	4,137,517	1.49
				26 May 2017	130,000	Market Purchase	4,267,517	1.54
				16 Jun 2017	-200,000	Market Sale	4,067,517	1.47
				28 Jul 2017	-80,000	Market Sale	3,987,517	1.44
				03 Nov 2017	-400,000	Market Sale	3,587,517	1.29
				29 Dec 2017	-100,000	Market Sale	3,487,517	1.26
				05 Jan 2018	-200,000	Market Sale	3,287,517	1.19
				26 Jan 2018	-3,812	Market Sale	3,283,705	1.18
				02 Feb 2018	-96,188	Market Sale	3,187,517	1.15
				09 Feb 2018	131,671	Market Purchase	3,319,188	1.20
				16 Feb 2018	-100,000	Market Sale	3,219,188	1.16
				23 Feb 2018	-15,574	Market Sale	3,203,614	1.16
				02 Mar 2018	-426	Market Sale	3,203,188	1.16
	At the end of the year						**3,203,188**	**1.16**
8	General Insurance Corporation of India	**2,765,000**	**1.00**				**2,765,000**	**1.00**
				07 Apr 2017	-15,000	Market Sale	2,750,000	0.99
				19 May 2017	20,000	Market Purchase	2,770,000	1.00
				26 May 2017	16,808	Market Purchase	2,786,808	1.01
				02 Jun 2017	13,192	Market Purchase	2,800,000	1.01
	At the end of the year						**2,800,000**	**1.01**
9	UTI-MNC Fund	4,739,446	1.71				4,739,446	1.71
				07 Apr 2017	-9,000	Market Sale	4,730,446	1.71
				14 Apr 2017	9,000	Market Sale	4,721,446	1.70
				21 Apr 2017	16,800	Market Purchase	4,738,246	1.71
				28 Apr 2017	25,800	Market Purchase	4,764,046	1.72
				12 May 2017	-11,673	Market Sale	4,752,373	1.71
				26 May 2017	-55,662	Market Sale	4,696,711	1.69
				02 Jun 2017	-19,200	Market Sale	4,677,511	1.69
				09 Jun 2017	-34,200	Market Sale	4,643,311	1.68
				16 Jun 2017	-92,761	Market Sale	4,550,550	1.64
				23 Jun 2017	-5,000	Market Sale	4,545,550	1.64

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				07 Jul 2017	-12,887	Market Sale	4,532,663	1.64
				14 Jul 2017	-147,200	Market Sale	4,385,463	1.58
				21 Jul 2017	-41,400	Market Sale	4,344,063	1.57
				28 Jul 2017	-34,200	Market Sale	4,309,863	1.55
				04 Aug 2017	20,400	Market Purchase	4,330,263	1.56
				11 Aug 2017	16,361	Market Purchase	4,346,624	1.57
				18 Aug 2017	-119,835	Market Sale	4,226,789	1.52
				25 Aug 2017	-36,990	Market Sale	4,189,799	1.51
				01 Sep 2017	-52,000	Market Sale	4,137,799	1.49
				08 Sep 2017	-162	Market Sale	4,137,637	1.49
				15 Sep 2017	-14,717	Market Sale	4,122,920	1.49
				22 Sep 2017	-20,582	Market Sale	4,102,338	1.48
				29 Sep 2017	-45,108	Market Sale	4,057,230	1.46
				06 Oct 2017	-4,831	Market Sale	4,052,399	1.46
				20 Oct 2017	-15,057	Market Sale	4,037,342	1.46
				27 Oct 2017	-171	Market Sale	4,037,171	1.46
				03 Nov 2017	-255,200	Market Sale	3,781,971	1.36
				10 Nov 2017	-114	Market Sale	3,781,857	1.36
				17 Nov 2017	-185,000	Market Sale	3,596,857	1.30
				24 Nov 2017	-104,171	Market Sale	3,492,686	1.26
				01 Dec 2017	-211,972	Market Sale	3,280,714	1.18
				08 Dec 2017	-110,057	Market Sale	3,170,657	1.14
				15 Dec 2017	-164,284	Market Sale	3,006,373	1.08
				22 Dec 2017	-90,946	Market Sale	2,915,427	1.05
				29 Dec 2017	-61,254	Market Sale	2,854,173	1.03
				05 Jan 2018	-45,056	Market Sale	2,809,117	1.01
				12 Jan 2018	21,923	Market Purchase	2,831,040	1.02
				19 Jan 2018	-67,006	Market Sale	2,764,034	1.00
				02 Feb 2018	-20,000	Market Sale	2,744,034	0.99
				09 Feb 2018	-29,392	Market Sale	2,714,642	0.98
				02 Mar 2018	32,400	Market Purchase	2,747,042	0.99
				31 Mar 2018	-7,096	Market Sale	2,739,946	0.99
	At the end of the year						**2,739,946**	**0.99**

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
10	Axis Mutual Fund Trustee Limited A/c Axis Mutual Fund A/c Axis Long Term Equity Fund	6,076,565	2.19				6,076,565	2.19
				07 Apr 2017	-100,552	Market Sale	5,976,013	2.16
				14 Apr 2017	52,000	Market Purchase	6,028,013	2.17
				21 Apr 2017	140,722	Market Purchase	6,168,735	2.23
				28 Apr 2017	79,270	Market Purchase	6,248,005	2.25
				05 May 2017	-160,657	Market Sale	6,087,348	2.20
				12 May 2017	-37,327	Market Sale	6,050,021	2.18
				19 May 2017	-25,765	Market Sale	6,024,256	2.17
				26 May 2017	497,000	Market Purchase	6,521,256	2.35
				02 Jun 2017	-39,005	Market Sale	6,482,251	2.34
				16 Jun 2017	-67,000	Market Sale	6,415,251	2.31
				23 Jun 2017	-21,995	Market Sale	6,393,256	2.31
				30 Jun 2017	-10,000	Market Sale	6,383,256	2.30
				07 Jul 2017	50,000	Market Purchase	6,433,256	2.32
				14 Jul 2017	20,000	Market Purchase	6,453,256	2.33
				28 Jul 2017	267,000	Market Purchase	6,720,256	2.42
				04 Aug 2017	180,124	Market Purchase	6,900,380	2.49
				11 Aug 2017	29,726	Market Purchase	6,930,106	2.50
				08 Sep 2017	-33,000	Market Sale	6,897,106	2.49
				15 Sep 2017	23,000	Market Purchase	6,920,106	2.50
				22 Sep 2017	50,000	Market Purchase	6,970,106	2.51
				06 Oct 2017	-12,511	Market Sale	6,957,595	2.51
				13 Oct 2017	-325	Market Sale	6,957,270	2.51
				27 Oct 2017	100,000	Market Purchase	7,057,270	2.55
				03 Nov 2017	-1,000,000	Market Sale	6,057,270	2.19
				15 Dec 2017	-60,000	Market Sale	5,997,270	2.16
				29 Dec 2017	-179,593	Market Sale	5,817,677	2.10
				05 Jan 2018	-115,000	Market Sale	5,702,677	2.06
				12 Jan 2018	-100,000	Market Sale	5,602,677	2.02
				26 Jan 2018	-8,035	Market Sale	5,594,642	2.02
				02 Feb 2018	-1,581	Market Sale	5,593,061	2.02

Sr. No.	Name	Shareholding at the begining of the year		Transactions during the year		Reason	Cumulative Shareholding at the end of the year	
		No. of Shares held	% of total shares of the Company	Dates of transaction	Increase / Decrease in shareholding		No. of Shares held	% of total shares of the Company
				02 Mar 2018	-895	Market Sale	5,592,166	2.02
				09 Mar 2018	-803,263	Market Sale	4,788,903	1.73
				16 Mar 2018	-499,700	Market Sale	4,289,203	1.55
				23 Mar 2018	-425,275	Market Sale	3,863,928	1.39
				31 Mar 2018	-1,341,046	Market Sale	2,522,882	0.91
	At the end of the year						**2,522,882**	**0.91**

v) Shareholding of Directors and Key Managerial Personnel

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

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

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	-	25,078	-	25,078
ii)Interest due but not paid	-	70	-	70
iii)Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	Nil	25,148	Nil	25,148
Change in Indebtedness during the financial year		-		-
• Addition	-	64	-	64
• Reduction	-	-	-	-
Net Change	Nil	64	Nil	64
Indebtedness at the end of the financial year				
i) Principal Amount	-	25,154	-	25,154
ii) Interest due but not paid	-	58	-	58
iii)Interest accrued but not due	-	0	-	0
Total (i+ii+iii)	Nil	25,212	Nil	25,212

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. Anant J. Talaulicar Chairman & Managing Director	Total amount	#Mr. Sandeep Sinha, Managing Director	Total amount	Total
1.	Gross salary		270.07		25.28	
	(a) Salary as per Provisions contained in section 17(1) of the Income Tax Act, 1961	247.00		23.94		
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	23.07		1.34		
	(c) Profits in lieu of salary undersection 17(3) Income Tax Act, 1961	-		-		
2.	Stock Option	-		-		
3.	Sweat Equity	-		-		
4.	Commission - as % of profit	-		-		
5.	Others, please specify		-			
	Total (A)	-	270.07	-	25.28	295.35
	Ceiling as per the Act					4,579.00

* *The salary to Mr. Talaulicar paid between the period April 01, 2017 till November 08, 2017.*

\# *Mr. Sandeep Sinha's compensation effective February 01, 2018 till March 31, 2018.*

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in Lacs)
		Mr. Nasser Munjee	Mr. P. S. Dasgupta	Mr. Prakash Telang	Mr. Rajeev Bakshi	Mr. Venu Srinivasan	
1.	Independent Directors Fee	4.00	4.00	3.00	4.00	3.00	18.00
	for attending board / committee meetings Commission	15.00	15.00	15.00	15.00	15.00	75.00
	Others, (please specify)	-	-	-	-	-	-
	Total(1)						93.00
2.	Other Non-Executive Directors Fee for attending board / committee meetings Commission Others, (please specify)	-	-	-	-	-	-
	Total(2)						-
	Total(B)=(1+2)						93.00
	Total Managerial Remuneration	-	-	-	-	-	468.66
	Overall Ceiling as per the Act	-	-	-	-	-	916.00

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

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross Salary	NA	147.79	240.23	388.02
	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 Value of perquisites u/s 17(2) of the Income Tax Act, 1961 Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission- as % of profit	-	-	-	-
5.	Others, (please specify)	-	-	-	-
	Total	NA	147.79	240.23	388.02

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 7 – NOMINATION AND REMUNERATION POLICY

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

The Board of Directors of Cummins India Limited ("the Company") constituted the "Nomination and Remuneration Committee" at its 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 upto 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.

Annexure 8 – 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 01, 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 9 – INFORMATION AS REQUIRED UNDER THE PROVISIONS OF SECTION 197 (12) OF THE ACT, READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

1. **Remuneration paid to the Directors : -**

   a. The Board of Directors of the Company consists of 1 Promoter (Executive) Director, 4 Promoter (Non-Executive) Directors and 5 Independent (Non-Executive) Directors.

   b. Details of remuneration paid to Mr. Anant J. Talaulicar, erstwhile Chairman & Managing Director and Mr. Sandeep Sinha, Managing Director of the Company:

(₹ in Lacs)

	Sitting fees	Salary	Comm-ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar								
*2017-18	-	247	-	11.71	0.04	0.99	10.33	270.07
% increase in remuneration over 2016-17		NA						
Mr. Sandeep Sinha								
#2017-18	-	23.94	-	-			1.34	25.28

**The consolidated salary to Mr. Talaulicar paid between the period April 01, 2017 till November 08, 2017.*

 # Mr. Sandeep Sinha's compensation effective February 01, 2018 till March 31, 2018.

   c. Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 01, 2017 to March 31, 2018:

(₹ in Lacs)

Name of the Director	2016-17		2017-18		% increase in remuneration over 2016-17	Total (2017-18)
	Sitting fees	Annual Commission	Sitting fees	Annual Commission		
Mr. Nasser Munjee	5.50	15.00	4.00	15.00	-	19.00
Mr. P. S. Dasgupta	3.75	15.00	4.00	15.00	-	19.00
Mr. P. M. Telang	5.50	15.00	3.00	15.00	-	18.00
Mr. Rajeev Bakshi	5.50	15.00	4.00	15.00	-	19.00
Mr. Venu Srinivasan	2.75	15.00	3.00	15.00	-	18.00

d. Other details:

- The median remuneration of employees of the Company during the Financial Year 2017-18 was ₹ 694,582/-
- Percentage increase in remuneration of Chief Financial Officer and Company Secretary in the Financial Year 2017-18:

(₹ in Lacs)

Name & Designation	Remuneration 2016-17	**Remuneration 2017-18**	% increase in remuneration over 2016-17
Mr. Rajiv Batra, Chief Financial Officer	21,921,658	**24,023,657**	9.5%
Mr. K. Venkata Ramana, Company Secretary	13,673,493	**14,779,338**	8%

- 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.
- There were 3,518 permanent employees on the rolls of Company as on March 31, 2018.
- The Profit before Tax for the Financial Year ended March 31, 2018 increased by 0.02% 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

Annexure 10 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[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

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): —

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company during the Audit Period);**
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not applicable to the Company during the Audit Period);**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the Audit Period);**
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit Period);** and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Audit Period).**

(vi) I further report that no law is applicable specifically to the Company.

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

(i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India.

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

I further report that:

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

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

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

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

I further report that during the Audit Period, the Company has no specific event having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place : Pune	Dr. K R Chandratre
Date : May 24, 2018	FCS No. 1370, C P No: 5144

Annexure 11 – 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:-

Our CSR initiatives are aligned to our mission of 'Making people's lives better by powering a more prosperous world'. 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 – Monsoon Resilient Maharashtra, Higher Education in STEM (Science, Technology, Engineering, Mathematics) for school going girl children, Phaltan Model Town under the CSR umbrella.

Your Company has been committed to this cause through the active involvement and participation of all its employees. Through the 'Every Employee Every Community' (EEEC) initiative, each employee is encouraged to dedicate a minimum of four working hours per year towards any of the CSR projects. For the fifth consecutive year, your Company achieved a 100% score under this initiative. Your Company works closely with its local communities to identify the right projects and channelize CSR contribution.

CSR Committee:-

The Board of Directors of your Company have constituted the "CSR Committee" comprising of the following Members:-

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

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. Details of the Policy of your Company are available at https://www.cumminsindia.com/investors/corporate-goverance.

Details of various CSR initiatives undertaken by your Company are provided in the Business Responsibility Report of the Company for FY 2017-18 and are also available at https://www.cumminsindia.com/corporate-responsibility/cummins-india-foundation.

CSR Spend:-

(₹ in Crores)

Sr. No.	Particulars	Status
1.	Average Net Profit of the Company for Financial Years 2014-15, 2015-16 and 2016-17	830.64
2.	Prescribed CSR Expenditure (*i.e.*, 2% of the amount mentioned above)	16.61
3.	Details of the CSR Spent during the Financial Year 2017-18	
	a. Total amount spent for the Financial Year	16.61
	b. Amount unspent, if any	Nil

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

Addressing the social, civic and environmental issues, your Company has made significant contributions in 2017-18 with projects on Education, Rural Development, Water Neutrality, Afforestation, Solid Waste Management, Scholarship Program, Coach Them Young, NGO Development and Monsoon Resilient Maharashtra.

Aiming to inculcate a culture of research and innovation amongst faculty and students, the Foundation, with the support of ANSYS, has set up a Centre for Research and Intellectual Entrepreneurship (CeRIE) at Cummins College of Engineering for Women (CCEW). Our Scholarship Program has successfully continued for the 12th year. This year, we have awarded additional 200 scholarships to meritorious and needy students to help them pursue technical courses.

In the space of Energy and Environment, we have contributed towards environment sustainability through implementation of various large-scale environment projects. Reinforcing our commitment to building healthy, green and safe communities, we have successfully propagated the message of using 'Safe Chulha' – an energy efficient way of cooking. This campaign saw completion of the targeted deployment of 2100 safe and energy efficient cook stoves. With an aim to sensitize the community to environmental issues we chose to educate school children. A nationwide environmental education campaign called 'Coach Them Young' project was launched in 2012. This program has successfully created over a million next-gen environment ambassadors during Financial Year 2017-18 and has reached close to 3.3 million students across the country since its inception. The Khadakwasla water conservation project saw active partnerships from various other corporate players and NGOs. We have been successful in saving over 13,300 million liters of water. Scientific implementation of watershed management techniques and holistic use of modern hydro-geological studies has helped us reach over 5500 villagers through our strategic project of Monsoon Resilient Maharashtra. The project has been piloted in four villages in Koregaon Taluka of Satara district in Maharashtra and we plan to scale the project to fourteen more villages in Maan Taluka, which is significantly more drought-prone.

As part of the EmpowerHER- 'Powering HER for a better tomorrow' initiative, this year our intervention was focused to aid income generation activities for the women at our Model Villages. Through this initiative, self-help groups and entrepreneurship models have been developed, enabling women to become self-reliant and financially capable. With an intention of minimizing the use of environmentally harmful chemicals, organic farming has been introduced in our Model Villages. Till date, close to 85 farmers have adopted and reaped the benefits of implementing organic farming.

During the Financial Year 2017-18, the Foundation has spent ₹ 21.88 Crores, details of which are as follows:-

CIF Spend Details for FY 2017-18

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	32,200,000	25,844,750	-	25,844,750	-	25,844,750
2	Vocational Education	Higher Education	12,900,000	5,786,731	-	5,786,731	-	5,786,731
3	Women Education and Employability	Higher Education	22,400,000	20,018,787	-	20,018,787	-	20,018,787
4	Afforestation	Energy & Environment	7,400,000	9,973,290	-	9,973,290	-	9,973,290
5	Solid Waste Management	Energy & Environment	14,800,000	13,910,012	-	13,910,012	-	13,910,012
6	Water Neutrality	Energy & Environment	16,900,000	17,105,714	-	17,105,714	-	17,105,714
7	Air Pollution	Energy & Environment	8,200,000	4,952,316	-	4,952,316	-	4,952,316
8	NGO Development	Local Infrastructure Development & Social Justice	8,800,000	8,405,154	-	8,405,154	-	8,405,154
9	Rural Development	Local Infrastructure Development & Social Justice	37,200,000	37,854,629	-	37,854,629	-	37,854,629
10	Women Initiatives	Strategic Initiative	1,000,000	-	-	-	-	-
11	Monsoon Resilient Maharashtra	Strategic Initiative	20,000,000	15,921,221	-	15,921,221	-	15,921,221
12	Clean Air Delhi	Strategic Initiative	7,300,000	7,284,100	-	7,284,100	-	7,284,100
13	Phaltan Model Town	Strategic Initiative	5,000,000	-	-	-	-	-
14	Administrative exp. & overheads	-	57,000,000	51,775,891	-	51,775,891	-	51,775,891
		TOTAL	**251,100,000**	**218,832,595**	**0**	**218,832,595**	**0**	**218,832,595**

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 ₹ 21.88 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.

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 2017-18.

For and on behalf of the Board of Directors,

	Mark Levett	Sandeep Sinha	Prakash M. Telang
	Chairman	Managing Director	Chairman of
Place : Mumbai			the CSR Committee
Date : May 24, 2018	DIN: 00368287	DIN: 02400175	DIN: 00012562

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Standalone Ind AS Financial Statements

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, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Companies Act, 2013 ("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 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 judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit, including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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 purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of 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) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company 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;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 38 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

   iv. The disclosure with respect to holding of and dealings in Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018 and accordingly has not been reported upon by us. Refer Note 50 of the standalone 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

Place : Mumbai
Date: May 24, 2018

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 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) (a) According to the information and explanations given to us, during the year, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause (iii) (a) of the Order are not applicable to the Company and hence not commented upon.

(b) The Company has granted a loan in earlier years to one company covered in the register maintained under section 189 of the Act. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted, the payment of interest is regular and repayment of principal is not due in the current year.

(c) There are no amounts of loan granted to company listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(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, sales-tax, service tax, duty of custom, duty of excise, value added tax, 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, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, 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 (₹ in Lacs) #*	Period to which the amount pertains	Forum where the dispute is pending
Finance Act, 1994	Demand for short payment of Service tax.	721	FY 2009 -10 to FY 2013-14	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 input services.	11	FY 2011-12 to FY 2014-15	Commissioner (Appeals)
Central Excise Act, 1944	Rejection of rebate claim.	Nil (₹ 82 recoverable from government)	FY 2007- 08	CESTAT
Customs Act, 1962	Rejection of duty drawback claim.	1,296	FY 2005-06 to FY 2009-10	Commissioner Customs
Income Tax Act, 1961	Demand on account of transfer pricing adjustments and other corporate tax disallowances	6,303	FY 2009-10 to FY 2012-13	Income tax Appellate Tribunal, Pune
Income Tax Act, 1961	Demand on account of various disallowances	Nil (Amount recoverable from department ₹ 879)	FY 2013-14	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	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	3,999 (Net of amount paid under protest of ₹ 117 and refund amount recoverable from department of ₹ 3,471)	FY 1999-00 to FY 2012-13	Joint Commissioner of Sales Tax (Appeal)
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.)	Disallowances of set off claimed under rule 41D and 42 H and interest thereon, taxation of sales turnover under B.S.T. Act	707 (Net of amount paid under protest of ₹ 90)	FY 2001-02 and FY 2006-07	Maharashtra Sales Tax Tribunal, Mumbai
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	Nil (Net of amount paid under protest of ₹ 160)	FY 2009-10 to FY 2014-15	Sales Tax Appellate Tribunal, Chennai

Name of the statute	Nature of dues	Amount (₹ in Lacs) #*	Period to which the amount pertains	Forum where the dispute is pending
The West Bengal VAT Act, 2003	Levy of VAT on certain transactions	5	FY 2004-05	Joint Commissioner of Sales Tax - Asansol Circle
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 and FY 2014-15	Joint Commissioner (Appeals) at Ranchi

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

Place : Mumbai
Date: May 24, 2018

Annexure 2 referred to in paragraph 2 (f) 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, 2018 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 with reference to these standalone Ind AS Financial Statements

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 issued by the Institute of Chartered Accountants of India. 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 on Audit of Internal Financial Controls Over Financial Reporting (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 Institute of Chartered Accountants of India. 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 and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place : Mumbai
Date: May 24, 2018

Financial Statements 2017-18

BALANCE SHEET AS AT MARCH 31, 2018

₹ Lacs

Particulars	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	**128,275**	122,400
Capital work-in-progress (including investment property in progress)		**3,795**	46,313
Investment properties	3	**73,110**	26,789
Intangible assets	2.2	**540**	822
Investments in a subsidiary, joint ventures and an associate	4	**3,735**	3,735
Financial assets			
Investments	4	**533**	681
Loans	5	**-**	12,866
Other financial assets	6	**446**	1,175
Income tax assets (net)	7	**8,918**	8,005
Other non-current assets	8	**12,821**	14,172
		232,173	236,958
Current assets			
Inventories	9	**53,748**	56,206
Financial assets			
Investments	10	**50,601**	66,324
Loans	11	**12,866**	-
Trade receivables	12	**132,625**	95,565
Cash and cash equivalents	13	**15,231**	12,376
Other bank balances	14	**31,857**	535
Other current financial assets	15	**7,001**	4,848
Other current assets	16	**16,609**	26,727
Assets classified as held for sale	17	**412**	4,549
		320,950	267,130
	TOTAL	**553,123**	504,088
EQUITY AND LIABILITIES			
Equity			
Equity share capital	18	**5,544**	5,544
Other equity	19		
Retained earnings		**278,201**	253,940
Other reserves		**114,862**	114,733
		398,607	374,217
Non-current liabilities			
Other financial liabilities	20	**2,842**	3,032
Provisions	21	**4,288**	5,571
Deferred tax liabilities (net)	22	**2,988**	239
Other non-current liabilities	23	**213**	270
		10,331	9,112
Current liabilities			
Financial liabilities			
Borrowings	24	**25,154**	25,078
Trade Payables	25	**75,802**	60,818
Other current financial liabilities	26	**22,392**	13,877
Other current liabilities	27	**5,604**	6,796
Provisions	21	**15,233**	14,190
		144,185	120,759
	TOTAL	**553,123**	504,088

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

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

₹ Lacs

Particulars	Notes	**Year Ended March 31, 2018**	Year Ended March 31, 2017
Revenue from operations	28	**516,106**	542,875
Other income	29	**22,847**	20,798
Total income		**538,953**	563,673
Expenses:			
Cost of materials consumed	30.1	**253,136**	271,383
Purchases of traded goods		**68,673**	53,929
Change in inventories of finished goods, work-in-progress and traded goods	30.2	**4,001**	2,136
Excise duty on sale of goods		**7,856**	35,141
Employee benefits expense	31	**49,791**	43,338
Finance costs	32	**1,483**	1,678
Depreciation and amortisation expense	2 & 3	**9,379**	8,478
Other expenses	33	**59,404**	56,766
Total expenses		**453,723**	472,849
Profit before exceptional items and tax		**85,230**	90,824
Exceptional items	49	**5,612**	-
Profit before tax		**90,842**	90,824
Tax expense	22		
Current tax		**18,874**	17,178
Deferred tax		**921**	(617)
Tax for earlier years		**200**	800
Total tax expense		**19,995**	17,361
Profit after tax		**70,847**	73,463
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods :			
Remeasurement gain/ (loss) on defined benefit plans		**190**	(1,222)
Income tax effect		**(67)**	423
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		**123**	(799)
Other comprehensive income/(expense) for the year, net of tax		**123**	(799)
Total comprehensive income for the year, net of tax		**70,970**	72,664
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	34	**25.56**	26.50

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
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PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2016	5,544
Changes in equity share capital during the year ended March 31, 2017	-
As at March 31, 2017	5,544
Changes in equity share capital during the year ended March 31, 2018	-
As at March 31, 2018	**5,544**

B) Other equity

₹ Lacs

Particulars	Retained earnings	Other reserves			Total
		General reserve	Capital redemption reserve	Equity contribution from Cummins Inc.- Share based payments*	
Balance as at April 1, 2016	**227,985**	**114,202**	**70**	**329**	**342,586**
Add: Profit for the year	73,463	-	-	-	73,463
Add: Equity contribution during the year	-	-	-	132	132
Other comprehensive Income	(799)	-	-	-	(799)
Total comprehensive income for the year	**72,664**	**-**	**-**	**132**	**72,796**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2015-2016	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2017	**253,940**	**114,202**	**70**	**461**	**368,673**
Add: Profit for the year	70,847	-	-	-	70,847
Add: Equity contribution during the year	-	-	-	129	129
Other comprehensive income	123	-	-	-	123
Total comprehensive income for the year	**70,970**	**-**	**-**	**129**	**71,099**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2016-2017	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2018	**278,201**	**114,202**	**70**	**590**	**393,063**

* 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 Tridevlal Khandelwal
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Membership Number: 501160

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PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018

₹ Lacs

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
I. Cash generated from operations :		
Profit before tax	**90,842**	90,824
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	**9,379**	8,478
Finance costs	**1,483**	1,678
Interest income	**(1,829)**	(1,766)
Dividend income	**(9,604)**	(9,325)
(Gain)/loss on assets sold, discarded, etc.	**468**	(187)
(Gain)/loss on redemption /sale of investments (net)	**49**	(26)
Equity contribution from Holding company	**129**	132
Unrealised foreign exchange fluctuation (net)	**(388)**	331
Mark to market ('MTM') of financial instruments	**181**	(802)
Provision for doubtful debts (net)	**268**	177
Exceptional items	**(5,612)**	-
	(5,476)	(1,310)
b) Working capital adjustments		
Trade receivable	**(36,747)**	(3,168)
Inventories	**2,458**	3,820
Other bank balances	**(322)**	(77)
Current and non-current financial assets	**(941)**	(380)
Other current and non-current assets	**11,021**	132
Trade payable	**14,790**	5,702
Current and non-current financial liabilities	**7,821**	(2,256)
Other current and non-current liabilities	**(1,249)**	238
Current and non-current provisions	**(530)**	(303)
	(3,699)	3,708
Total adjustments (a+b)	**(9,175)**	2,398
Cash generated from operations	**81,667**	93,222
Tax paid (net of refunds)	**(18,226)**	(18,665)
Net cash generated from operations	**63,441**	74,557
II. Cash flows used in investing activities :		
Purchase of property, plant and equipment and investment property	**(18,971)**	(24,462)
Proceeds from sale of property, plant and equipment	**9,925**	1,312
Interest received	**1,346**	1,775
Dividend received	**9,604**	9,325
Investments		
(Purchase)/Sale of short term investments (net)	**15,822**	(36,554)
Term deposits with Banks (more than 3 months but less than 1 year)	**(31,000)**	-
Net cash (used in) investing activities	**(13,274)**	(48,604)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018 (CONTD.)

₹ Lacs

Particulars		Year Ended March 31, 2018	Year Ended March 31, 2017
III.	**Cash flows from financing activities :**		
	Proceeds from borrowings (net)	**76**	25,078
	Finance costs	**(1,003)**	(899)
	Dividend paid (including tax on dividend)	**(46,387)**	(46,632)
	Net cash (used in) financing activities	**(47,314)**	(22,453)
IV.	**Net change in cash and cash equivalents (I+II+III)**	**2,853**	3,500
V.	**Net foreign exchange difference**	**2**	361
VI.	**Cash and cash equivalents at the beginning of the year**	**12,376**	8,515
VII.	**Cash and cash equivalents at the end of the year (IV+V+VI)**	**15,231**	12,376
	Components of cash and cash equivalents		
	Cash on hand	**1**	2
	Bank Balances		
	In current accounts	**15,230**	12,374
	Total cash and cash equivalents (refer note 13)	**15,231**	12,376

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

Sandeep Sinha
Managing Director
DIN : 02400175

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Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

Notes to Standalone Financial Statements for the year ended March 31, 2018

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. Its 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 principally 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, 2018 were authorised for issue in accordance with the resolution of the directors on May 24, 2018.

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 thereafter.

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 the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. 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:

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 37)

Financial instruments (including those carried at amortised cost) (refer note 11 to 15)

Investment properties (refer note 3)

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.

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 property	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.

Leasehold land is amortised on the straight line basis over period of the lease. 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 finite assets are amortized 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 Standalone Financial Statements for the year ended March 31, 2018

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 stated at lower of cost and net realisable value after providing for obsolescence and are valued at weighted average cost basis. The material costs are determined on weighted average basis and the valuation of finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads (based on normal operating capacity). Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

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

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

i) Sales are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract. Revenue is measured at fair value of the consideration received or receivable, inclusive of excise duty and net off sales tax/ value added tax / GST, trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The Company bases its estimates on historical results taking into consideration type of customer, type of transaction and terms of each arrangement.

ii) Revenue from long term service contracts is recognized using the proportionate completion method, and recognised net of service tax / GST. Completion is determined as a proportion of cost incurred till date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Unearned Revenue' under 'Other liabilities' in the Balance Sheet. In case of contracts where payments have been received in advance, revenue is deferred until the related subscription period is complete as per the terms of the agreement with the customers.

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

iii) 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 the 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.

iv) Rental income is recognised on a straight-line basis over the lease term, other than escalations on account of inflation.

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

j) Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Company is classified as a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Company as a lessee: Lease charges under operating leases are recognised as an expense on straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for lessors expected inflationary cost increase.

Company as a lessor: Rental income is recognised on a straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate expected inflationary cost increase. Initial direct cost incurred in negotiating and arranging an operating lease are amortised over the leased term.

k) Employee benefits

The Company 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 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.

Notes to Standalone Financial Statements for the year ended March 31, 2018

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 has terms approximately the terms of the related obligation.

l) Research and development costs

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

m) Income tax

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

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 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.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less which is subject to insignificant risk of change 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 recognised as deferred income which is recognised as income on a systematic and rational basis over the useful life 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.

Notes to Standalone Financial Statements for the year ended March 31, 2018

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: 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 Company. 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 (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 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 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 including bank overdraft and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through profit and loss 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 the EIR method. Gains and losses are recognized in 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 cost that are integral part on EIR. The 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 or 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 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

Notes to Standalone Financial Statements for the year ended March 31, 2018

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 profit and loss.

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 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

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

Notes to Standalone Financial Statements for the year ended March 31, 2018

2.1 Property, plant and equipment

₹ Lacs

Particulars	Gross block					Depreciation and Amortisation					Net block
	As at April 1, 2017	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2018**	As at April 1, 2017	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2018**	**As at March 31, 2018**
Land											
- Freehold @	5,021	-	1	-	**5,022**	-	-	-	-	**-**	**5,022**
- Leasehold **	1,564	-	-	-	**1,564**	87	16	-	-	**103**	**1,461**
Leasehold Improvements	614	-	-	-	**614**	33	6	-	-	**39**	**575**
Roads	2,214	513	-	10	**2,717**	1,062	248	-	10	**1,300**	**1,417**
Buildings #	94,228	5,310	-	231	**99,307**	8,605	2,084	-	172	**10,517**	**88,790**
Plant and machinery	87,520	7,357	1,677	3,444	**93,110**	61,678	5,022	1,033	2,547	**65,186**	**27,924**
Furniture and fittings	3,914	755	94	115	**4,648**	1,439	387	64	85	**1,805**	**2,843**
Vehicles	418	61	92	62	**509**	189	50	87	60	**266**	**243**
	195,493	13,996	1,864	3,862	**207,491**	73,093	7,813	1,184	2,874	**79,216**	**128,275**

2.2 Intangible assets

Particulars	As at April 1, 2017	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2018**	As at April 1, 2017	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2018**	**As at March 31, 2018**
Software	2,436	41	-	-	**2,477**	1,614	323	-	-	**1,937**	**540**
Technical knowhow	2,060	-	-	-	**2,060**	2,060	-	-	-	**2,060**	**-**
	4,496	41	-	-	**4,537**	3,674	323	-	-	**3,997**	**540**

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 (Refer note 40 for lease details).

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 cost 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. The total gross block and corresponding total accumulated depreciation / amortisation as at March 31, 2018 and March 31, 2017 as disclosed above should be adjusted (at least) by an amount of ₹ 64,905 lacs (representing accumulated depreciation / amortisation as at April 1, 2015) to compute the cost and accumulated depreciation / amortisation as per IND AS. Such adjustment will have no impact on the net block as at March 31, 2018 and March 31, 2017.

Notes to Standalone Financial Statements for the year ended March 31, 2018

2.1 Property, plant and equipment (Contd.)

₹ Lacs

Particulars	Gross block					Depreciation and Amortisation					Net block
	As at April 1, 2016	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Tangible Assets:											
Land											
- Freehold @	5,032	-	-	11	**5,021**	-	-	-	-	**-**	**5,021**
- Leasehold **	1,564	-	-	-	**1,564**	71	16	-	-	**87**	**1,477**
Leasehold Improvements *	612	2	-	-	**614**	27	6	-	0	**33**	**581**
Roads	2,204	10	-	-	**2,214**	777	285	-	-	**1,062**	**1,152**
Buildings #	93,514	924	-	210	**94,228**	6,755	1,910	-	60	**8,605**	**85,623**
Plant and machinery	87,355	2,306	-	2,141	**87,520**	57,709	5,309	-	1,340	**61,678**	**25,842**
Furniture and fittings	4,248	5	-	339	**3,914**	1,231	387	-	179	**1,439**	**2,475**
Vehicles	445	51	-	78	**418**	220	44	-	75	**189**	**229**
	194,974	3,298	-	2,779	**195,493**	66,790	7,957	-	1,654	**73,093**	**122,400**

2.2 Intangible assets

Particulars	As at April 1, 2016	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Software	2,133	322	-	19	**2,436**	1,379	254	-	19	**1,614**	**822**
Technical Knowhow	2,060	-	-	-	**2,060**	2,060	-	-	-	**2,060**	**-**
	4,193	322	-	19	**4,496**	3,439	254	-	19	**3,674**	**822**

NOTES:

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

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

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

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

\# Includes certain assets given on cancellable/ non-cancellable operating lease (Refer note 40 for lease details)

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 cost 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. The total gross block and corresponding total accumulated depreciation / amortisation as at March 31, 2018 and March 31, 2017 as disclosed above should be adjusted (at least) by an amount of ₹ 64,905 lacs (representing accumulated depreciation / amortisation as at April 1, 2015) to compute the cost and accumulated depreciation / amortisation as per IND AS. Such adjustment will have no impact on the net block as at March 31, 2018 and March 31, 2017.

Notes to Standalone Financial Statements for the year ended March 31, 2018

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
3	**Investment properties**		
	Gross block		
	Opening balance	**27,056**	-
	Additions*	**47,564**	27,056
	Closing balance	**74,620**	27,056
	Depreciation		
	Opening balance	**267**	-
	Depreciation	**1,243**	267
	Closing balance	**1,510**	267
	Net block	**73,110**	26,789

*Current year addition to investment properties mainly pertains to Cummins Technical Centre in India ('CTCI').

Information regarding income and expenditure of investment properties

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Rental income derived from investment properties	2,717	1,532
Direct operating expenses (including repairs and maintenance) generating rental income	216	89
Profit arising from investment properties before depreciation and indirect expenses	2,501	1,443
Less: Depreciation	1,243	267
Profit arising from investment properties before indirect expenses	1,258	1,176

The investment properties consist of CTCI and office building. As at March 31, 2018 the fair value of the properties is ₹ **77,246 lacs** (As at March 31, 2017: ₹ 27,126 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 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, 2018**	Range (weighted average) March 31, 2017
Income approach (Discounted Cashflow (DCF) method)	Estimated rental value per sq. ft. per month	**₹ 55 - ₹ 75**	₹ 65
	Rent growth p.a.	**15% every 3 years**	15% every 3 years
	Discount rate	**11.31% to 11.81%**	13%

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 Financial Statements for the year ended March 31, 2018

4 Non Current Investments :

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Investment in subsidiary, joint- ventures and associate		
			Unquoted equity instruments (at cost)		
			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
				3,735	3,735
			Other investments (fully paid up)		
			Unquoted equity instruments (Fair value through profit and loss)		
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	**0**	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	**0**	0
			Aggregate value of unquoted investments *	**0**	0
			Valued at amortised cost		
			a) Quoted Government of India Bonds		
50,000,000	50,000,000	1	8.35% Government of India 2022	533	533
				533	533
			b) Quoted Corporate Bonds		
-	12	1,250,000	6.68% Power Grid Corporation of India 2019	-	148
				-	148
			Aggregate book value / market value of quoted investments	**533**	681
			Total	**533**	681

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

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
5	**Non-current financial assets - Loans (carried at amortised cost)**		
	Unsecured, considered good;		
	Loan to related party (Refer note 39 and 44)	**-**	12,866
	Total	**-**	12,866
	Loans given to related party is at an interest rate based on SBI lending rate		
6	**Other non-current financial assets (carried at amortised cost)**		
	Unsecured, considered good;		
	Security deposits	**446**	1,175
	Total	**446**	1,175
7	**Income tax asset (net)**		
	Advance income tax (net of provision for taxation)	**8,918**	8,005
	Total	**8,918**	8,005
8	**Other non-current assets**		
	Unsecured, considered good;		
	Capital advances	**2,057**	2,505
	Balances with statutory/government authorities	**10,764**	11,667
	Total	**12,821**	14,172
9	**Inventories**		
	Raw materials and components (includes goods in transit)	**28,597**	27,294
	Work-in-progress (includes goods with third parties)	**9,853**	10,465
	Finished goods (includes goods in transit and lying with third parties) *	**13,075**	14,118
	Traded goods (includes goods in transit)	**987**	3,333
	Stores and spares	**783**	587
	Loose tools	**453**	409
	Total	**53,748**	56,206

* During the year ended March 31, 2018 ₹ **(18) Lacs** (March 31, 2017: ₹ 265 Lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

Notes to Financial Statements for the year ended March 31, 2018

10 Non Current Investments :

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Current portion of long term investments		
			a) Quoted Government of India Bonds (amortised cost)		
-	55,000,000	1	7.49% Government of India 2017	-	553
				-	553
			b) Quoted equity instrument (fair value through profit and loss)		
9,811	9,811	2	Kirloskar Oil Engines Limited	**32**	38
913	913	10	Kirloskar Industries Limited	**11**	10
				43	48
			c) Quoted Corporate Bonds (amortised cost)		
12	-	1,250,000	6.68% Power Grid Corporation of India 2019	**148**	-
				148	-
			Aggregate book value / market value of quoted investments	**191**	601
			Current investments		
			Unquoted mutual funds valued at fair value through profit and loss		
-	14,957,526	10	Axis Short Term Fund - Weekly Dividend Reinvestment.	-	1,535
4,919,730	-	10	Axis Short Term Fund - Direct Weekly Dividend Reinvestment	**506**	-
-	2,499,760	100	Birla Sun Life Savings Fund - Daily Dividend - Regular Plan	-	2,511
74,260,984	70,340,363	10	Birla Sun Life Short Term Fund - Monthly Dividend-Direct Plan -Reinvestment	**8,634**	8,300
-	9,977,871	10	HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Dividend - Daily	-	1,006
-	69,154,004	10	HDFC Short Term Opportunities Fund - Direct Plan - Fortnightly Dividend	-	7,118
20,845,624	19,988,213	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	**2,136**	2,045
-	951,203	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	-	1,006
75,320,464	72,056,249	10	ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend	**7,616**	7,282
10,482,842	10,006,927	10	ICICI Prudential Ultra Short Term - Daily Dividend	**1,060**	1,018
9,568,699	-	10	ICICI Prudential Short Term - Direct Plan - Monthly Dividend	**1,217**	-
35,063,379	10,008,132	10	IDFC Corporate Bond Fund Direct Plan-Monthly Dividend	**3,604**	1,027
24,848,034	23,880,615	10	IDFC Corporate Bond Fund Regular Plan-Monthly Dividend	**2,622**	2,513
			Carried forward	**27,395**	35,361

Notes to Financial Statements for the year ended March 31, 2018

10 Non Current Investments :

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Brought forward	**27,395**	35,361
20,467,722	19,790,768	10	Kotak Bond (Short Term) - Monthly Dividend (Regular Plan)	**2,086**	2,009
-	9,920,832	10	Kotak Treasury Advantage Fund - Daily Dividend (Regular Plan)	**-**	1,000
-	19,911,197	10	Kotak Treasury Advantage Fund - Daily Dividend	**-**	2,007
-	11,010,257	10	Reliance Banking & PSU Debt Fund- Weekly Dividend	**-**	1,116
-	6,422,140	10	Reliance Medium Term Fund-Direct Plan- Daily Dividend Reinvestment	**-**	1,098
-	17,636,101	10	Reliance Medium Term Fund-Regular Plan - Daily Dividend Reinvestment	**-**	3,015
4,253,853	-	10	Reliance Quarterly Interval Fund - Series II - Direct Growth Plan Growth Option	**1,021**	-
20,097,845	19,426,394	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	**2,093**	2,009
-	198,833	1,000	SBI Ultra Short Term Debt Fund - Regular Plan - Daily Dividend	**-**	2,001
27,217,447	14,053,351	10	Tata Short Term Bond Fund Direct Plan - Monthly Dividend	**4,286**	2,146
32,098,445	31,387,096	10	Tata Short Term Bond Fund Regular Plan - Monthly Dividend	**4,859**	4,651
59,204,465	57,395,167	10	UTI - Short Term Income Fund - Institutional Option - Direct Quarterly Dividend Plan Reinvestment	**7,660**	7,306
-	199,687	1,000	UTI - Treasury Advantage Fund - Institutional- Daily Dividend	**-**	2,004
4,725,094	-	10	UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan- Retail Option - Direct Plan - Growth	**1,010**	-
36	-	1,000	UTI-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment *	**0**	-
			Aggregate value of unquoted investments	**50,410**	65,723
			Total	**50,601**	66,324

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

Notes to Standalone Financial Statements for the year ended March 31, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
11	**Current financial assets - Loans (carried at amortised cost)**		
	Unsecured, considered good;		
	Loan to related party (Refer note 39 and 44)	**12,866**	-
	Total	**12,866**	-
	Loans given to related party is at an interest rate based on SBI lending rate		
12	**Trade receivables (carried at amortised cost)**		
	Trade receivables	**78,067**	64,120
	Receivables from related parties (Refer note 44)	**54,558**	31,445
	Total	**132,625**	95,565
	Break up for security details		
	Secured, considered good	**24,650**	21,490
	Unsecured, considered good	**107,975**	74,075
	Unsecured, considered doubtful	**654**	415
		133,279	95,980
	Impairment allowance (allowance for bad and doubtful debts)		
	Less: Provision for doubtful debts	**(654)**	(415)
	Total	**132,625**	95,565
	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 ₹ 2,201 lacs (March 31, 2017: ₹ 4,655 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
13	**Cash and cash equivalents (carried at amortised cost)**		
	Cash on hand	**1**	2
	Bank balances		
	In current accounts	**15,230**	12,374
	Total	**15,231**	12,376

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
14	**Other bank balances (carried at amortised cost)**		
	Unpaid dividend account (restricted)	**857**	535
	Term deposits with Banks (more than 3 months but less than 1 year)	**31,000**	-
	Total	**31,857**	535
15	**Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)**		
	Unsecured, considered good:		
	Security deposits	**956**	762
	Unbilled revenue	**2,040**	2,393
	Foreign exchange forward contracts #	**-**	802
	Interest accrued on investments	**594**	111
	Others *	**3,411**	780
	Total	**7,001**	4,848

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 royalty receivable from dealers, export incentives receivable, 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 **₹ 2,264 lacs** (March 31, 2017: ₹ 2,191 lacs). Refer note 44 for related party transactions.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
16	**Other current assets**		
	Unsecured, considered good:		
	Balances with statutory/government authorities	**12,115**	22,633
	Others *	**4,494**	4,094
	Total	**16,609**	26,727

* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
17	**Assets classified as held for sale**		
	Assets held for sale (at lower of cost or fair value less cost to sell) *	**412**	4,549
	Total	**412**	4,549

* Includes land, building and 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, 2018

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
18 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, 2018		As at March 31, 2017	
	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, 2017 : 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, 2018		As at March 31, 2017	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	**141,372,000**	**51.00%**	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	**13,247,549**	**4.78%**	16,157,738	5.83%

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
19	**Other equity**		
	Retained earnings	**278,201**	253,940
		278,201	253,940
	Other reserves		
	Capital redemption reserve	**70**	70
	General reserve	**114,202**	114,202
	Equity contribution from Holding Company	**590**	461
	Total	**114,862**	114,733
	a) Retained earnings		
	Opening balance as at April 1	**253,940**	227,985
	Add: Profit for the year	**70,847**	73,463
	Items of other comprehensive income recognised directly in retained earnings		
	- Remeasurements of post employment benefit obligations, net of tax	**123**	(799)
		324,910	300,649
	Less:		
	Interim dividend paid	**13,860**	13,860
	Tax on interim dividend	**2,822**	2,822
	Final dividend paid for the financial years ended March 31, 2016 and March 31, 2017	**24,948**	24,948
	Tax on final dividend for the financial years ended March 31, 2016 and March 31, 2017	**5,079**	5,079
		46,709	46,709
	Closing balance as at March 31	**278,201**	253,940

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 **₹ 33,364 lacs** for the year ended March 31, 2018 (March 31, 2017: ₹ 30,027 lacs) which is **₹ 10** per fully paid up share (March 31, 2017: ₹ 9 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, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ 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	**461**	329
	Add: Movement during the year	**129**	132
	Closing balance as at March 31	**590**	461

20 Other non-current financial liabilities

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Non current financial liabilities carried at amortised cost		
Dealer deposit	**2,099**	1,565
Retention money	**743**	1,279
Others	**-**	188
Total	**2,842**	3,032

21 Provisions

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Provision for post retirement benefit and leave entitlement (Refer note 43)	**7,168**	7,837
Warranties (Refer note 42 (i))	**8,686**	8,529
Statutory matters (Refer note 42 (ii))	**1,821**	1,821
New Engine Performance Inspection (NEPI) (Refer note 42 (iii))	**1,846**	1,574
	19,521	19,761
Current provisions	**15,233**	14,190
Non-current provisions	**4,288**	5,571
Total	**19,521**	19,761

22 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of profit and loss	
	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs	**Year Ended March 31, 2018 ₹ Lacs**	Year Ended March 31, 2017 ₹ Lacs
Deferred tax assets				
MAT credit entitlement	**5,494**	7,255	**-**	25
Provision for employee benefits	**3,402**	2,644	**758**	736
Other timing differences	**229**	144	**85**	(56)
Items in other comprehensive income	**542**	609	**(67)**	423
On capital loss	**-**	132	**(132)**	-
Total deferred tax assets	**9,667**	10,784	**644**	1,128
Deferred tax liabilities				
Depreciation	**11,897**	10,973	**924**	941
Other timing differences	**758**	50	**708**	(853)
Total deferred tax liabilities	**12,655**	11,023	**1,632**	88
Deferred tax income/(expense)			**(988)**	1,040
Net deferred tax liabilities	**2,988**	239		

b) The major components of income tax expenses forthe years ended March 31, 2018 and March 31, 2017 are:

Statement of Profit and Loss

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Profit and loss section		
Current income tax:		
Current income tax charge (under MAT for the year ended March 31, 2017)	**18,874**	17,178
Adjustments in respect of current income tax of previous year	**200**	800
Deferred tax:		
Relating to origination and reversal of temporary differences	**921**	(617)
Income tax expenses reported in the Statement of Profit and Loss	**19,995**	17,361
OCI section		
Deferred tax related to items recognised in OCI during the year	**67**	(423)
Net loss/ (gain) on remeasurements of defined benefit plans	**67**	(423)

Notes to Standalone Financial Statements for the year ended March 31, 2018

22 Income taxes (Contd.)

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
c)	Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017		
	Accounting profit before tax	**90,842**	90,824
	At India's statutory Income tax rate	**34.61%**	34.61%
	Tax at full rate	**31,440**	31,434
	Adjustments:		
	Research and development expenses allowance	**(538)**	(1,335)
	Income of SEZ unit (not subject to tax)	**(6,828)**	(8,777)
	Dividend income (not subject to tax)	**(3,324)**	(3,227)
	Depreciation	**(688)**	(849)
	14A disallowance	**14**	10
	Donations - CSR expenditure	**287**	208
	Tax for earlier years	**200**	800
	Other (deductible, non-deductible items, net)	**(568)**	(903)
	Total	**(11,445)**	(14,073)
	Income tax expenses reported in the Statement of Profit and Loss for the current year	**19,995**	17,361
d)	**Deferred tax**		
	Reconciliation of deferred tax liabilities (net) :		
	Opening balances as at April 1	**239**	1,279
	Tax expense/(income) during the year recognised in Statement of Profit and Loss	**921**	(617)
	MAT Credit Utilisation	**1,761**	-
	Tax expense/(income) during the year recognised in OCI	**67**	(423)
	Closing balance as at March 31	**2,988**	239

During the years March 31, 2018 and March 31, 2017, 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.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
23	**Other non-current liabilities**		
	Unearned revenue	**213**	270
	Total	**213**	270
24	**Borrowings**		
	Working capital loan from bank	**25,154**	25,078
	Total	**25,154**	25,078
	The loan is unsecured and repayable within one year. Interest is payable @ 6.00%-6.20% (T-Bill) 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.		
25	**Trade payables**		
	Trade payables of micro and small enterprises (Refer note 36)	**847**	1,414
	Trade payables other than micro and small enterprises	**44,227**	37,692
	Trade payables of related parties (Refer note 44)	**30,728**	21,712
	Total	**75,802**	60,818
	Trade payables are non interest bearing and are normally settled in 30 to 60 days terms.		
	For terms and conditions and transactions with related parties refer note 44.		
26	**Other current financial liabilities**		
	Unpaid dividend	**857**	535
	Royalty and cess thereon (Refer note 44)	**6,524**	4,351
	Support services payable (Refer note 44)	**9,254**	1,923
	Retention money	**1,235**	1,107
	Others including salaries, wages, bonus payable	**4,522**	5,961
	Total	**22,392**	13,877
	Other current financial liabilities are non interest bearing and have an average term of 6 months.		
27	**Other current liabilities**		
	Statutory dues including tax deducted at source	**3,317**	5,283
	Unearned revenue	**362**	330
	Advances from customers	**1,925**	1,183
	Total	**5,604**	6,796

Notes to Standalone Financial Statements for the year ended March 31, 2018

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
28	**Revenue from operations**		
	Sale of products (including excise duty as applicable)	**476,832**	519,701
	Sale of services	**26,202**	11,251
		503,034	530,952
	Other operating revenue		
	Scrap sales	**701**	711
	Export incentives	**5,839**	5,434
	Others *	**6,532**	5,778
		13,072	11,923
	Revenue from operations	**516,106**	542,875

* Others primarily includes testing income, engineering income and royalty income from dealers, etc.

Sale of goods includes excise duty collected from customers of ₹ 7,856 lacs (March 31, 2017: ₹ 35,141 lacs). Sale of goods net of excise duty is ₹ 4,68,976 lacs (March 31, 2017: ₹ 4,84,560 lacs). Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2018 is not comparable with March 31, 2017.

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
29	**Other income**		
	Income from investments:		
	Interest income from financial assets at amortised cost		
	- On bonds (non - current/current investments)	**53**	93
		53	93
	Dividend Income		
	- On current investments designated at fair value through profit and loss	**2,883**	2,600
	- On investments in associate and joint ventures carried at cost	**6,721**	6,725
		9,604	9,325
	Gain on sale/redemption of investments		
	- On current investments designated at fair value through profit and loss	**-**	26
		-	26
	Interest on loan given and others	**1,776**	1,674
	Rent (Refer note 3 for rent on investment properties)	**8,316**	6,272
	Exchange gain (net)	**998**	1,413
	Net gain on fixed assets sold or discarded	**-**	187
	Miscellaneous income	**2,100**	1,808
		13,190	11,354
	Total	**22,847**	20,798

Notes to Standalone Financial Statements for the year ended March 31, 2018

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
30.1	**Cost of raw material consumed**		
	Inventory at the beginning of the year	**27,294**	29,202
	Add : Purchases	**254,439**	269,475
	Less : Inventory at the end of the year	**28,597**	27,294
	Cost of raw materials consumed	**253,136**	271,383
30.2	**Changes in inventories of finished goods, work-in-progress and traded goods**		
	Inventories at the end of the year (Refer note 9)		
	Work-in-progress	**9,853**	10,465
	Finished goods	**13,075**	14,118
	Traded goods	**987**	3,333
	Subtotal (A)	**23,915**	27,916
	Inventories at the beginning of the year (Refer note 9)		
	Work-in-progress	**10,465**	9,816
	Finished goods	**14,118**	17,469
	Traded goods	**3,333**	2,767
	Subtotal (B)	**27,916**	30,052
	Decrease / (increase) (B-A)	**4,001**	2,136
31	**Employee benefits expense**		
	Salaries, wages and bonus	**42,235**	36,863
	Contribution to provident and other funds (Refer note 43)	**4,475**	3,845
	Staff welfare expenses	**3,081**	2,630
	Total	**49,791**	43,338
32	**Finance costs**		
	Interest on borrowings and others	**1,003**	899
	Unwinding of discount and effect of changes in discount rate on provisions and liabilities (Refer note 42)	**480**	779
	Total	**1,483**	1,678

Notes to Standalone Financial Statements for the year ended March 31, 2018

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
33	**Other expenses**		
	Commission on sales	**2,458**	2,461
	Consumption of stores and spare parts	**4,869**	5,266
	Warranty expenses (Refer note 42)	**7,970**	7,474
	Consumption of tools and gauges	**684**	618
	Repairs to buildings	**2,368**	2,341
	Repairs to machinery	**739**	648
	Other repairs	**435**	372
	Power and fuel	**3,033**	2,905
	Rent (Refer note 40)	**289**	356
	Rates and taxes	**902**	1,479
	Insurance	**587**	570
	Outside processing charges	**2,672**	2,035
	Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 44 and 45)	**1,661**	1,200
	Royalties (Refer note 44)	**5,260**	5,127
	Support services (Refer note 44)	**7,606**	6,987
	Computer and other services (Refer note 40)	**6,253**	6,197
	Payment to auditors (Refer details below)	**118**	118
	Net loss on fixed assets sold / discarded	**468**	-
	Loss on sale/redemption of investments	**49**	-
	Bad Debts		
	Bad debts written off	**29**	343
	Provision for bad and doubtful debts	**268**	177
	Amount withdrawn from provisions	**(29)**	(343)
		268	177
	Other expenses (net of expenses recovered) (Refer note 44)	**10,715**	10,435
	Total	**59,404**	56,766
	Payment to Auditors:		
	Statutory audit (including limited reviews)	**90**	90
	Other services (including tax audit)	**18**	22
	Reimbursement of expenses	**10**	6
	Total	**118**	118

34 Earning per share (EPS)

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :

		March 31, 2018	March 31, 2017
(a)	Profit for the year after taxation (₹ Lacs)	**70,847**	73,463
(b)	Weighted average number of shares outstanding during the year	**277,200,000**	277,200,000
(c)	Earnings per share (Basic and Diluted) (₹)	**25.56**	26.50
	Face value per share (₹ 2 per share)	**2**	2

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
35 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 40	**20,356**	21,015
Total	**20,356**	21,015

36 Trade payables include:

		March 31, 2018	March 31, 2017
	Total outstanding dues of micro and small enterprises	**847**	1,414
	Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1	Principal Amount	**847**	1,414
2	Interest accrued	**-**	-
3	Payment made to suppliers (other than interest) beyond the appointed day, during the year	**353**	408
4	Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5	Interest paid to suppliers under MSMED Act, 2006 (Section 16)	4	6
6	Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	**-**	-
7	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	**-**	-

The Company has compiled this information based on intimations received from the suppliers of their status as Micro or Small Enterprises and / or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

Notes to Standalone Financial Statements for the year ended March 31, 2018

37 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:

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 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 43.

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 47 for further disclosures.

Taxes

MAT credit entitlement is recognised to the extent it is probable that taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has a MAT credit entitlement of **₹ 5,494 lacs** as at March 31, 2018 (March 31, 2017: ₹ 7,255 lacs). The Company can utilise the MAT credit for a period of 15 years from the date of creation.

Warranty, statutory matters and New Engine Performance Inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI (refer note 42)

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
38	**Contingent liabilities**		
a.	Income tax matters*	**3,232**	8,574
b.	Central excise duty/service tax matters*	**950**	962
c.	Duty drawback matters*	**2,604**	2,604
d.	Sales Tax matters*	**4,484**	7,748
e.	Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	**9**	9
f.	Civil liability / secondary civil liability in respect of suits filed against the Company	**283**	151
	Total	**11,562**	20,048

* Excludes interest and penalties if any. The above matters pertains 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.

39 Loans to related party includes an amount of ₹ **12,866 lacs** (March, 31 2017: ₹ 12,866 Lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary, at an interest rate based on SBI lending rate. Maximum amount due during the year ₹ **12,866 lacs** (March 31, 2017: ₹ 12,866 lacs).

40 Operating Leases

Lease commitments as a Lessee

The Company has entered into non-cancellable operating 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. These leases also include escalation clauses.

The minimum lease payments recognised in the statement of profit and loss (included under ‘Rent’ and ‘Computer and other services’ in note 33) for the year amount to ₹ **5,673 lacs** (March 31, 2017: ₹ 6,138 lacs).

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

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Within one year	**71**	23
After one year but not more than five years	**166**	-
More than five years	**80**	-
Total	**317**	23

Notes to Standalone Financial Statements for the year ended March 31, 2018

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Within one year	**3,288**	2,246
After one year but not more than five years	**14,390**	8,679
More than five years	**5,644**	7,942
Total	**23,322**	18,867

The Company during the year has not entered into sub - leases.

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

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
On capital account	**26**	395
On revenue account	**2,892**	3,067
Total	**2,918**	3,462

42 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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**8,529**	8,686
Additions	**7,970**	7,474
Utilisation	**8,229**	8,120
Unwinding of discount and changes in the discount rate	**416**	489
Balance as at the end of the year	**8,686**	8,529
Classified as non-current	**1,958**	2,542
Classified as current	**6,728**	5,987

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**1,821**	1,689
Additions	**-**	43
Utilisation	**-**	33
Unwinding of discount and changes in the discount rate	**-**	122
Balance as at the end of the year	**1,821**	1,821
Classified as non-current	**-**	-
Classified as current	**1,821**	1,821

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**1,574**	1,305
Additions	**1,041**	1,113
Utilisation	**833**	924
Unwinding of discount and changes in the discount rate	**64**	80
Balance as at the end of the year	**1,846**	1,574
Classified as non-current	**856**	784
Classified as current	**990**	790

Notes to Standalone Financial Statements for the year ended March 31, 2018

43 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	**1,645** (1,590)
Contribution to management superannuation fund	**1,488** (1,363)

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary. The figures in brackets are in respect of previous year.

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

a. Net Balance Sheet position

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	**12,138** (11,845)	**1,775** (1,750)	**51** (53)	**47** (49)	**19,674** (17,638)
ii)	Fair value of Plan assets	**11,236** (9,965)	**1,474** (1,556)	**-** -	**-** -	**19,674** (17,631)
iii)	Funded status surplus/ -deficit	**-902** -(1,880)	**-301** -(194)	**-51** -(53)	**-47** -(49)	**-** -(7)
iv)	Effect of asset ceiling	**-** -	**-344** -(329)	**-** -	**-** -	**-** -
	Net defined benefit asset /-liability	**-902** -(1,880)	**-645** -(523)	**-51** -(53)	**-47** -(49)	**-** -(7)

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	**11,845** (10,030)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)
i)	Current service cost	**961** (848)	**73** (69)	**2** (2)	**2** (2)	**911** (766)
ii)	Interest cost	**783** (752)	**116** (120)	**3** (4)	**5** (4)	**1,558** (1,324)
iii)	Actuarial -gains / losses- experience	**522** (248)	**45** -(91)	**4** -(1)	**-3** -(3)	**-** -
iv)	Actuarial -gains / losses- demographic changes *	**-** (13)	**-** -	**-** (0)	**-** (0)	**-** -
v)	Actuarial -gains / losses- financial assumptions *	**-641** (779)	**-11** (191)	**-2** (0)	**-2** -	**-** -
vi)	Benefits paid	**-1346** -(549)	**-199** -(144)	**-9** -(6)	**-4** -(4)	**-2,659** -(1,658)
vii)	Past service cost	**-** -	**-** -	**-** -	**-** -	**-45** -(169)
viii)	Acquisitions (credit)/cost *	**14** -(276)	**1** -	**0** -	**-** -	**798** (753)
ix)	Contributions by employees	**-** -	**-** -	**-** -	**-** -	**1,473** (1,431)
	Closing defined benefit obligation	**12,138** (11,845)	**1,775** (1,750)	**51** (53)	**47** (49)	**19,674** (17,638)

Notes to Standalone Financial Statements for the year ended March 31, 2018

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	**9,965**	**1,556**	**-**	**-**	**17,631**
		(8,689)	(1,606)	-	-	(15,185)
i)	Interest income on plan assets	**714**	**102**	**-**	**-**	**1,573**
		(700)	(118)	-	-	(1,340)
ii)	Return on plan asset greater /-lesser than discount rate	**102**	**15**	**-**	**-**	**-**
		(18)	(2)	-	-	-
iii)	Actuarial gains / -losses	**-**	**-**	**-**	**-**	**-**
		-	-	-	-	-
iv)	Contribution by the employer	**1,881**	**-**	**-**	**-**	**911**
		(1,342)	(1)	-	-	(766)
v)	Benefits paid	**-1,346**	**-199**	**-**	**-**	**-2,659**
		-(549)	-(144)	-	-	-(1,658)
vi)	Acquisition adjustment	**-80**	**-**	**-**	**-**	**806**
		-(235)	-(27)	-	-	(753)
vii)	Contribution by employee	**-**	**-**	**-**	**-**	**1,473**
		-	-	-	-	(1,431)
viii)	Other adjustments	**-**	**-**	**-**	**-**	**-61**
		-	-	-	-	-(186)
	Closing fair value of plan assets	**11,236**	**1,474**	**-**	**-**	**19,674**
		(9,965)	(1,556)	-	-	(17,631)

d. Total defined benefit cost

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**961**	**73**	**2**	**2**	**866**
		(848)	(69)	(2)	(2)	(597)
ii)	Net interest cost	**69**	**14**	**3**	**5**	**-15**
		(52)	(2)	(4)	(4)	-(16)
iii)	Actuarial -gains / losses recognised in OCI	**-221**	**34**	**2**	**-5**	**-**
		(1,022)	(204)	-(1)	-(3)	-
	Total defined benefit cost	**809**	**121**	**7**	**2**	**851**
		(1,922)	(275)	(5)	(3)	(581)

e. Statement of Profit and Loss

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**961**	**73**	**2**	**2**	**866**
		(848)	(69)	(2)	(2)	(597)
ii)	Net interest cost	**69**	**14**	**3**	**5**	**-15**
		(52)	(2)	(4)	(4)	-(16)
	Cost recognised in profit and loss	**1,030**	**87**	**5**	**7**	**851**
		(900)	(71)	(6)	(6)	(581)

All of the above have been included in the line 'Company's contribution to provident and other funds', in note 31 of the statement of profit and loss.

Notes to Standalone Financial Statements for the year ended March 31, 2018

f. Other comprehensive income

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Actuarial -gain / loss due to DBO experience	**522** (248)	**45** -(91)	**4** -(1)	**-3** -(3)	**-** -
ii)	Actuarial -gain / loss due to assumption change	**-641** (792)	**-11** (191)	**-2** (0)	**-2** (0)	**-** -
iii)	Return on plan assets -greater / less than discount rate	**-102** -(18)	**-15** -(2)	**-** -	**-** -	**-** -
	Actuarial -gain/ loss recognised in OCI	**-221** (1,022)	**19** (98)	**2** -(1)	**-5** -(3)	**-** -
	Adjustment for limit of net asset	**-** -	**15** (106)	**-** -	**-** -	**-** -

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	
		Current Year	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
i)	Government of India securities	**0.00%**	0.00%	**0.00%**	0.00%	**52.13%**	51.24%
ii)	Corporate bonds	**0.00%**	0.00%	**0.00%**	0.00%	**45.85%**	45.88%
iii)	Special deposit scheme	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	0.00%
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%	**2.02%**	2.88%
	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	Gratuity	Pension	Ex-Gratia	PRMB
i)	Expected employer contribution for next year	**902** (1,881)	**649** (528)	**NA** NA	**NA** NA

Notes to Standalone Financial Statements for the year ended March 31, 2018

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, 2018	7.60%	7.60%	7.60%	7.60%	7.60%
March 31, 2017	7.00%	7.00%	7.00%	7.00%	7.00%
Expected rate of return on plan assets	8.00%	8.00%	NA	NA	NA
	8.50%	8.50%	NA	NA	NA
Expected return on assets for exempt PF fund					
2016-17	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.75%
2017-18	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.60%
2018 and thereafter	NA	NA	NA	NA	8.60%
	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 2020	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2020- 2025	NA	NA	NA	8 %	NA
	NA	NA	NA	8 %	NA
Annual increase in healthcare costs - thereafter NA	NA	NA	6%	NA	
	NA	NA	NA	6%	NA
Long term EPFO rate					
2016-17	NA	NA	NA	NA	8.55%
	NA	NA	NA	NA	8.75%
2017 and thereafter	NA	NA	NA	NA	8.55%
	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, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	2024-2028
Gratuity	**968**	**854**	**1,101**	**1,344**	**1,113**	**8,033**
	(715)	(1,130)	(838)	(1,117)	(1,346)	(7,230)
Pension	**141**	**130**	**121**	**184**	**106**	**1,364**
	(132)	(164)	(129)	(114)	(175)	(1,072)
Ex gratia	**4**	**5**	**5**	**6**	**3**	**42**
	(5)	(6)	(5)	(5)	(6)	(34)
PRMB	**3**	**3**	**3**	**3**	**3**	**31**
	(3)	(3)	(3)	(4)	(3)	(27)
PF	**86**	**85**	**85**	**84**	**79**	**384**
	(77)	(77)	(76)	(76)	(75)	(362)

Notes to Standalone Financial Statements for the year ended March 31, 2018

k. A quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs

Assumptions	Discount Rate		Future salary increase		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2018	**-493**	**530**	**534**	**-502**	**-511**	**833**
March 31, 2017	-(497)	(535)	(522)	-(490)	-(661)	(1070)
Pension						
March 31, 2018	**-61**	**64**	**NA**	**NA**	**-26**	**29**
March 31, 2017	-(62)	(66)	NA	NA	-(30)	(34)
Ex Gratia						
March 31, 2018	**-2**	**2**	**NA**	**NA**	**-14**	**18**
March 31, 2017	-(2)	(2)	NA	NA	-(15)	(19)
PF						
March 31, 2018	**(11)**	**12**	**-**	**-**	**-**	**-**
March 31, 2017	-(12)	(13)	-	-	-	-

Assumptions	Discount Rate		Medical Inflation		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	1% increase	1% decrease	5% increase	5% decrease
PRMB						
March 31, 2018	**-2**	**2**	**4**	**-4**	**-13**	**17**
March 31, 2017	-(2)	(2)	(4)	-(4)	-(14)	(19)

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.

44 Related Party Disclosures

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

Name of related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales & Service Private Limited	Subsidiary

b) Transactions with related parties as per the books of account during the year ended March 31, 2018

₹ Lacs

Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	**17,946** (21,013)
	Tata Cummins Private Limited	**79,210** (78,159)
	Cummins Technologies India Private Limited	**18,123** (17,992)
	Others	**29,892** (35,709)
Sale of goods	Cummins Limited	**62,428** (60,812)
	Others	**80,804** (80,406)
Purchase of assets	Cummins Inc.	**-** (43)
	Cummins Technologies India Private Limited	**45** (67)
	Others	**-** (1)
Sale of assets	Tata Cummins Private Limited	**139** (321)
	Cummins Technologies India Private Limited	**217** (38)
Services rendered (Refer note vi)	Cummins Inc.	**3,477** (3,201)
	Valvoline Cummins Private Limited	**3,473** (2,713)
	Cummins Technologies India Private Limited	**6,858** (6,313)
	Tata Cummins Private Limited	**2,501** (1,645)
	Others	**293** (642)

Notes to Standalone Financial Statements for the year ended March 31, 2018

44 Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Services received (Refer note vii)	Cummins Sales & Service Private Limited	**924** (978)
	Cummins Inc.	**1,334** (105)
	Cummins Technologies India Private Limited	**737** (1,157)
	Others	**129** (262)
Royalty	Cummins Inc.	**5,260** (5,127)
Support services	Cummins Inc.	**7,606** (6,987)
Reimbursements paid	Cummins Technologies India Private Limited	**8,074** (8,518)
	Cummins Inc.	**1,964** (2,060)
	Cummins Power Generation Limited	**1,565** (-)
	Others	**1,088** (787)
Reimbursements received	Cummins Technologies India Private Limited	**7,044** (4,192)
	Cummins Generator Technologies India Private Limited	**868** (760)
	Tata Cummins Private Limited	**1,121** (562)
	Others	**1,041** (581)
Remuneration paid (Refer note iii)	Anant J. Talaulicar (upto November 08, 2017)	**270** (440)
	Sandeep Sinha	**216** (151)
	Rajiv Batra	**287** (219)
	K.Venkata Ramana	**163** (137)
Transfer of export benefits	Cummins Technologies India Private Limited	**-** (420)
Interest on inter corporate deposit	Cummins Technologies India Private Limited	**1,060** (1,187)

44 Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Dividend received	Cummins Generator Technologies India Private Limited	**546** (1,560)
	Cummins Research and Technology India Private Limited	**-** (415)
	Valvoline Cummins Private Limited	**6,175** (4,750)
Dividend paid	Cummins Inc.	**19,791** (19,791)
Donations paid	Cummins India Foundation	**1,661** (1,200)
Contributions paid	Cummins India Limited Officers Provident Fund	**1,645** (1,590)
	Cummins Group Employees Superannuation Scheme	**1,488** (1,363)
	Cummins Group Officers Gratuity Scheme	**1,881** (1,342)
Sitting fees and commission to independent directors	Nasser Munjee	**19** (21)
	Prakash Telang	**18** (21)
	Priya Dasgupta	**19** (19)
	Rajeev Bakshi	**19** (21)
	Venu Srinivasan	**18** (18)
Equity contribution - share based payments	Cummins Inc.	**129** (132)

Notes to Standalone Financial Statements for the year ended March 31, 2018

44 Related Party Disclosures (Contd.)

c) Amounts outstanding as at March 31, 2018

₹ Lacs

Partculars	Name of the Party	Total
Trade payables	Cummins Asia Pacific Pte Ltd	**4,118** (3,706)
	Cummins Inc.	**4,734** (3,816)
	Cummins Limited	**3,255** (2,361)
	Cummins Technologies India Private Limited	**9,825** (4,902)
	Tata Cummins Private Limited	**3,072** (4,934)
	Others	**5,724** (1,993)
Other current financial / non-financial liabilities	Cummins Inc.	**15,778** (5,970)
	Cummins Technologies India Private Limited	**4** (2,052)
	Others	**154** (178)
Trade receivables	Cummins Angola Limited	**3,797** (5,068)
	Cummins Limited	**14,185** (4,652)
	Cummins Technologies India Private Limited	**13,407** (3,670)
	Cummins West Africa Limited	**1,958** (4,261)
	Others	**21,211** (13,794)
Other current financial assets	Cummins Technologies India Private Limited	**1,371** (410)
	Valvoline Cummins Private Limited	**948** (861)
	Tata Cummins Private Limited	**1,317** (1,064)
	Others	**576** (596)
Inter corporate deposit	Cummins Technologies India Private Limited	**12,866** (12,866)

Notes to Standalone Financial Statements for the year ended March 31, 2018

44 Related Party Disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 44(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Fellow subsidiaries	Beijing Foton Cummins Engine Co., Ltd.
(with which there are transactions during the year)	Chongqing Cummins Engine Co. Ltd.
	Consolidated Diesel Company
	Cummins (China) Investment Co. Ltd.
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Ltd
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Commercializadora S.De R.L
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Ltd
	Cummins DKSH (Thailand) Limited
	Cummins East Asia Research & Development Co. Ltd.
	Cummins Eastern Canada LP
	Cummins Engine (Shanghai) Trading & Services Co. Ltd.
	Cummins Fuel Systems Wuhan Co. Ltd.
	Cummins Generator Technologies Australia Pty Ltd.
	Cummins Generator Technologies Limited
	Cummins Ghana Ltd.
	Cummins Hong Kong Ltd.
	Cummins Italia SPA
	Cummins Japan Ltd.
	Cummins Limited
	Cummins Makina Sanayi Ve Ticaret Ltd.
	Cummins Middle East FZE
	Cummins Natural Gas Engines Inc.
	Cummins Npower LLC
	Cummins NV
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Ltd.
	Cummins Power Generation (S) Pte. Ltd.
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Ltd.
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Singapore Pte Ltd.
	Cummins South Africa (Pty.) Ltd.
	Cummins South Pacific Pty Ltd.

Notes to Standalone Financial Statements for the year ended March 31, 2018

44 Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins Spain SL
	Cummins Technologies India Private Limited
	Cummins Turbo Technologies B.V.
	Cummins West Africa Limited
	Cummins Westport Inc.
	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. Ltd.
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director (upto November 8, 2017)
	Sandeep Sinha - Chief Operating Officer (upto January 31, 2018) and Managing Director (w.e.f. February 1, 2018)
	Rajiv Batra (Chief Financial Officer)
	K. Venkata Ramana (Group Vice President - Legal & Company Secretary)
	Mark Levett (Chairman of the Board w.e.f. March 2, 2018)
	Antonio Leitao
	Norbert Nusterer
	Mark Smith
	Suzanne Wells
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited
	Cummins Research and Technology India Private Limited

44 Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
Enterprise with common key management personnel	Tata Cummins Private Limited
	Cummins India Foundation
	New Delhi Law Offices Private Limited
	Ascot Infrastructure Private Limited (upto November 8, 2017)
	Tata Hitachi Construction Machinery Company Private Limited
	Valvoline Cummins 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, 2018, the Company has not recorded any impairment of receivables relating to amounts owned by related parties (March 31, 2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii) 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 includes renting service, testing service, business support services, etc.

vii) Services received includes testing services, solution contract support services, license fees, etc.

viii) Figures in brackets are in respect of the previous year.

45 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute **₹ 1,661 lacs** (March 31, 2017: ₹ 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 **₹ 1,661 lacs** (March 31, 2017: ₹ 1,200 Lacs) to Cummins India Foundation towards eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

46 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 seeks 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. It is the Company'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.

Notes to Standalone Financial Statements for the year ended March 31, 2018

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

a) **Market risk**

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:

₹ Lacs

Currency	**% change**	**March 31, 2018**	March 31, 2017
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	**5**	(40)
Euro	1%	**25**	16
Others	1%	**6**	1
Total		**36**	(23)

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 under lying 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 Company is not exposed to significant interest rate risk as at the respective reporting dates.

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, 2018	March 31, 2017
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.5%	**252**	328

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, other receivables, deposits with banks and loans given.

Trade receivable

Senior management is responsible for managing and analysing the credit risk for each of their new customers 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 12.

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, 6, 11, 14 and 15.

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 **₹ 50,410 lacs** (March 31, 2017: ₹ 65,723 lacs) and other liquid assets of **₹ 15,231 lacs** (March 31, 2017: ₹ 12,376 lacs) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to Standalone Financial Statements for the year ended March 31, 2018

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

₹ Lacs

As at March 31, 2018	On demand	Less than 12 months	1-5 years
Borrowings	-	25,154	-
Trade payables	-	75,802	-
Royalty and support services	-	15,778	-
Unpaid dividend	857	-	-
Retention money	-	1,235	743
Dealer deposits	-	-	2,099
Others	-	4,522	-

As at March 31, 2017	On demand	Less than 12 months	1-5 years
Borrowings	-	25,078	-
Trade payables	-	60,818	-
Royalty and support services	-	6,274	-
Unpaid dividend	535	-	-
Retention money	-	1,107	1,279
Dealer deposits	-	-	1,565
Others	-	5,961	188

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, 2018	March 31, 2017
Borrowings	**25,154**	25,078
Less: Cash and cash equivalents	**15,231**	12,376
Net debt	**9,923**	12,702
Equity	**398,607**	374,217
Gearing Ratio (times)	**0.02**	0.03

47 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, 2018 ₹ Lacs	March 31, 2017 ₹ Lacs	**March 31, 2018 ₹ Lacs**	March 31, 2017 ₹ Lacs
Financial assets				
FVTPL of investments in mutual funds	**50,410**	65,723	**50,410**	65,723
FVTPL of investments in equity	**43**	49	**43**	49
FVTPL of Foreign exchange forward contracts	**-**	802	**-**	802
Financial liabilities				
FVTPL of Foreign exchange forward contracts	**181**	-	**181**	-
Non-current assets				
Investment properties	**73,110**	26,789	**77,246**	27,126

The Management assessed that cash and cash equivalents, 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, 2018

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, 2018	**-**	**50,410**	**-**	**50,410**
March 31, 2017	-	65,723	-	65,723
Investments in equity				
March 31, 2018	**43**	**-**	**-**	**43**
March 31, 2017	49	-	-	49
Forward contracts assets				
March 31, 2018	**-**	**-**	**-**	**-**
March 31, 2017	-	802	-	802
Financial liabilities at FVTPL				
Forward contracts liability				
March 31, 2018	**-**	**181**	**-**	**181**
March 31, 2017	-	-	-	-
Non-current assets				
Investment properties				
March 31, 2018	**-**	**-**	**77,246**	**77,246**
March 31, 2017	-	-	27,126	27,126

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 Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs ('MCA') has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standard:

A. Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 was notified on March 28, 2018 with guidance to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Ind AS 115 is effective for the Company in the first quarter of fiscal 2019 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (April 1, 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Company continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Company's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements.

Sale of goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of Ind AS 115 is not expected to have any significant impact on Company's profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt Ind AS 115, the Company is considering various other aspects in the same contracts such as elements of variable consideration, volume rebates, terms of service delivery and other considerations in service sale agreements etc. The Company is in the process of assessing the impact of these requirements on the financial statements.

B. Amendments to Ind AS 112 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in Ind AS 112

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Company has not included any of its subsidiary, joint ventures or associate in disposal group /classified as held for sale. Accordingly, the amendments in Ind AS 112 will not have any impact on the Company.

C. Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Notes to Standalone Financial Statements for the year ended March 31, 2018

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after April 1, 2018. These amendments are not expected to have any impact on the Company as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

D. Amendments to Ind AS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.

The amendments are effective for annual periods beginning on or after April 1, 2018. The Company will apply amendments when they become effective. However, since Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its financial statements.

E. Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on a fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the Appendix, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.

The Appendix is effective for annual periods beginning on or after April 1, 2018. Considering the nature and volume of transactions, the Company does not expect any material impact on its financial statement.

49 Exceptional items represent profit on sale of assets.

Notes to Standalone Financial Statements for the year ended March 31, 2018

50 Disclosure relating to specified bank notes (SBN) are not applicable for year ending March 31, 2018. Disclosure for SBN's held and transacted during the period from November 8, 2016 to December 30, 2016 as provided in the table below:

₹ Lacs

	SBN	Other denomination Notes *	Total
Closing cash in hand as on November 8, 2016 **	1	0	1
Add: Permitted receipts during the period November 9, 2016 to December 30, 2016	-	7	7
Less: Permitted payments during the period November 9, 2016 to December 30, 2016 **	0	5	5
Less: Amount deposited in Banks during the period November 9, 2016 to December 30, 2016	1	-	1
Closing cash in hand as on December 30, 2016	**-**	**2**	**2**

* Permitted receipts and payments of other denomination notes disclosed above should not be construed as permitted receipts and payments as permitted by RBI from time to time pursuant to the introduction of the demonetisation scheme by the Government vide RBI circular - RBI/2016-17/112 dated November 08, 2016.

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

51 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.

As per our report of even date

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

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place: Mumbai
Date: May 24, 2018

For and on behalf of the Board

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 20180

Consolidated Financial Statements 2017-18

Consolidated Financial Statements 2017-18

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Consolidated Ind AS Financial Statements

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 jointly ventures, comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("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 accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) 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; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

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 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, 2018, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

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 Rs. 3,176 lacs and net assets of Rs. 1,365 lacs as at March 31, 2018, and total revenues of Rs. 8,359 lacs and net cash outflows of Rs. 17 lacs for the year ended on that date. These financial statement 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 Rs. 8,578 lacs for the year ended March 31, 2018, as considered in the consolidated Ind AS financial statements, in respect of one associate and two joint ventures, 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 this subsidiary, associate and joint ventures, 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, associate and joint ventures, 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 report of the other auditors on separate financial statements and the other financial information of the subsidiary, associate and joint ventures, as noted in the 'Other Matter' paragraph we report, to the extent applicable, that:

(a) We / the other auditors whose reports 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 purpose 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, consolidated Statement of Profit and Loss including the Statement of 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 Standard) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 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 incorporated in India, none of the directors of the Group's companies, its associate and joint ventures incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) 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;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 ventures, 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 – Refer Note 37 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, 2018.

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, associate and joint ventures incorporated in India during the year ended March 31, 2018.

iv. The disclosure with respect to holding of and dealings in Specified Bank Notes is not applicable to the Group for the year ended March 31, 2018 and accordingly has not been reported upon by us.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place : Mumbai
Date: May 24, 2018

Annexure 1 referred to in paragraph (f) under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date on the consolidated Ind AS financial statements of Cummins India Limited

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, 2018, 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 issued by the Institute of Chartered Accountants of India. 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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, 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 31,2018, 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 issued by the Institute of Chartered Accountants of India.

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 this one subsidiary company, one associate company and two joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, associate and joint ventures 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

Place : Mumbai
Date: May 24, 2018

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

₹ Lacs

Particulars	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	**128,435**	122,543
Capital work-in-progress (including investment property in progress)		**3,868**	46,325
Investment properties	3	**73,110**	26,789
Intangible assets	2.2	**547**	837
Investments in joint ventures and an associate	4	**19,716**	19,209
Financial assets			
Investments	4	**533**	681
Loans	5	**-**	12,866
Other financial assets	6	**484**	1,221
Income tax assets (net)	7	**8,955**	7,975
Other non-current assets	8	**12,821**	14,172
		248,469	252,618
Current assets			
Inventories	9	**54,438**	56,979
Financial assets			
Investments	10	**50,601**	66,324
Loans	11	**12,866**	-
Trade receivables	12	**133,818**	96,367
Cash and cash equivalents	13	**15,232**	12,395
Other bank balances	14	**31,857**	535
Other current financial assets	15	**7,064**	4,898
Other current assets	16	**16,721**	26,769
Assets classified as held for sale	17	**412**	4,549
		323,009	268,816
	TOTAL	**571,478**	521,434
EQUITY AND LIABILITIES			
Equity			
Equity share capital	18	**5,544**	5,544
Other equity	19		
Retained earnings		**291,454**	266,833
Other reserves		**114,862**	114,733
		411,860	387,110
Non-current liabilities			
Other financial liabilities	20	**2,842**	3,033
Provisions	21	**4,440**	5,710
Deferred tax liabilities (net)	22	**6,525**	3,719
Other non-current liabilities	23	**213**	270
		14,020	12,732
Current liabilities			
Financial liabilities			
Borrowings	24	**25,684**	25,214
Trade payables	25	**75,953**	60,867
Other current financial liabilities	26	**22,555**	13,981
Other current liabilities	27	**6,161**	7,304
Provisions	21	**15,245**	14,226
		145,598	121,592
	TOTAL	**571,478**	521,434

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

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place: Mumbai
Date: May 24, 2018

For and on behalf of the Board

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

₹ Lacs

Particulars	Notes	**Year Ended March 31, 2018**	Year Ended March 31, 2017
Revenue from operations	28	**519,045**	545,779
Other income	29	**16,131**	14,095
Total income		**535,176**	559,874
Expenses:			
Cost of materials consumed	30.1	**251,699**	270,017
Purchases of traded goods		**70,662**	56,139
Change in inventories of finished goods, work-in-progress and traded goods	30.2	**4,084**	2,001
Excise duty on sale of goods		**7,856**	35,141
Employee benefits expense	31	**51,125**	44,528
Finance costs	32	**1,519**	1,707
Depreciation and amortisation expense	2 & 3	**9,438**	8,547
Other expenses	33	**60,328**	57,493
Total expenses		**456,711**	475,573
Profit before exceptional items and tax		**78,465**	84,301
Exceptional items	51	**5,612**	-
Profit before tax		**84,077**	84,301
Tax expense	22		
Current tax		**20,332**	18,637
Deferred tax		**976**	(653)
Tax for earlier years		**165**	800
Total tax expense		**21,473**	18,784
Profit for the year before share of profit of joint ventures and associate		**62,604**	65,517
Share of profit of joint ventures and associate		**8,578**	8,110
Profit after tax		**71,182**	73,627
Other Comprehensive Income (OCI)			
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/ (loss) on defined benefit plans		**199**	(1,202)
Income tax effect		**(69)**	417
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		**130**	(785)
Share in joint venture's and associate's OCI after tax (net) not to be reclassified to profit or loss in subsequent periods		**18**	(45)
Other comprehensive income/(expense) for the year, net of tax		**148**	(830)
Total comprehensive income for the year, net of tax		**71,330**	72,797
Earnings per equity share:			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	34	**25.68**	26.56

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

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2016	5,544
Changes in equity share capital during the year ended March 31, 2017	-
As at March 31, 2017	5,544
Changes in equity share capital during the year ended March 31, 2018	-
As at March 31, 2018	**5,544**

B) Other equity

₹ Lacs

Particulars	Retained earnings	Other reserves			Total
		General reserve	Capital redemption reserve	Equity contribution from Cummins Inc.- Share based payments*	
Balance as at April 1, 2016	**240,745**	**114,202**	**70**	**329**	**355,346**
Add: Profit for the year	73,627	-	-	-	73,627
Add: Equity contribution during the year	-	-	-	132	132
Other comprehensive income	(830)	-	-	-	(830)
Total comprehensive income for the year	**72,797**	**-**	**-**	**132**	**72,929**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2015-2016	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2017	**266,833**	**114,202**	**70**	**461**	**381,566**
Add: Profit for the year	71,182	-	-	-	71,182
Add: Equity Contribution during the year	-	-	-	129	129
Other comprehensive income	148	-	-	-	148
Total comprehensive income for the year	**71,330**	**-**	**-**	**129**	**71,459**
Less: Dividends paid					
- Interim dividend	13,860	-	-	-	13,860
- Tax on interim dividend	2,822	-	-	-	2,822
- Final dividend for FY 2016-2017	24,948	-	-	-	24,948
- Tax on final dividend	5,079	-	-	-	5,079
Balance as at March 31, 2018	**291,454**	**114,202**	**70**	**590**	**406,316**

* 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

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place: Mumbai
Date: May 24, 2018

For and on behalf of the Board

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018

₹ Lacs

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
I. Cash generated from operations :		
Profit before tax	**84,077**	84,301
Adjustments for :		
a) Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	**9,438**	8,547
Finance costs	**1,519**	1,707
Interest income	**(1,832)**	(1,790)
Dividend income	**(2,883)**	(2,600)
(Gain)/loss on assets sold, discarded, etc.	**471**	(186)
(Gain) on redemption/sale of investments (net)	**49**	(26)
Equity contribution from Holding company	**129**	132
Unrealised foreign exchange fluctuation (net)	**(388)**	333
Mark to market ('MTM') of financial instruments	**181**	(802)
Provision for doubtful debts and advances (net)	**307**	214
Exceptional items	**(5,612)**	-
	1,379	5,529
b) Working capital adjustments		
Trade receivables	**(36,916)**	(3,225)
Inventories	**2,542**	3,684
Other bank balances	**(322)**	(77)
Current and non-current financial assets	**(954)**	(401)
Other current and non-current assets	**10,950**	116
Trade payables	**14,636**	5,772
Current and non-current financial liabilities	**7,844**	(2,236)
Other current and non-current liabilities	**(1,201)**	326
Current and non-current provisions	**(497)**	(254)
	(3,918)	3,705
Total adjustments (a+b)	**(2,539)**	9,234
Cash generated from operations	**81,538**	93,535
Tax paid (net of refunds)	**(18,348)**	(18,715)
Net cash generated from operations	**63,190**	74,820
II. Cash flows used in investing activities :		
Purchase of property, plant and equipment and investment property	**(19,104)**	(24,544)
Proceeds from sale of property, plant and equipment	**9,929**	1,313
Interest received	**1,350**	1,782
Dividend received	**9,604**	9,325
Investments		
(Purchase)/Sale of short term investments (net)	**15,822**	(36,554)
Term deposits with Banks (more than 3 months but less than 1 year)	**(31,000)**	-
Net cash (used in) investing activities	**(13,399)**	(48,678)

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018 (CONTD.)

₹ Lacs

Particulars		Year Ended March 31, 2018	Year Ended March 31, 2017
III.	**Cash flows from financing activities :**		
	Proceeds from borrowings (net)	**470**	24,913
	Finance costs	**(1,039)**	(928)
	Dividend paid (including tax on dividend)	**(46,387)**	(46,631)
	Net cash (used in) financing activities	**(46,956)**	(22,646)
IV.	**Net change in cash and cash equivalents (I+II+III)**	**2,835**	3,496
V.	**Net foreign exchange difference**	**2**	362
VI.	**Cash and cash equivalents at the beginning of the year**	**12,395**	8,537
VII.	**Cash and cash equivalents at the end of the year (IV+V+VI)**	**15,232**	12,395
	Components of cash and cash equivalents		
	Cash on hand	**2**	4
	Bank balances		
	In current accounts	**15,230**	12,376
	Cheque in hand	**-**	15
	Total cash and cash equivalents (refer note 13)	**15,232**	12,395

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

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Place: Mumbai
Date: May 24, 2018

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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, 2018. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its 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, 2018 were authorised for issue in accordance with the resolution of the directors on May 24, 2018.

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 thereafter.

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 the Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. 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.

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 and 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, 2018

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 and 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	**As on March 31, 2018**		As on March 31, 2017	
	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.

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 (refer note 36 and 49)

Financial instruments (including those carried at amortised cost) (refer note 11 to 15)

Investment properties (refer note 49)

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. 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.

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 property	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.

Leasehold land is amortised on the straight line basis over period of the lease. 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 finite assets 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.

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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 stated at lower of cost and net realisable value after providing for obsolescence and are valued at weighted average cost basis. The material costs are determined on weighted average basis and the valuation of finished goods and work in progress represents the combined cost of material, labour and all manufacturing overheads (based on normal operating capacity). Cost of inventories also include all other costs incurred in brining the inventories to their present location and condition). Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Material in transit is valued at cost incurred till date.

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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable inclusive of excise duty, taking into account contractually defined terms of payment excluding taxes or duties collected on behalf of the government e.g. value added tax (VAT), goods and service tax (GST).

i) Sales are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract. Revenue is measured at fair value of the consideration received or receivable, inclusive of excise duty and net off sales tax/ value added tax/GST, trade discounts, returns and allowances, price difference adjustments, volume discounts, liquidated damages and special discounts passed on to customers. The Group bases its estimates on historical results taking into consideration type of customer, type of transaction and terms of each arrangement.

ii) Revenue from long term service contracts is recognized using the proportionate completion method, and recognised net of service tax/GST. Completion is determined as a proportion of cost incurred till date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Unearned Revenue' under ' Other liabilities' in the Balance Sheet. In case of contracts where payments have been received in advance, revenue is deferred until the related subscription period is complete as per the terms of the agreement with the customers.

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

iii) 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 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.

iv) Rental income is recognised on a straight-line basis over the lease term, other than escalations on account of inflation.

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

k) Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the company is classified as a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Group as a lessee: Lease charges under operating leases are recognised as an expense on straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for lessor expected inflationary cost increase.

Group as a lessor: Rental income is recognised on a straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate expected inflationary cost increase. Initial direct cost incurred in negotiating and arranging an operating lease are amortised over the leased term.

l) 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 an 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

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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 an 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.

m) Research and development costs

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

n) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, 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 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 equivalents comprise cash in hand and at bank, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less which is subject to insignificant risk of change 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 recognised as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.

When the Group 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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:

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.

As a practical expedient, the Group uses a provision matrix 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 including bank overdraft and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through 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 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 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 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 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,

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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 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 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 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

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

2.1 Property, plant and equipment

₹ Lacs

Particulars	Gross block					Depreciation and Amortisation					Net block
	As at April 1, 2017	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2018**	As at April 1, 2017	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2018**	**As at March 31, 2018**
Tangible Assets:											
Land											
- Freehold @	5,021	-	1	-	**5,022**	-	-	-	-	**-**	**5,022**
- Leasehold **	1,564	-	-	-	**1,564**	87	16	-	-	**103**	**1,461**
Leasehold improvements	711	8	-	10	**709**	105	16	-	10	**111**	**598**
Roads	2,214	513	-	10	**2,717**	1,062	248	-	10	**1,300**	**1,417**
Buildings #	94,228	5,310	-	231	**99,307**	8,605	2,084	-	172	**10,517**	**88,790**
Plant and machinery	87,723	7,407	1,677	3,459	**93,348**	61,814	5,050	1,033	2,562	**65,335**	**28,013**
Furniture and fittings	3,975	761	94	122	**4,708**	1,467	393	64	89	**1,835**	**2,873**
Vehicles	446	67	92	62	**543**	199	56	87	60	**282**	**261**
	195,882	14,066	1,864	3,894	**207,918**	73,339	7,864	1,184	2,903	**79,483**	**128,435**

2.2 Intangible assets

Software	2,509	41	-	-	**2,550**	1,672	331	-	-	**2,003**	**547**
Technical knowhow	2,060	-	-	-	**2,060**	2,060	-	-	-	**2,060**	**-**
	4,569	41	-	-	**4,610**	3,732	331	-	-	**4,063**	**547**

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 (Refer note 39 for lease details).

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 cost 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. The total gross block and corresponding total accumulated depreciation / amortisation as at March 31, 2018 and March 31, 2017 as disclosed above should be adjusted (at least) by an amount of 64,905 lacs (representing accumulated depreciation / amortisation as at April 1, 2015) to compute the cost and accumulated depreciation / amortisation as per Ind AS. Such adjustment will have no impact on the net block as at March 31, 2018 and March 31, 2017.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

2.1 Property, plant and equipment (Contd.)

₹ Lacs

Particulars	Gross block					Depreciation and Amortisation					Net block
	As at April 1, 2016	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Tangible Assets:											
Land											
- Freehold @	5,032	-	-	11	**5,021**	-	-	-	-	**-**	**5,021**
- Leasehold **	1,564	-	-	-	**1,564**	71	16	-	-	**87**	**1,477**
Leasehold improvements *	696	15	-	-	**711**	87	18	-	-	**105**	**606**
Roads	2,204	10	-	-	**2,214**	777	285	-	-	**1,062**	**1,152**
Buildings #	93,514	924	-	210	**94,228**	6,755	1,910	-	60	**8,605**	**85,623**
Plant and machinery	87,507	2,359	-	2,143	**87,723**	57,816	5,338	-	1,340	**61,814**	**25,909**
Furniture and fittings	4,309	5	-	339	**3,975**	1,250	396	-	179	**1,467**	**2,508**
Vehicles	477	51	-	82	**446**	226	50	-	77	**199**	**247**
	195,303	3,364	-	2,785	**195,882**	66,982	8,013	-	1,656	**73,339**	**122,543**

2.2 Intangible assets (contd.)

Particulars	As at April 1, 2016	Additions	Adjustment	Deductions / Write-off	**As at March 31, 2017**	As at April 1, 2016	For the year	Adjustment	Deductions / Write-off	**As at March 31, 2017**	**As at March 31, 2017**
Software	2,200	328	-	19	**2,509**	1,424	267	-	19	**1,672**	**837**
Technical knowhow	2,060	-	-	-	**2,060**	2,060	-	-	-	**2,060**	**-**
	4,260	328	-	19	**4,569**	3,484	267	-	19	**3,732**	**837**

NOTES:

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

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

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

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

Includes certain assets given on cancellable/ non-cancellable operating lease. (Refer note 39 for lease details).

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 cost 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. The total gross block and corresponding total accumulated depreciation / amortisation as at March 31, 2018 and March 31, 2017 as disclosed above should be adjusted (at least) by an amount of 64,905 lacs (representing accumulated depreciation / amortisation as at April 1, 2015) to compute the cost and accumulated depreciation / amortisation as per Ind AS. Such adjustment will have no impact on the net block as at March 31, 2018 and March 31, 2017.

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
3	**Investment properties**		
	Gross block		
	Opening balance	**27,056**	-
	Additions*	**47,564**	27,056
	Closing balance	**74,620**	27,056
	Depreciation		
	Opening balance	**267**	-
	Depreciation	**1,243**	267
	Closing balance	**1,510**	267
	Net block	**73,110**	26,789

*Current year additions to investment properties mainly pertain to Cummins Technical Centre in India ('CTCI').

Information regarding income and expenditure of investment properties

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Rental income derived from investment properties	**2,717**	1,532
Direct operating expenses (including repairs and maintenance) generating rental income	**216**	89
Profit arising from investment properties before depreciation and indirect expenses	**2,501**	1,443
Less: Depreciation	**1,243**	267
Profit arising from investment properties before indirect expenses	**1,258**	1,176

The investment properties consist of CTCI and office building. As at March 31, 2018 the fair value of the properties is ₹ **77,246 lacs** (As at March 31, 2017: ₹ 27,126 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 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 49.

Description of valuation techniques used and key inputs to valuation on investment properties

Valuation technique	**Significant unobservable inputs**	**Range (weighted average) March 31, 2018**	Range (weighted average) March 31, 2017
Income approach (Discounted Cashflow ('DCF') method)	Estimated rental value per sq. ft. per month	**₹ 55 - ₹ 75**	₹ 65
	Rent growth p.a.	**15% every 3 years**	15% every 3 years
	Discount rate	**11.31% to 11.81%**	13%

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 flows, 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, 2018

4 Non Current Investments

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Non - current investments		
			Unquoted equity instruments		
			Investments in joint ventures (fully paid up) (Refer note 42)		
9,500,000	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	**10,456**	10,569
114,600	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	**252**	277
			Investment in associate (fully paid up) (Refer note 43)		
779,997	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	**9,008**	8,363
				19,716	19,209
			Other investments (fully paid up)		
			Unquoted equity instruments (Fair value through profit and loss)		
1,000	1,000	25	The Shamrao Vithal Co-operative Bank Limited *	**0**	0
1,000	1,000	10	The Saraswat Co-operative Bank Limited *	**0**	0
			Aggregate value of unquoted investments *	**0**	0
			Valued at amortised cost		
			a) Quoted Government of India Bonds		
50,000,000	50,000,000	1	8.35% Government of India 2022	**533**	533
				533	533
			b) Quoted Corporate Bonds		
-	12	1,250,000	6.68% Power Grid Corporation of India 2019	**-**	148
				-	148
			Aggregate book value / market value of quoted investments	**533**	681
			Total	**533**	681

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

Notes to Consolidated Financial Statements for the year ended March 31, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
5	**Non-current financial assets - Loans (carried at amortised cost)**		
	Unsecured, considered good;		
	Loan to related party (Refer note 38 and 45)	**-**	12,866
	Total	**-**	12,866

Loans given to related party is at an interest rate based on SBI lending rate.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
6	**Other non-current financial assets (carried at amortised cost)**		
	Unsecured, considered good;		
	Security deposits	**484**	1,221
	Total	**484**	1,221
7	**Income tax assets (net)**		
	Advance income tax (net of provision for taxation)	**8,955**	7,975
	Total	**8,955**	7,975
8	**Other non-current assets**		
	Unsecured, considered good;		
	Capital advances	**2,057**	2,505
	Balances with statutory/government authorities	**10,764**	11,667
	Total	**12,821**	14,172
9	**Inventories**		
	Raw materials and components (includes goods in transit)	**28,597**	27,295
	Work-in-progress (includes lying with third party)	**9,853**	10,465
	Finished goods (includes goods in transit and lying with third party) *	**13,075**	14,118
	Traded goods (includes goods in transit)	**1,677**	4,106
	Stores and spares	**783**	586
	Loose tools	**453**	409
	Total	**54,438**	56,979

* During the year ended March 31, 2018 ₹ **(2) Lacs** (March 31, 2017: ₹ 265 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, 2018

10 Current Investments

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Current portion of long term investments		
			a) Quoted Government of India Bonds (amortised cost)		
-	55,000,000	1	7.49% Government of India 2017	-	553
				-	553
			b) Quoted equity instrument (fair value through profit and loss)		
9,811	9,811	2	Kirloskar Oil Engines Limited	**32**	38
913	913	10	Kirloskar Industries Limited	**11**	10
				43	48
			c) Quoted Corporate Bonds ***(amortised cost)***		
12	-	1,250,000	6.68% Power Grid Corporation of India 2019	**148**	-
				148	-
			Aggregate book value / market value of quoted investments	**191**	601
			Current investments		
			Unquoted mutual funds valued at fair value through profit and loss		
-	14,957,526	10	Axis Short Term Fund - Weekly Dividend Reinvestment.	-	1,535
4,919,730	-	10	Axis Short Term Fund - Direct Weekly Dividend Reinvestment	**506**	-
-	2,499,760	100	Birla Sun Life Savings Fund - Daily Dividend - Regular Plan	-	2,511
74,260,984	70,340,363	10	Birla Sun Life Short Term Fund - Monthly Dividend-Direct Plan -Reinvestment	**8,634**	8,300
-	9,977,871	10	HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Dividend - Daily	-	1,006
-	69,154,004	10	HDFC Short Term Opportunities Fund - Direct Plan - Fortnightly Dividend	-	7,118
20,845,624	19,988,213	10	HDFC Short Term Opportunities Fund - Regular Plan - Fortnightly Dividend	**2,136**	2,045
-	951,203	100	ICICI Prudential Flexible Income - Direct Plan - Daily Dividend	-	1,006
75,320,464	72,056,249	10	ICICI Prudential Ultra Short Term - Direct Plan - Daily Dividend	**7,616**	7,282
10,482,842	10,006,927	10	ICICI Prudential Ultra Short Term - Daily Dividend	**1,060**	1,018
9,568,699	-	10	ICICI Prudential Short Term - Direct Plan - Monthly Dividend	**1,217**	-
35,063,379	10,008,132	10	IDFC Corporate Bond Fund Direct Plan-Monthly Dividend	**3,604**	1,027
24,848,034	23,880,615	10	IDFC Corporate Bond Fund Regular Plan-Monthly Dividend	**2,622**	2,513
20,467,722	19,790,768	10	Kotak Bond (Short Term) - Monthly Dividend (Regular Plan)	**2,086**	2,009
-	9,920,832	10	Kotak Treasury Advantage Fund - Daily Dividend (Regular Plan)	-	1,000
-	19,911,197	10	Kotak Treasury Advantage Fund - Daily Dividend	-	2,007
-	11,010,257	10	Reliance Banking & PSU Debt Fund-Weekly Dividend	-	1,116
			Carried forward	**29,481**	41,494

10 Current Investments (Contd.):

As at March 31, 2018 Units	As at March 31, 2017 Units	Face value per unit ₹		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
			Brought forward	29,481	41,494
-	6,422,140	10	Reliance Medium Term Fund-Direct Plan-Daily Dividend Reinvestment	-	1,098
-	17,636,101	10	Reliance Medium Term Fund-Regular Plan - Daily Dividend Reinvestment	-	3,015
4,253,853	-	10	Reliance Quarterly Interval Fund - Series II - Direct Growth Plan Growth Option	1,021	-
20,097,845	19,426,394	10	SBI Short Term Debt Fund - Regular Plan - Fortnightly Dividend	2,093	2,009
-	198,833	1000	SBI Ultra Short Term Debt Fund - Regular Plan - Daily Dividend	-	2,001
27,217,447	14,053,351	10	Tata Short Term Bond Fund Direct Plan - Monthly Dividend	4,286	2,146
32,098,445	31,387,096	10	Tata Short Term Bond Fund Regular Plan - Monthly Dividend	4,859	4,651
59,204,465	57,395,167	10	UTI - Short Term Income Fund - Institutional Option - Direct Quarterly Dividend Plan Reinvestment	7,660	7,306
-	199,687	1000	UTI - Treasury Advantage Fund - Institutional-Daily Dividend	-	2,004
4,725,094	-	10	UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan-Retail Option - Direct Plan - Growth	1,010	-
3 6	-	1000	UTI-Money Market Fund -Institutional Plan - Daily Dividend Reinvestment *	0	-
			Aggregate value of unquoted investments	50,410	65,723
			Total	50,601	66,324

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

Notes to Consolidated Financial Statements for the year ended March 31, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
11	**Current financial assets - Loans (carried at amortised cost)**		
	Unsecured, considered good;		
	Loan to related party (Refer note 38 and 45)	**12,866**	-
	Total	**12,866**	-
	Loans given to related party is at an interest rate based on SBI lending rate.		
12	**Trade receivables (carried at amortised cost)**		
	Trade receivables	**79,377**	64,997
	Receivables from related parties (Refer note 45)	**54,441**	31,370
	Total	**133,818**	96,367
	Break up for security details		
	Secured, considered good	**24,650**	21,490
	Unsecured, considered good	**109,168**	74,877
	Unsecured, considered doubtful	**664**	415
		134,482	96,782
	Impairment allowance (allowance for bad and doubtful debts)		
	Less: Provision for doubtful debts	**(664)**	(415)
	Total	**133,818**	96,367
	No trade receivable or advances are due from directors or other officers of the Group 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 **₹ 2,201 lacs** (March 31, 2017: ₹ 4,655 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
13	**Cash and cash equivalents (carried at amortised cost)**		
	Cash on hand	**2**	4
	Bank balances		
	In current accounts	**15,230**	12,376
	Cheque in hand	**-**	15
	Total	**15,232**	12,395

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
14	**Other bank balances (carried at amortised cost)**		
	Unpaid dividend account (restricted)	**857**	535
	Term deposits with Banks (more than 3 months but less than 1 year)	**31,000**	-
	Total	**31,857**	535
15	**Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)**		
	Unsecured, considered good:		
	Security deposits	**1,014**	807
	Unbilled receivable	**2,040**	2,393
	Foreign exchange forward contracts #	**-**	806
	Interest accrued on investments	**594**	112
	Others *	**3,416**	780
	Total	**7,064**	4,898

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 royalty receivable from dealers, export incentives receivable, 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 ₹ **2,264 lacs** (March 31, 2017: ₹ 2,191 lacs). Refer note 45 for related party transactions.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
16	**Other current assets**		
	Unsecured, considered good:		
	Balances with statutory/government authorities	**12,178**	22,652
	Others *	**4,543**	4,117
	Total	**16,721**	26,769

* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
17	**Assets classified as held for sale**		
	Assets held for sale (at lower of cost or fair value less cost to sell) *	**412**	4,549
	Total	**412**	4,549

* Includes land, building and 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, 2018

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
18 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, 2018		As at March 31, 2017	
	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 held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c. **Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

'Of the above equity shares, 141,372,000 (March 31, 2017 : 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, 2018		As at March 31, 2017	
	Nos.	**%**	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	**141,372,000**	**51.00%**	141,372,000	51.00%
Life Insurance Corporation of India (Through various schemes)	**13,247,549**	**4.78%**	16,157,738	5.83%

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
19	**Other equity**		
	Retained earnings	**291,454**	266,833
		291,454	266,833
	Other reserves		
	Capital redemption reserve	**70**	70
	General reserve	**114,202**	114,202
	Equity contribution from Holding Company	**590**	461
	Total	**114,862**	114,733
	a) **Retained earnings**		
	Opening balance as at April 1	**266,833**	240,745
	Add: Profit for the year	**71,182**	73,627
	Items of other comprehensive income recognised directly in retained earnings		
	- Remeasurements of post employment benefit obligations, net of tax	**148**	(830)
		338,163	313,542
	Less:		
	Interim dividend paid	**13,860**	13,860
	Tax on interim dividend	**2,822**	2,822
	Final dividend paid for the financial years ended March 31, 2016 and March 31, 2017	**24,948**	24,948
	Tax on final dividend for the financial years ended March 31, 2016 and March 31, 2017	**5,079**	5,079
		46,709	46,709
	Closing balance as at March 31	**291,454**	266,833

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 **₹ 33,364 lacs** for the year ended March 31, 2018 (March 31, 2017: ₹ 30,027 lacs) which is **₹ 10** per fully paid up share (March 31, 2017: ₹ 9 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.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ 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

Notes to Consolidated Financial Statements for the year ended March 31, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
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	**461**	329
	Add: Movement during the year	**129**	132
	Closing balance as at March 31	**590**	461

20 Other non-current financial liabilities

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Non current financial liabilities carried at amortised cost		
Dealer deposit	**2,099**	1,565
Retention money	**743**	1,279
Others	-	189
Total	**2,842**	3,033

21 Provisions

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Provision for post retirement benefit and leave entitlement (Refer note 44)	**7,333**	8,013
Warranties (Refer note 41 (i))	**8,686**	8,529
Statutory matters (Refer note 41 (ii))	**1,820**	1,820
New Engine Performance Inspection (NEPI) (Refer note 41 (iii))	**1,846**	1,574
	19,685	19,936
Current provisions	**15,245**	14,226
Non - current provisions	**4,440**	5,710
Total	**19,685**	19,936

22 Income taxes

a) Deferred tax liabilities (net)

	Balance Sheet		Statement of Profit and Loss	
	As at March 31, 2018	As at March 31, 2017	**Year Ended March 31, 2018**	Year Ended March 31, 2017
	₹ Lacs	₹ Lacs	**₹ Lacs**	₹ Lacs
Deferred tax assets				
MAT credit entitlement	**5,494**	7,255	**-**	25
Provision for employee benefits	**3,448**	2,691	**757**	783
Other timing differences	**516**	340	**176**	14
Items in other comprehensive income	**529**	598	**(69)**	417
Deferred tax on acquisition of Cummins Sales & Service Private Limited	**-**	-	**-**	(92)
On capital loss	**-**	132	**(132)**	-
Total deferred tax assets	**9,987**	11,016	**732**	1,147
Deferred tax liability				
Depreciation	**11,872**	10,949	**923**	917
Deferred tax on share in reserves of joint ventures and associate	**3,882**	3,736	**146**	12
Other timing differences	**758**	50	**708**	(852)
Total deferred tax liability	**16,512**	14,735	**1,777**	77
Deferred tax income/(expense)			**(1,045)**	1,070
Net deferred tax liability	**6,525**	3,719		

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

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Statement of Profit and Loss		
Profit and loss section		
Current income tax:		
Current income tax charge (under MAT for the year ended March 31, 2017)	**20,332**	18,637
Adjustments in respect of current income tax of previous year	**165**	800
Deferred tax:		
Relating to origination and reversal of temporary differences	**976**	(653)
Income tax expenses reported in the Statement of Profit and Loss	**21,473**	18,784
OCI section		
Deferred tax related to items recognised in OCI during the year	**69**	(417)
Net loss/ (gain) on remeasurments of defined benefit plans	**69**	(417)

Notes to Consolidated Financial Statements for the year ended March 31, 2018

22 Income taxes (Contd.)

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
c)	Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017		
	Accounting profit before tax	**84,077**	84,301
	At India's statutory income tax rate	**34.61%**	34.61%
	Tax at full rate	**29,099**	29,177
	Adjustments:		
	Research and development expenses allowance	**(538)**	(1,335)
	Income of SEZ unit (not subject to tax)	**(6,828)**	(8,777)
	Dividend income (not subject to tax)	**(998)**	(913)
	Depreciation	**(688)**	(849)
	14A disallowance	**14**	10
	Donations - CSR expenditure	**287**	208
	Deferred tax on share in reserves of joint ventures and associates	**146**	12
	Dividend distribution tax paid on dividends distributed by joint ventures and associate	**1,368**	1,369
	Other (deductible, non-deductible items, net)	**(554)**	(918)
	Tax for earlier years	**165**	800
		21,473	18,784
	Income tax expenses reported in the Statement of Profit and Loss for the current year	**21,473**	18,784
d)	**Deferred tax**		
	Reconciliation of deferred tax liabilities (net)		
	Opening balances as at April 1	**3,719**	4,789
	Tax expense/(income) during the year recognised in Statement of Profit and Loss	**976**	(653)
	MAT Credit Utillisation	**1,761**	-
	Tax (income) / expense during the year recognised in OCI	**69**	(417)
	Closing balance as at March 31	**6,525**	3,719

During the year March 31, 2018 and March 31, 2017 the Company 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 of the Company. Hence such DDT paid is charged to equity. DDT paid on dividends distributed by joint ventures and associate to the Company during the year March 31, 2018 and March 31, 2017 is charged as an expense in the Statement of Profit and Loss.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
23	**Other non-current liabilities**		
	Unearned revenue	**213**	270
	Total	**213**	270
24	**Borrowings**		
	Working capital loan from bank *	**25,154**	25,078
	Cash credit and demand loan #	**530**	136
	Total	**25,684**	25,214

* The loan is unsecured and repayable within one year. Interest is payable @ 6.00%-6.20%(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.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
25	**Trade payables**		
	Trade payables	**45,262**	39,155
	Trade payables to related parties (Refer note 45)	**30,691**	21,712
	Total	**75,953**	60,867

Trade payables are non interest bearing and are normally settled in 30 to 60 days terms.

For terms and conditions and transactions with related parties refer note 45.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
26	**Other current financial liabilities**		
	Unpaid dividend	**857**	535
	Royalty and cess thereon (Refer note 45)	**6,524**	4,351
	Support services payable (Refer note 45)	**9,254**	1,923
	Retention money	**1,235**	1,107
	Others including salaries, wages, bonus payable	**4,685**	6,065
	Total	**22,555**	13,981

Other current financial liabilities are non interest bearing and have an average term of 6 months.

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
27	**Other current liabilities**		
	Statutory dues including tax deducted at source	**3,356**	5,346
	Unearned revenue	**646**	575
	Advances from customers	**2,159**	1,383
	Total	**6,161**	7,304

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
28	**Revenue from operations**		
	Sale of products (including excise duty as applicable)	**478,115**	522,099
	Sale of services	**27,905**	11,798
		506,020	533,897
	Other operating revenue		
	Scrap sales	**701**	711
	Export incentives	**5,839**	5,434
	Others *	**6,485**	5,737
		13,025	11,882
	Revenue from operations	**519,045**	545,779

* Others primarily includes testing income, engineering income and royalty income from dealers, etc.

Sale of goods includes excise duty collected from customers of **₹ 7,856 lacs** (March 31, 2017: ₹ 35,141 lacs). Sale of goods net of excise duty is **₹ 470,259 lacs** (March 31, 2017: ₹ 486,958 lacs). Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2018 is not comparable March 31, 2017.

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
29	**Other income**		
	Income from investments:		
	Interest income from financial assets at amortised cost		
	- On bonds (non - current/current investments)	**53**	93
		53	93
	Dividend income		
	- On current investments designated at fair value through profit and loss	2,883	2,600
		2,883	2,600
	Gain on sale/redemption of investments		
	- On current investments designated at fair value through profit and loss	**-**	26
		-	26
	Interest on loan given and others	**1,779**	1,674
	Rent (Refer note 3 for rent on investment properties)	**8,316**	6,272
	Exchange gain (net)	**998**	1,413
	Net gain on fixed assets sold or discarded	**-**	186
	Miscellaneous income	**2,102**	1,831
		13,195	11,376
	Total	**16,131**	14,095

Notes to Consolidated Financial Statements for the year ended March 31, 2018

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
30.1 Cost of raw materials consumed		
Inventory at the beginning of the year	**27,295**	29,202
Add: Purchases	**253,001**	268,110
Less: Inventory at the end of the year	**28,597**	27,295
Cost of raw materials consumed	**251,699**	270,017
30.2 Change in inventories of finished goods, work-in-progress and traded goods		
Inventories at the end of the year (Refer note 9)		
Work-in-progress	**9,853**	10,465
Finished goods	**13,075**	14,118
Traded goods	**1,677**	4,106
Subtotal (A)	**24,605**	28,689
Inventories at the beginning of the year (Refer note 9)		
Work-in-progress	**10,465**	9,816
Finished goods	**14,118**	17,469
Traded goods	**4,106**	3,405
Subtotal (B)	**28,689**	30,690
Decrease/ (increase) (B-A)	**4,084**	2,001
31 Employee benefits expense		
Salaries, wages and bonus	**43,438**	37,934
Contribution to provident and other funds (Refer note 44)	**4,567**	3,928
Staff welfare expenses	**3,120**	2,666
Total	**51,125**	44,528
32 Finance costs		
Interest on borrowings and others	**1,039**	928
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 41)	**480**	779
Total	**1,519**	1,707

		Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
33	**Other expenses**		
	Commission on sales	**2,458**	2,443
	Consumption of stores and spare parts	**4,869**	5,266
	Warranty expenses (Refer note 41)	**7,970**	7,474
	Consumption of tools and gauges	**684**	618
	Repairs to buildings	**2,374**	2,344
	Repairs to machinery	**739**	648
	Other repairs	**462**	393
	Power and fuel	**3,053**	2,927
	Rent (Refer note 39)	**402**	472
	Rates and taxes	**902**	1,479
	Insurance	**614**	590
	Outside processing charges	**2,672**	2,035
	Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 45 and 47)	**1,661**	1,200
	Royalties (Refer note 45)	**5,260**	5,127
	Support services (Refer note 45)	**7,606**	6,987
	Computer and other services (Refer note 39)	**6,253**	6,197
	Payment to auditors (Refer details below)	**128**	128
	Net loss on fixed assets sold / discarded	**471**	-
	Loss on sale/redemption of investments	**49**	-
	Bad debts		
	Bad debts written off	**58**	349
	Provision for bad and doubtful debts	**307**	184
	Amount withdrawn from provisions	**(58)**	(349)
		307	184
	Other expenses (net of expenses recovered)(Refer note 45)	**11,394**	10,981
	Total	**60,328**	57,493
	Payment to auditors:		
	Statutory audit (including limited reviews)	**98**	98
	Other services (including tax audit)	**20**	23
	Reimbursement of expenses	**10**	7
	Total	**128**	128

Notes to Consolidated Financial Statements for the year ended March 31, 2018

		March 31, 2018	March 31, 2017
34	**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)	**71,182**	73,627
	(b) Weighted average number of shares outstanding during the year	**277,200,000**	277,200,000
	(c) Earnings per share (basic and diluted) (₹)	**25.68**	26.56
	Face value per share (₹)	**2**	2

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
35	**Capital and other commitments**		
	Estimated amount of contracts in capital account remaining to be executed (net of capital advances).	**20,364**	21,015
	For other commitments also refer Note 39		
	Total	**20,364**	21,015

36 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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 consolidated financial statements:

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 consolidated 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 44.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

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 48 for further disclosures.

Taxes

MAT credit entitlement is recognised to the extent it is probable that taxable profit will be available against which the MAT credit can be utilised. Significant management judgement is required to determine the amount of MAT credit that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has a MAT credit entitlement of ₹ **5,494 lacs** as at March 31, 2018 (March 31, 2017: ₹ 7,255 lacs). The Group can utilise the MAT credit for a period of 15 years from the date of creation.

Warranty, statutory matters and New Engine Performance Inspection (NEPI)

For estimates relating to warranty, statutory matters and NEPI refer note 41

		As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
37	**Contingent liabilities**		
a.	Income tax matters*	**3,232**	8,574
b.	Central excise duty/service tax matters*	**953**	965
c.	Duty drawback matters*	**2,604**	2,604
d.	Sales tax matters*	**4,484**	7,748
e.	Claims against the Group not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)	**9**	9
f.	Civil liability / secondary civil liability in respect of suits filed against the Group*	**283**	151
g.	Bank guarantees	**34**	37
	Total	**11,599**	20,088

* Excludes interest and penalties if any. The above matters pertains 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 appeal process.

38 Loan to related party includes an amount of ₹ **12,866 lacs** (March, 31 2017: ₹ 12,866 lacs) placed with Cummins Technologies India Private Limited, a fellow subsidiary, at an interest rate based on SBI lending rate. Maximum amount due during the year ₹ **12,866 lacs** (March 31, 2017: ₹ 12,866 lacs).

39 Operating leases

Lease commitments as a lessee

The Group has entered into non-cancellable operating 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. These leases also include escalation clauses.

The minimum lease payments recognised in the Statement of Profit and Loss (included under 'Rent' and 'Computer and other services' in note 33) for the year amount to **₹ 5,787 Lacs** (March 31, 2017: ₹ 6,253 lacs).

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

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Within one year	**71**	23
After one year but not more than five years	**166**	-
More than five years	**80**	-
Total	**317**	23

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Within one year	**3,288**	2,246
After one year but not more than five years	**14,390**	8,679
More than five years	**5,644**	7,942
Total	**23,322**	18,867

The Group during the year has not entered into sub - leases.

40 The total research and development expenses incurred by the Group are as under :

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
On capital account	**26**	395
On revenue account	**2,892**	3,067
Total	**2,918**	3,462

Notes to Consolidated Financial Statements for the year ended March 31, 2018

41 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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**8,529**	8,686
Additions	**7,970**	7,474
Utilisation	**8,229**	8,120
Unwinding of discount and changes in the discount rate	**416**	489
Balance as at the end of the year	**8,686**	8,529
Classified as non-current	**1,958**	2,542
Classified as current	**6,728**	5,987

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**1,820**	1,689
Additions	**-**	43
Utilisation	**-**	34
Unwinding of discount and changes in the discount rate	**-**	122
Balance as at the end of the year	**1,820**	1,820
Classified as non-current	**-**	-
Classified as current	**1,820**	1,820

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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Balance as at the beginning of the year	**1,574**	1,306
Additions	**1,041**	1,113
Utilisation	**833**	925
Unwinding of discount and changes in the discount rate	**64**	80
Balance as at the end of the year	**1,846**	1,574
Classified as non-current	**856**	784
Classified as current	**990**	790

42 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, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Valvoline Cummins Private Limited		
Non - current assets		
Property, plant and equipment	**12,085**	13,126
Capital work-in-progress	**315**	267
Intangible assets	**401**	421
Other non-current financial assets	**336**	302
Other non-current assets	**1,146**	1,104
	14,283	15,220

Notes to Consolidated Financial Statements for the year ended March 31, 2018

42 Investment in joint ventures (contd.)

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Current assets		
Inventories	**12,914**	13,071
Financial assets		
(i) Investments	**2,558**	4,611
(ii) Trade receivables	**10,353**	8,968
(iii) Cash and cash equivalents	**3,360**	1,398
(iv) Other financial assets	**192**	225
Other current assets	**1,873**	1,602
	31,250	29,875
Non - current liabilities		
Provisions	**387**	497
Deferred tax liabilities (net)	**557**	670
	944	1,167
Current liabilities		
Trade payables	**20,275**	18,154
Other financial liabilities	**1,720**	1,895
Other current liabilities	**1,351**	2,627
Provisions	**48**	21
Current tax liabilities (net)	**196**	-
	23,590	22,697
Equity	**20,999**	21,231
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**10,456**	10,569
Capital commitments	**170**	155
Contingent liabilities	**2,454**	3,499
Cummins Research and Technology India Private Limited *		
Non - current assets		
Income tax assets (net)	**30**	301
	30	301

42 Investment in joint ventures (contd.)

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Current assets		
Cash and cash equivalents	**408**	74
Other financial assets	**-**	15
Other current assets	**75**	173
	483	262
Current liabilities		
Trade payables	**8**	7
	8	7
Equity	**505**	556
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**252**	277

Summarised Statement of Profit and Loss

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Valvoline Cummins Private Limited		
Revenue	**128,006**	125,374
Interest income	**55**	46
Other income	**445**	295
Cost of raw material and components	**71,633**	75,545
Depreciation and amortisation	**1,606**	1,476
Finance costs	**45**	29
Employee benefits	**6,287**	5,857
Other expenses	**26,575**	23,901
Profit before tax	**22,360**	18,907
Income tax expense	**7,767**	6,495
Profit for the year	**14,593**	12,412
Other comprehensive income	**39**	(28)
Total comprehensive income for the year	**14,632**	12,384

Notes to Consolidated Financial Statements for the year ended March 31, 2018

Cummins Research and Technology India Private Limited *

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Other income	**36**	51
Depreciation and amortisation	**-**	-
Employee benefits	**-**	8
Other expenses	**87**	88
Loss before tax	(51)	(45)
Income tax expense	-	-
Loss for the year	(51)	(45)
Other comprehensive income	-	-
Total comprehensive income for the year	(51)	(45)

* In view of the Management's decision taken at the meeting held on March 21, 2016 CRTI has discontinued operations effective April 1, 2016.

43 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.

Summarised balance sheet

	As at March 31, 2018 ₹ Lacs	As at March 31, 2017 ₹ Lacs
Non - current assets	**7,491**	9,176
Current assets	**25,044**	20,869
Non - current liabilities	**797**	1,098
Current liabilities	**12,812**	11,380
Equity	**18,926**	17,567
Proportion of the Group's ownership	**48.54%**	48.54%
Carrying amount of the investment	**9,008**	8,363
Capital commitments	**545**	319
Contingent liabilities	**1,146**	1,015

Notes to Consolidated Financial Statements for the year ended March 31, 2018

Summarised Statement of Profit and Loss

	Year ended March 31, 2018 ₹ Lacs	Year ended March 31, 2017 ₹ Lacs
Revenue	**63,807**	60,245
Other income	**627**	142
Cost of raw material and components	**46,417**	41,900
Depreciation and amortisation	**745**	692
Finance costs	**26**	42
Employee benefits	**5,639**	4,174
Other expenses	**7,425**	7,248
Profit before tax	**4,182**	6,331
Income tax expense	**1,466**	2,172
Profit for the year	**2,716**	4,159
Other comprehensive income	**(3)**	(64)
Total comprehensive income for the year	**2,713**	4,095

Notes to Consolidated Financial Statements for the year ended March 31, 2018

44 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	**1,712** (1,649)
Contribution to management superannuation fund	**1,488** (1,363)

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary. The figures in brackets are in respect of previous year.

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

a. Net balance sheet position

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Defined benefit obligation	**12,268** (11,954)	**1,775** (1,750)	**51** (53)	**47** (49)	**19,674** (17,638)
ii)	Fair value of plan assets	**11,237** (9,965)	**1,474** (1,556)	**-** -	**-** -	**19,674** (17,631)
iii)	Funded status (surplus/ -deficit)	**-1,031** -(1,989)	**-301** -(194)	**-51** -(53)	**-47** -(49)	**-** -(7)
iv)	Effect of asset ceiling	**-** -	**-344** -(329)	**-** -	**-** -	**-** -
	Net defined benefit asset /-liability	**-1,031** -(1,989)	**-645** -(523)	**-51** -(53)	**-47** -(49)	**-** -(7)

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	**11,954** (10,120)	**1,750** (1,605)	**53** (54)	**49** (50)	**17,638** (15,191)
i)	Current service cost	**990** (879)	**73** (69)	**2** (2)	**2** (2)	**911** (766)
ii)	Interest cost	**790** (759)	**116** (120)	**3** (4)	**5** (4)	**1,558** (1,324)
iii)	Actuarial -gains / losses - experience	**514** (228)	**45** -(91)	**4** -(1)	**-3** -(3)	**-** -
iv)	Actuarial -gains / losses - demographic changes*	**-** (13)	**-** -	**-** (0)	**-** (0)	**-** -
v)	Actuarial -gains / losses - financial assumptions	**-641** (779)	**-11** (191)	**-2** -	**-2** -	**-** -
vi)	Benefits paid	**-1,353** -(549)	**-199** -(144)	**-9** -(6)	**-4** -(4)	**-2,659** -(1,658)
vii)	Past service cost	- -	- (0)	- -	- -	-45 -(169)
viii)	Acquisitions(credit)/cost*	**14** -(275)	**1** -	**0** -	**-** -	**798** (753)
ix)	Contributions by employees	**-** -	**-** -	**-** -	**-** -	**1,473** (1,431)
	Closing defined benefit obligation	**12,268** (11,954)	**1,775** (1,750)	**51** (53)	**47** (49)	**19,674** (17,638)

44 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	**9,965** (8,689)	**1,556** (1,606)	**-** -	**-** -	**17,631** (15,185)
i)	Interest income on plan assets	**714** (700)	**102** (118)	**-** -	**-** -	**1,573** (1,340)
ii)	Return on plan asset greater / -lesser than discount rate	**103** (18)	**15** (2)	**-** -	**-** -	**-** -
iii)	Actuarial gains / -losses	**-** -	**-** -	**-** -	**-** -	**-** -
iv)	Contribution by the employer	**1,881** (1,342)	**-** (1)	**-** -	**-** -	**911** (766)
v)	Benefits paid	**-1,346** -(549)	**-199** -(144)	**-** -	**-** -	**-2,659** -(1,658)
vi)	Acquisitions adjustment	**-80** -(235)	**-** -(27)	**-** -	**-** -	**806** (753)
vii)	Contribution by employee	**-** -	**-** -	**-** -	**-** -	**1,473** (1,431)
viii)	Other adjustments	**-** -	**-** -	**-** -	**-** -	**-61** -(186)
	Closing fair value of plan assets	**11,237** (9,965)	**1,474** (1,556)	**-** -	**-** -	**19,674** (17,631)

d. Total defined benefit cost

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**990** (879)	**73** (69)	**2** (2)	**2** (2)	**866** (597)
ii)	Net interest cost	**76** (59)	**14** (2)	**3** (4)	**5** (4)	**-15** -(16)
iii)	Actuarial -gains / losses recognised in OCI	**-230** (1,002)	**34** (204)	**2** -(1)	**-5** -(3)	**-** -
	Total defined benefit cost	**836** (1,940)	**121** (275)	**7** (5)	**2** (3)	**851** (581)

e. Statement of Profit and Loss

₹ Lacs

Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Current and past service cost	**990** (879)	**73** (69)	**2** (2)	**2** (2)	**866** (597)
ii)	Net interest cost	**76** (59)	**14** (2)	**3** (4)	**5** (4)	**-15** -(16)
	Cost recognised in profit and loss	**1,066** (938)	**87** (71)	**5** (6)	**7** (6)	**851** (581)

All of the above have been included in the line 'Contribution to provident and other funds', in note 31 of the Statement of Profit and Loss.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

44 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	**514** (228)	**45** -(91)	**4** -(1)	**-3** -(3)	**-** -
ii)	Actuarial -gain / loss due to assumption change	**-641** (792)	**-11** (191)	**-2** (0)	**-2** (0)	**-** -
iv)	Return on plan assets -greater / less than discount rate	**-103** -(18)	**-15** -(2)	**-** -	**-** -	**-** -
	Actuarial -gain/ loss recognised in OCI	**-230** (1,002)	**19** (98)	**2** -(1)	**-5** -(3)	**-** -
	Adjustment for limit of net asset	**-** -	**15** (106)	**-** -	**-** -	**-** -

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, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017	**March 31, 2018**	March 31, 2017
i)	Government of India securities	0.00%	0.00%	0.00%	0.00%	52.13%	51.24%
ii)	Corporate bonds	0.00%	0.00%	0.00%	0.00%	45.85%	45.88%
iii)	Special deposit scheme	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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%	2.02%	2.88%
	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	**902** (1,881)	**649** (528)	**NA** NA	**NA** NA

44 Employee benefit plans (contd.)

i. Following are the principal actuarial assumption used as at the balance sheet date

Sr. No. Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2018	7.60%	7.60%	7.60%	7.60%	7.60%
March 31, 2017	7.00%	7.00%	7.00%	7.00%	7.00%
Expected rate of return on plan assets	8.00%	8.00%	NA	NA	NA
	8.50%	8.50%	NA	NA	NA
Expected return on assets for exempt PF fund					
2016-17	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.75%
2017-18	NA	NA	NA	NA	8.60%
	NA	NA	NA	NA	8.60%
2018 and thereafter	NA	NA	NA	NA	8.60%
	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 2020	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2020- 2025	NA	NA	NA	8 %	NA
	NA	NA	NA	8 %	NA
Annual increase in healthcare costs - thereafter	NA	NA	NA	6 %	NA
	NA	NA	NA	6 %	NA
Long term EPFO rate					
2016-17	NA	NA	NA	NA	8.55%
	NA	NA	NA	NA	8.75%
2017 and thereafter	NA	NA	NA	NA	8.55%
	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, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	2024-2028
Gratuity	**977**	**868**	**1,117**	**1,365**	**1,134**	**8,189**
	(715)	(1,130)	(838)	(1,117)	(1,346)	(7,230)
Pension	**141**	**130**	**121**	**184**	**106**	**1,364**
	(132)	(164)	(129)	(114)	(175)	(1,072)
Ex-gratia	**4**	**5**	**5**	**6**	**3**	**42**
	(5)	(6)	(5)	(5)	(6)	(34)
PRMB	**3**	**3**	**3**	**3**	**3**	**31**
	(3)	(3)	(3)	(4)	(3)	(27)
PF	**86**	**85**	**85**	**84**	**79**	**384**
	(77)	(77)	(76)	(76)	(75)	(362)

Notes to Consolidated Financial Statements for the year ended March 31, 2018

44 Employee benefit plans (contd.)

k. Quantitative sensitivity analysis for significant assumption is as shown below:

₹ Lacs

Assumptions	Discount Rate		Future salary increase		Withdrawal Rate	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease
Gratuity						
March 31, 2018	**-499**	**536**	**540**	**(508)**	**-518**	**845**
March 31, 2017	-(502)	(541)	(527)	-(495)	-(669)	(1,084)
Pension						
March 31, 2018	**-61**	**64**	**NA**	**NA**	**-26**	**29**
March 31, 2017	-(62)	(66)	NA	NA	-(30)	(34)
Ex Gratia						
March 31, 2018	**-2**	**2**	**NA**	**NA**	**-14**	**18**
March 31, 2017	-(2)	(2)	NA	NA	-(15)	(19)
PF						
March 31, 2018	**-11**	**12**	**-**	**-**	**-**	**-**
March 31, 2017	-(12)	(13)	-	-	-	-
Assumptions	**Discount Rate**		**Medical Inflation**		**Withdrawal Rate**	
Sensitivity level	**0.5% increase**	**0.5% decrease**	**1% increase**	**1% decrease**	**5% increase**	**5% decrease**
PRMB						
March 31, 2018	**-2**	**2**	**4**	**-4**	**-13**	**17**
March 31, 2017	-(2)	(2)	(4)	-(4)	-(14)	(19)

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, 2018

45. 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, 2018**

₹ Lacs

Transaction	Name of the Party	Total
Purchases of goods	Cummins Inc.	**17,946** (21,013)
	Tata Cummins Private Limited	**79,210** (78,159)
	Cummins Technologies India Private Limited	**18,123** (17,992)
	Others	**31,105** (36,956)
Sale of goods	Cummins Limited	**62,428** (60,812)
	Others	**76,945** (66,428)
Purchase of assets	Cummins Inc.	**-** (43)
	Cummins Technologies India Private Limited	**45** (67)
	Others	**-** (1)
Sale of assets	Tata Cummins Private Limited	**139** (321)
	Cummins Technologies India Private Limited	**217** (38)
Services rendered (Refer note vi)	Cummins Inc.	**3,477** (3,201)
	Valvoline Cummins Private Limited	**3,484** (2,722)
	Cummins Technologies India Private Limited	**6,859** (6,313)
	Tata Cummins Private Limited	**2,501** (1,645)
	Others	**231** (598)

Notes to Consolidated Financial Statements for the year ended March 31, 2018

45. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Services received (Refer note vii)	Cummins Inc.	**1,334** (105)
	Cummins Technologies India Private Limited	**737** (1,160)
	Others	**129** (263)
Royalty	Cummins Inc.	**5,260** (5,127)
Support services	Cummins Inc.	**7,606** (6,987)
Reimbursements paid	Cummins Technologies India Private Limited	**8,074** (8,518)
	Cummins Inc.	**1,964** (2,060)
	Cummins Power Generation Limited	**1,565** -
	Others	**590** (379)
Reimbursements received	Cummins Technologies India Private Limited	**7,044** (4,192)
	Cummins Generator Technologies India Private Limited	**868** (760)
	Tata Cummins Private Limited	**1,121** (562)
	Others	**819** (388)
Remuneration paid (Refer note iii)	Anant J. Talaulicar (upto November 8, 2017)	**270** (440)
	Sandeep Sinha	**216** (151)
	Rajiv Batra	**287** (219)
	K.Venkata Ramana	**163** (137)
Transfer of export benefits	Cummins Technologies India Private Limited	**-** (420)
Interest on inter corporate deposit	Cummins Technologies India Private Limited	**1,060** (1,187)
Dividend paid	Cummins Inc.	**19,791** (19,791)

45. Related Party Disclosures (Contd.)

₹ Lacs

Transaction	Name of the Party	Total
Donations paid	Cummins India Foundation	**1,661** (1,200)
Contributions paid	Cummins India Limited Officers Provident Fund	**1,645** (1,590)
	Cummins Group Employees Superannuation Scheme	**1,488** (1,363)
	Cummins Group Officers Gratuity Scheme	**1,881** (1,342)
Sitting fees and commission to independent directors	Nasser Munjee	**19** (21)
	Prakash Telang	**18** (21)
	Priya Dasgupta	**19** (19)
	Rajeev Bakshi	**19** (21)
	Venu Srinivasan	**18** (18)
Equity contribution - share based payments	Cummins Inc.	**129** (132)

c) Amounts outstanding as at March 31, 2018

₹ Lacs

Particulars	Name of the Party	Total
Trade payables	Cummins Asia Pacific Pte Ltd	**4,118** (3,706)
	Cummins Inc.	**4,734** (3,816)
	Cummins Limited	**3,255** (2,361)
	Cummins Technologies India Private Limited	**9,825** (4,902)
	Tata Cummins Private Limited	**3,072** (4,934)
	Others	**5,687** (1,993)
Other current financial / non-financial liabilities	Cummins Inc.	**15,778** (5,970)
	Cummins Technologies India Private Limited	**4** (2,052)
	Others	**154** (66)

Notes to Consolidated Financial Statements for the year ended March 31, 2018

45. Related Party Disclosures (Contd.)

₹ Lacs

Particulars	Name of the Party	Total
Trade receivables	Cummins Angola Limited	**3,797** (5,068)
	Cummins Limited	**14,185** (4,652)
	Cummins Technologies India Private Limited	**13,407** (3,670)
	Cummins West Africa Limited	**1,958** (4,261)
	Others	**21,094** (13,719)
Other current financial assets	Cummins Technologies India Private Limited	**1,371** (410)
	Valvoline Cummins Private Limited	**948** (861)
	Tata Cummins Private Limited	**1,317** (1,064)
	Others	**576** (545)
Inter corporate deposit	Cummins Technologies India Private Limited	**12,866** (12,866)

45. Related Party Disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 45(b) and (c) above are as follows:

Nature of Relationship	Name of the Party
Fellow subsidiaries	Beijing Foton Cummins Engine Co., Ltd.
(with which there are transactions during the year)	Chongqing Cummins Engine Co. Ltd.
	Consolidated Diesel Company
	Cummins (China) Investment Co. Ltd.
	Cummins Afrique De L Ouest
	Cummins Angola Limited
	Cummins Asia Pacific Pte Ltd
	Cummins Belgium NV
	Cummins Brasil Ltda
	Cummins Commercializadora S.De R.L
	Cummins Deutschland GmbH
	Cummins DKSH (Singapore) Pte Ltd
	Cummins DKSH (Thailand) Limited
	Cummins East Asia Research & Development Co. Ltd.
	Cummins Eastern Canada LP
	Cummins Engine (Shanghai) Trading & Services Co. Ltd.
	Cummins Fuel Systems Wuhan Co. Ltd.
	Cummins Generator Technologies Australia Pty Ltd.
	Cummins Generator Technologies Limited
	Cummins Ghana Ltd.
	Cummins Hong Kong Ltd.
	Cummins Italia SPA
	Cummins Japan Ltd.
	Cummins Limited
	Cummins Makina Sanayi Ve Ticaret Ltd.
	Cummins Middle East FZE
	Cummins Natural Gas Engines Inc.
	Cummins Npower LLC
	Cummins NV
	Cummins Pacific, LLC
	Cummins Power Generation (China) Co. Ltd.
	Cummins Power Generation (S) Pte. Ltd.
	Cummins Power Generation Inc.
	Cummins Power Generation Limited
	Cummins Qatar LLC
	Cummins Romania SRL
	Cummins Sales and Service Korea Co. Ltd.
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Singapore Pte Ltd.
	Cummins South Africa (Pty.) Ltd.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

45. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
	Cummins South Pacific Pty Ltd.
	Cummins Spain SL
	Cummins Technologies India Private Limited
	Cummins Turbo Technologies B.V.
	Cummins West Africa Limited
	Cummins Westport Inc.
	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. Ltd.
Key management personnel	Anant J. Talaulicar - Chairman and Managing Director (upto November 8, 2017)
	Sandeep Sinha - Chief Operating Officer (upto January 31, 2018) and Managing Director (w.e.f. February 1, 2018)
	Rajiv Batra (Chief Financial Officer)
	K. Venkata Ramana (Group Vice President - Legal & Company Secretary)
	Mark Levett (Chairman of the Board w.e.f. March 2, 2018)
	Antonio Leitao
	Norbert Nusterer
	Mark Smith
	Suzanne Wells
	Independent Directors
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited
	Cummins Research and Technology India Private Limited

45. Related Party Disclosures (Contd.)

Nature of Relationship	Name of the Party
Enterprise with common key management personnel	Tata Cummins Private Limited
	Cummins India Foundation
	New Delhi Law Offices Private Limited
	Ascot Infrastructure Private Limited (upto November 8, 2017)
	Tata Hitachi Construction Machinery Company Private Limited
	Valvoline Cummins 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, 2018, the Group has not recorded any impairment of receivables relating to amounts owned by related parties (March 31, 2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii) 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 includes renting service, testing service, business support services, etc.

vii) Services received includes testing services, solution contract support services, license fees, etc.

viii) Figures in brackets are in respect of the previous year.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

46 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	Year ended March 31, 2018	Year ended March 31, 2018*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	506,020	128,006	128,006	506,020
Profit before tax	84,077	22,360	22,360	84,077
Profit after tax *	63,885	14,594	7,297	71,182

Particulars	Year ended March 31, 2017	Year ended March 31, 2017*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	533,897	125,715	125,715	533,897
Profit before tax	84,301	18,909	18,909	84,301
Profit after tax *	67,419	12,414	6,206	73,627

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 relavant information relating to Engine segment refer consolidated Statement of Profit and Loss and balance sheet.

47 As set out in section 135 of the Companies Act, 2013, the Group is required to contribute **₹ 1,661 lacs** (March 31, 2017: ₹ 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 **₹ 1,661 lacs** (March 31, 2017: ₹ 1,200 Lacs) to Cummins India Foundation towards the eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013.

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

a) Market risk

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:

₹ Lacs

Currency	% change	March 31, 2018	March 31, 2017
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	5	(40)
Euro	1%	25	16
Others	1%	6	1
Total		**36**	**(23)**

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 under lying 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 Group'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 is not exposed to significant interest rate risk as at the respective reporting dates.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

48 Financial risk management objectives and policies (Contd.)

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 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, 2018	March 31, 2017
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.50%	252	328

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, other receivables, deposits with banks and loans given.

Trade receivable

Senior management is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. The Group assesses the credit quality of the customers, 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 12.

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 5,6,11,14 and 15.

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 **₹ 50,410 lacs** (March 31, 2017: ₹ 65,723 lacs) and other liquid assets of **₹ 15,232 lacs** (March 31, 2017: ₹ 12,395 lacs) that are expected to readily generate cash inflows for managing liquidity risk.

48 Financial risk management objectives and policies (Contd.)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

₹ Lacs

As at March 31, 2018	On demand	Less than 12 months	1-5 years
Borrowings	530	25,154	-
Trade payables	-	75,953	-
Royalty and support services	-	15,778	-
Unpaid dividend	857	-	-
Retention money	-	1,235	743
Dealer deposits	-	-	2,099
Others	-	4,685	-

As at March 31, 2017	On demand	Less than 12 months	1-5 years
Borrowings	136	25,078	-
Trade payables	-	60,867	-
Royalty and support services	-	6,274	-
Unpaid dividend	535	-	-
Retention money	-	1,107	1,279
Dealer deposits	-	-	1,565
Others	-	6,065	189

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 reserves attributable to equity shareholders of the Company.

₹ Lacs

	March 31, 2018	March 31, 2017
Borrowings	**25,684**	25,214
Less: Cash and cash equivalents	**15,232**	12,395
Net debt	**10,452**	12,819
Equity	**411,860**	387,110
Gearing ratio (times)	**0.03**	0.03

Notes to Consolidated Financial Statements for the year ended March 31, 2018

49 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, 2018 ₹ Lacs	March 31, 2017 ₹ Lacs	**March 31, 2018 ₹ Lacs**	March 31, 2017 ₹ Lacs
Financial assets				
FVTPL of investments in mutual funds	**50,410**	65,723	**50,410**	65,723
FVTPL of investments in equity	**43**	48	**43**	48
FVTPL of Foreign exchange forward contracts	**-**	806	**-**	806
Financial liabilities				
FVTPL of Foreign exchange forward contracts	**181**	-	**181**	-
Non-current assets				
Investment properties	**73,110**	26,789	**77,246**	27,126

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 Group 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.

49 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, 2018	**-**	**50,410**	**-**	**50,410**
March 31, 2017	-	65,723	-	65,723
Investments in equity				
March 31, 2018	**43**	**-**	**-**	**43**
March 31, 2017	48	-	-	48
Forward contracts asset				
March 31, 2018	**-**	**-**	**-**	**-**
March 31, 2017	-	806	-	806
Financial liabilities at FVTPL				
Forward contracts liability				
March 31, 2018	**-**	**181**	**-**	**181**
March 31, 2017	-	-	-	-
Non-current assets				
Investment properties				
March 31, 2018	**-**	**-**	**77,246**	**77,246**
March 31, 2017	-	-	27,126	27,126

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 Consolidated Financial Statements for the year ended March 31, 2018

50 Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs ('MCA') has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standard:

A. Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 was notified on March 28, 2018 with guidance to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services. Ind AS 115 is effective for the Group in the first quarter of fiscal 2019 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (April 1, 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Group continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Group's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements.

Sale of goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of Ind AS 115 is not expected to have any significant impact on Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt Ind AS 115, the Group is considering various other aspects in the same contracts such as elements of variable consideration, volume rebates, terms of service delivery and other considerations in service sale agreements etc. The Group is in the process of assessing the impact of these requirements on the financial statements.

B. Amendments to Ind AS 112 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in Ind AS 112

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has not included any of its subsidiary, joint ventures or associate in disposal group /classified as held for sale. Accordingly, the amendments in Ind AS 112 will not have any impact on the Group.

C. Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

50 Standards issued but not yet effective (contd.)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after April 1, 2018. These amendments are not expected to have any impact on the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

D. Amendments to Ind AS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.

The amendments are effective for annual periods beginning on or after April 1, 2018. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements.

E. Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on a fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the Appendix, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.

The Appendix is effective for annual periods beginning on or after April 1, 2018. Considering the nature and volume of transactions, the Group does not expect any material impact on its financial statement.

51 Exceptional items represent profit on sale of assets.

Notes to Consolidated Financial Statements for the year ended March 31, 2018

52 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, 2018	**96.78%**	**398,607**	**99.53%**	**70,847**	**83.11%**	**123**	**99.50%**	**70,970**
Balance as at March 31, 2017	96.67%	374,217	99.77%	73,463	96.17%	(799)	99.68%	72,664
Subsidiary (Indian)								
Cummins Sales & Service Private Limited								
Balance as at March 31, 2018	**0.33%**	**1,365**	**0.22%**	**156**	**4.30%**	**6**	**0.23%**	**162**
Balance as at March 31, 2017	0.31%	1,203	0.14%	105	-1.57%	13	0.16%	118
Associate (Indian)								
Cummins Generator Technologies India Private Limited								
Balance as at March 31, 2018	**-**	**18,926**	**1.85%**	**1,318**	**-1.01%**	**(1)**	**1.85%**	**1,317**
Balance as at March 31, 2017	-	17,567	2.74%	2,019	3.72%	(31)	2.73%	1,988
Joint Ventures (Indian)								
Valvoline Cummins Private Limited								
Balance as at March 31, 2018	**-**	**20,999**	**10.25%**	**7,297**	**13.23%**	**20**	**10.26%**	**7,317**
Balance as at March 31, 2017	-	21,231	8.43%	6,206	1.68%	(13)	8.51%	6,192
Cummins Research and Technology India Private Limited								
Balance as at March 31, 2018	**-**	**505**	**-0.04%**	**(25)**	**0.00%**	**-**	**-0.04%**	**(25)**
Balance as at March 31, 2017	-	555	-0.03%	(23)	0.00%	-	-0.03%	(23)
Adjustments arising out of consolidation								
March 31, 2018	**2.89%**	**11,888**	**-11.82%**	**(8,411)**	**0.10%**	**0**	**-11.79%**	**(8,411)**
March 31, 2017	3.02%	11,690	-11.06%	(8,143)	0.00%	-	-11.06%	(8,141)
Total for March 31, 2018	**100.00%**	**411,860**	**100.00%**	**71,182**	**100.00%**	**148**	**100.00%**	**71,330**
Total for March 31, 2017	100.00%	387,110	100.00%	73,627	100.00%	(830)	100.00%	72,797

* The net assets of the entity have not been consolidated under the equity method.

As per our report of even date

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

per Tridevlal Khandelwal
Partner
Membership Number: 501160

Place: Mumbai
Date: May 24, 2018

For and on behalf of the Board

Sandeep Sinha
Managing Director
DIN : 02400175

Nasser Munjee
Director
DIN : 00010180

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

Rajiv Batra
Chief Financial Officer
PAN : AAFPB4485K

Place: Mumbai
Date: May 24, 2018

Business Responsibility Report 2017-18

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 111

General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN)

  L29112PN1962PLC012276
- Registered Office Address

  Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi, Pune 411045
- Website : www.cumminsindia.com
- Email id : venkat.ramana@cummins.com
- Financial Year reported : 2017 - 18

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 (serving, mining, marine, rail, oil & gas, defence and power generation) and Distribution Business.

A. Engine Business:

The Engine Business manufactures and markets diesel engines for off-highway applications. Starting from 65 hp spanning up to 400 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 in standby power and distributed power generation. These generators cater to the power requirements of a wide range of individual and institutional customers in various segments such as infrastructure, IT/ITES, data centers, realty, healthcare and hospitality to name a few. The business also manufactures and exports open and enclosed low kilowatt generator sets from its unit located at the Special Economic Zone at the Cummins Megasite in Phaltan, Maharashtra. It also provides high horsepower engines for mining, marine, railways, oil and gas and defence.

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 550,000 engines in the field covering more than 1.2 lakh customers.

The Distribution Business has a country-wide network of 25 dealerships with over 450 service points supported by a pool of more than 3,500 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 and Component Parts thereof, bearing ITC Code No. 8408.90 and 8409.99 respectively.

Locations from where business activity is undertaken by the Company

The Company has its operations spread all across the country with its registered and corporate office in Pune - Cummins India Office Campus. Additionally, the Company has four zonal offices in 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 across the globe with USA, UK, Mexico, Singapore and China being the top five destinations.

Section B

Financial details of the Company

Paid-up Capital	:	₹ 5,544 Lacs
Total Turnover	:	₹ 503,034 Lacs
Total Profit after Taxes	:	₹ 70,845 Lacs

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

An innate sense of responsibility, backed by the belief that businesses flourish only when they are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises, is what keeps Cummins committed to making the lives of people better. This is through holistic, self-sustainable and replicable programs bringing about long-lasting changes and development. Going beyond mere financial assistance, this commitment manifests itself in combining Cummins' expertise with the experience of local non-profit organizations, to positively impact the communities where Cummins has a presence.

This implies a broader level of involvement: engaging in dialogue around problems; building coalitions around solutions; and finding resources and skills to build the capability of the communities.

Cummins believes that an organization 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 the Company's responsibility to a full array of stakeholders.
- Setting a high standard for all aspects of corporate citizenship.
- Using the Company's values, talents, resources and global position to drive improvement in our communities and the world.

To have the greatest impact possible, the Company suggests community involvement activities through the three areas where Cummins has expertise, presence and the ability to make a difference. The focus areas include Higher Education, Energy and Environment and Equality of Opportunity across Cummins locations. Cummins continued its engagement and expanded the scope of interventions in all existing projects falling under the three focus areas:

- **Higher education:** Improving the quality and alignment of educational systems to ensure the students of today are ready for the workforce of tomorrow.

  Cummins provides a development platform for students through its various educational programs. Opportunities for advancement increase when community education systems are aligned with workforce needs. Keeping this in mind, Cummins leverages its resources to enhance the skillsets of the students.

- **Energy and Environment:** Ensuring that everything Cummins does leads to a cleaner, healthier and safer environment.

  Problems such as global warming and diminishing natural resources demand action not only from government and individuals but also from businesses. Cummins demonstrates its commitment to the environment by producing technology and products that reduce harmful emissions around the globe, and by reducing its own environmental footprint.

  Cummins employees have a wealth of experience in reducing negative environmental impact – both in its products and facilities. Cummins has the opportunity to take that knowledge and commitment outside of their walls. Sustainable models built using locally available resources provide solutions that have even helped generate revenues, thus working towards giving power to 'all'.

- **Equality of Opportunity:** Increasing opportunity and equity for those most in need.

  This focus area concentrates on enhancing the infrastructural development of the communities in which Cummins operates. The Company believes in uplifting the infrastructure by means of grass-root level participations such as rural development encompassing a gamut of developmental activities starting from watershed management, primary education, introducing safer chulha, planning for irrigation needs, creating entrepreneurship opportunities and proactively addressing the issues of health and sanitation.

These focus areas serve as the foundation for the site specific strategies and plans developed collectively by leaders and employees. The three focus areas are further driven down by various themes to facilitate focus and execution.

In addition to the focus areas, Cummins identified a wider scope based on diverse community needs and incorporated new strategic projects namely – Monsoon Resilient Maharashtra, Higher Education in STEM (Science, Technology Engineering, Mathematics) for school going girl children, Phaltan Model Town under the umbrella of its CSR projects.

Involving leadership guidance and ownership, coupled with employee's commitment, high community impact projects are carried out across the Company's locations. The focus areas, their underlying themes and strategic projects are owned and driven by leaders who set the vision and direction for various initiatives that help deliver impactful and sustainable results for the community. Through continuous interactive engagements the leaders ensure involvement of all stakeholders throughout the year. Employee engagement in the CSR initiatives also contribute significantly towards strengthening the communities. Employee engagements take place through:

- Community Involvement Teams (CITs) – They are organized, employee driven structures through which CSR initiatives are carried out in the communities in which the Company operates. In India, there are 15 such CITs spread across the Company's locations.
- Every Employee Every Community (EEEC) - Under this initiative, every employee is encouraged to spend four fully paid working hours on community improvement projects of their choice falling under CSR's three focus areas. The Company has achieved 100% employee participation and utilization of EEEC hours consecutively for the past 5 years.

Partnerships with like-minded corporates, government authorities, NGOs and communities play a major role in scaling up these projects across the Company's locations in India.

Cummins has received commendation for significant achievement at the prestigious industry forum of CII-ITC (Confederation of Indian Industries) Sustainability Awards 2017. Cummins has been recognized for all successful, high impact and sustainable community projects of CSR. At annually held "Lakshya" awards by NITIE Cummins was declared winner for the project "Ideal Immersion" - Prevention of pollution during festival times. Cummins has won this award for the third consecutive year under the category for "Excellence in CSR".

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

For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 10 attached to the Directors' Report for Financial Year 2017-18.

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 : 02400175

   Name : Mr. Sandeep Sinha

   Designation : Managing Director

   b. **Details of the BR Head :**

   Name : Mr. K. Venkata Ramana

   Designation : Group Vice President – Legal & Company Secretary

   Telephone : 020 6706 7000

   Email ID : venkat.ramana@cummins.com

2. Principle wise (as per NVGs) BR Policy

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

Principle 1:

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

Principle 2:

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

Principle 3:

Businesses should promote the well-being of all employees.

Principle 4:

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

Principle 5:

Businesses should respect and promote human rights.

Principle 6:

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

Principle 7:

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

Principle 8:

Businesses should support inclusive growth and equitable development.

Principle 9:

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

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

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	**Questions**	**P 1**	**P 2**	**P 3**	**P 4**	**P 5**	**P 6**	**P 7**	**P 8**	**P 9**
1.	Do you have a policy/policies for-	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	-	Y	Y	-	Y	-	-	-
4.	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	N	N	-	Y	-	Y	-
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	Y	-	Y	-

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 11071 and 000 800 001 6112 (anonymous report is possible and the report can be filed in Hindi as well)
- Contact Ethics and Compliance: Email to ethicsandcompliance@cummins.com OR legal.department@cummins.com
- Contact entity Line HR Leader or India Master Investigator @ jh505@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 gxovernment through various industry bodies and associations. However, no need for a formal policy has been felt.

3. **Governance Related to BR**

The Board of Directors of the Company review the BR performance of the Company on a regular basis, but at the least, annually. The Chairman and Managing Director reviews the BR activities of the Company on a regular basis. The Company publishes the Business Responsibility Report annually, which forms part of the annual report.

The hyperlink for viewing this report is:

http://www.cumminsindia.com/investors/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 behaviour

Cummins' commitment to fair treatment also extends to its joint ventures, suppliers and other partners. At Cummins, it is made sure that the suppliers and partners treat their stakeholders in a way that is consistent with Cummins values through the Cummins Supplier Code of Conduct (elaborated under Principle 4).

Cummins has adopted the following competition guidelines: -

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

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

Cummins ensures that each of its employees 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 and On-going Training and Compliance Certification
- Ethics Help-line, Organizational Support and Whistle Blower policy
- Regular updates to Senior Management

New Hire and On-going Training and Compliance Certification

Cummins puts its ethics and compliance principles into practice through a comprehensive compliance training program targeted at appropriate employee groups in order to promote ethical behaviour. 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.

New employees undergo this course at the New Hire Orientation and are required to complete the course within their first three months of employment.

A training module on the Anti-Bribery policy was introduced in 2015, to 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 two mandatory online training courses - Careful Communications at Work and Doing Business Ethically – on the Cummins Learning Center, Cummins' in-house learning management system.

Ethics Help-line, Organizational Support and Whistle Blower Policy

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

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

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

Cummins has a Whistle Blower Policy which is strictly enforced to ensure more employees feel free to reach out and report likely issues. The Company has an Ethics Committee chaired by the Managing Director which involves the Vice President of HR, Legal Counsel Leader and Regional Internal Audit Director. The Committee reviews trends across categories of violations and engages respective process owners to engage in bringing proactive measures by driving awareness sessions and communications as and when required. The committee also supports and champions the Ethics investigation process with required resources based on need.

Internal Committee:

The Company has also constituted an Internal Complaints Committee with effect from February 01, 2018, which consists of Bhavana Bindra (Vice President Distribution Business) as Presiding Officer and Members such as Shillpa S. Chabria (Master Investigator, Right Environment), Anjali Pandey (Vice President India Components Business), Ranjeet Ranade (Talent Management Director), Ritesh Joshi (Director- Labour Relations & Megasite) and Adv. Shruti Joshi (External Member)

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

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

Statistics*:

Under the Ethics, Conflict of Interest, Theft, Bribery, Corruption and Fraud category and Improper supplier category, the Company received 73 complaints during the year, out of which 68 complaints were resolved and actioned upon.

Under the Treatment of Each Other at Work Policy, the Company received 170 complaints during the year, out of which all 170 complaints were resolved. The Internal Committee received 1 complaint during the year and it was resolved.

* Note: Data for April 01, 2017 - March 31, 2018

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 action taken thereafter. Additionally, the same is also placed before the Audit Committee of the Board of Directors on a quarterly basis and the Internal Business Disclosure Committee meetings.

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

One of Cummins' three principles for Corporate Responsibility is about supporting environmental sustainability and to work on clean development mechanism.

The Company continued to initiate waste reduction efforts during the year through several initiatives such as training on prevention of pollution, waste reduction/ recycling specific environment management programs, 'Just do it' projects and Six Sigma projects to identify more opportunities on waste reduction. Increasing opportunities to recycle waste is one of the many ways to address reduction in disposal of waste.

Cummins' commitment to Health, Safety and Environment continued in 2017, reinforcing its responsibility towards employees, natural resources and the environment. Following is the incident rate recorded in 2017. The Company has strengthened its incident recordability criteria as per OSHA standard. This led to a rise in the number of incidents in 2017. Sites have taken efforts through various projects and have focused on training to strengthen the safety culture.

Safety	Employees		Contractors	
	2016	2017	2016	2017
Incident Rate	0.53	0.92	0.47	1.01
Severity Case Rate	0.17	0.26	-	-

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.

Though the Company has received few show causes from the pollution control board in the last financial year, all these were closed satisfactorily. Cummins Inc. is driving environment awareness across all its plants. Under this drive, the Company is focusing on Environment Day and also 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 is tracked in an environment software where data on GHG, waste and water is tracked as Key Performance Indicator (KPI) and every year targets are set on baseline.

The Company has disposed 204 MT waste, 22,328.34 MT of GHG and consumed 43,637 kilo gallons of water in 2017. The Company has taken efforts to improve its overall environment performance through waste inventorisation and mapping, water balance and energy reduction program. High energy consumption areas are being identified on the shop-floor and many projects have been undertaken to conserve energy and subsequently emission of greenhouse gases (GHG).

Waste disposal and GHG emissions increased 5% and 4% respectively with respect to the 2016 baseline due to increase in production. On the waste recycling rate, the Company is at a 95.19%. India Parts Distribution Center (IPDC) is working on zero disposal project which will ensure 100% recycling of the waste generated on site. All operational units of the Company across India have achieved water neutrality status in addition to complying with the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and Environment Management System (EMS) 14001 standard. In 2017, the Power Generation SEZ plant won silver and bronze prize from 'Quality Circle of India - Pune chapter' for energy efficiency, gold and silver award from 'Automotive Components Manufacturers Association India' for energy efficiency and water conservation efforts and declared 2nd runner up of best Kaizen competition in India for Q1 2017.

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 continous efforts 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. Environmental Champion training was conducted in 2017 for HSE and plant engineering representatives and the plant has taken up many projects on carbon footprint reduction.

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.

Great energy savings are being generated year-on-year. High energy consumption areas have been identified and many projects have been undertaken to conserve energy. For example, CIL plant (Kothrud Engine Plant) had taken up projects that resulted in savings of 7.26 lacs units of electricity, ₹ 58 lacs saving of energy cost and GHG reduction of 595 tons of CO2 emission. The plant has also installed LED lamps and occupancy sensors to reduce power consumption in office areas.

Cummins supports local and small producers including the community around itself. Currently, Cummins procures materials from – both local and small producers from nearby communities.

Chairman and Chief Executive Officer of Cummins Inc., Tom Linebarger says, "Going forward Cummins will continue to be a catalyst for environmental action. Our vision and mission demand it, our business success depends on it, and the ingenuity and energy of our employees can make it happen."

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

The 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 institutes like IIM – Ahmedabad, S.P. Jain Institute of Management and Research - Mumbai and Kelley School of Business - Indiana, USA.
- **Technical Development program:** Two-year degree courses in Masters in Technology across Mechanical, Electronics and Manufacturing. Two-year Bachelors in Technology course in partnership with BITS Pilani for our shop employees.

A special certification in Industrial Relations with Tata Institute of Social Sciences (TISS) for Business and HR managers engaged in plant roles is also being offered. The 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 Building Success in others, Front Line Leadership Development Program and Cummins Leadership Culture Sessions. Furthermore, Cummins also encourages job moves across functions, entities and locations to ensure varied exposure and growth of its employees.

Structured initiatives are also offered to develop and nurture women leaders across business units. The program focuses on enhancing leadership capabilities of high performing women employees. It involves career conversations, GAP analysis, mentoring sessions and function specific learning interventions.

Diversity & Inclusion

For more than a decade, Cummins has been focusing on increasing diversity in terms of gender representation. A need was identified to adopt a more holistic approach towards representation and foster a more inclusive environment. The philosophy was very simple, Cummins in India, needs to be a reflection of the socio-cultural and demographic dimensions of the country. As an 'Equal Opportunity Employer', focused initiatives have been rolled out that would help us move beyond gender and reach out to embrace those who are under-represented.

In addition to strengthening efforts to increase workforce diversity, it is aso equally important to take steps to create an Inclusive Ecosystem, which will not only benefit all employees but also help the organization to attract and retain a strong and engaged workforce. Keeping in mind that diversity encompasses more than just representation, and also the fact that a changing workforce means changing demands and expectations, few new Affinity Groups have been launched. These Affinity Groups would work on various diversity dimensions namely: Generation, Culture, Differently Abled and Lesbian, Gay, Bisexual, and Transgender (LGBT). The objectives of these Affinity Groups would be to focus on initiatives aligned with the organizations mission, values, goals, business practices, and objectives. The Women's Affinity Group (WAG) continues to partner with the business with initiatives focusing on the three (3) pillars namely: Safety (Physical and Emotional), Health/Wellness and Development.

A good work-life balance ethos is important to employees and the organization. Keeping this in mind and also the fact that more than half of our employees in India Area Business Organization are millennials generation, last year Cummins revisited two major work life integration policies. The highlights of the revised policies are as below:

- The Maternity leave extended from three months to six months before it became a law.
- The Paternity leave have been extended from five days to one month.

The Company also provides its employees with the option of **Part-Time Work Policy** wherein an employee can work on a reduced work plan to be able to balance a personal exigency.

Additionally, the Company continues to provide crèche facilities at all its plants and Corporate Office to support working mothers. This facility is also being availed by the male employees in the organization.

Cummins Health and Wellness Program

Cummins continued its journey in the area of Health and Wellness, throughout 2017-18. Various initiatives are aligned with Cummins' new 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, Healthy Living Module, Yoga and Employee Assistance Program. Employees in Plant and Office locations of Jamshedpur, Indore and Delhi NCR, for programs on Employee Assistance Program (EAP) Awareness, Yoga for all and Communication on National Pension Scheme.

EAP introduced at Cummins in 2015 saw significant results this year too. Since inception, over 1200 employees and family member's availed different EAP services and a significant number of risks, especially those of self-harm have been mitigated through counselling. Keeping in mind the stigma associated with counselling, various communication programs were rolled out in 2017-18. 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 make known the benefits of EAP amongst the employees in the least time possible, Cummins continued to provide employee outreach programs that involved a series of floor interactions where counsellors from the EAP service provider reached out to employees at their workstations or on the shop floor. Currently approximately 11% of employees are actively using the EAP services.

Several studies have highlighted the lack of retirement preparedness and pension adequacy in India. Recognizing the need to help employees prepare for their retirement life, the National Pension System (NPS) was introduced for the employees. The Company is one of the first few organizations that has taken this step towards strengthening the financial wellbeing of its employees. Currently there are 150 subscribers to the NPS scheme and a more positive response is expected in the future.

Programs such as Birth and Beyond for pregnant women, Anaemia Eradication for the female workforce, Diabetes Control and Ideal Weight Drive for all employees that were piloted at the Megasite were extended to other Cummins facilities and offices including the Cummins India Office Campus at Balewadi, Pune, Maharashtra.

The 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 these employees we have started with this health initiative to spread the message of taking care of their health.
- For the women employees working on the shop floor, we have an initiative to understand their health issues and help them taking right care of themselves.
- We have started with a health initiative especially for cancer survivors, helping them with their lifestyle management.

Initiatives like the Healthy Living Module and Yoga launched in the Company during the previous fiscal year continue to run successfully.

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 enlightened human resource interventions.

Child or forced labor is not tolerated at Cummins and Cummins does not do business with any company which engages in child or forced labor. The Company employs around 3,844 persons out of whom, around 927 are women employees and two permanent employees with partial/full disabilities.

Apart from this, the Company also employs around 820 contractual and 547 temporary basis employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety and skill up-gradation training to various categories of employees are being rendered as per the training policy of the Company. The Company has installed Biometric Attendance System for all contractual labour pan India which has helped to bring effective control for real time management of contract labour. This system helped to remove manual interventions which has helped to track attendance and bring controls over monitoring overtime, continuous working for more than 10 days, timely churning of contract labour, access control, etc. This has in turn helped in effective monitoring of legal compliances.

The Company has recognized Trade Unions for production and staff associates at one of its plants, and the unionized work force forms approximately 46% of the permanent employees of the Company.

Demonstrating Cummins' core value of Diversity and Inclusion, there is 34% 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, recently introduced the B-shift for women employees on the shop-floor. This step will go a long way in improving gender representation for the organization and set a definitive benchmark for industries in the Automotive Sector. This step has 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 2017 – March 2018)	No. of complaints pending as on the end of the Financial Year (April 2017 – March 2018)
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 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 Cummins values for sustainable practices.

The Supplier Code of Conduct is built around seven principles:

- Suppliers must follow the law
- Suppliers must treat all people with dignity and respect
- Suppliers must do business fairly and honestly and avoid conflicts of interest
- Suppliers must protect the environment
- Suppliers must provide a safe and healthy working environment
- Suppliers must protect Cummins technology, information and intellectual property
- Suppliers must assist Cummins in enforcing this Code

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under Principle No. 2 regarding treating people with dignity and respect, the Code states: “Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees.” It also states suppliers must respect employees’ right to bargain collectively and bans forced or child labor.

Under Principle No. 4 dealing with protecting the environment, the Code states: “Suppliers should establish means by which they understand the identity and quantity of the chemicals and compounds used in their operations and products.” It also states that “Suppliers should develop robust means by which they monitor measure and validate their use of materials and resources, discharges and emissions to understand and reduce their impact on the environment.”

Aligned to its 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

At Cummins, the belief is that education is a necessary tool and a foundation to uplift the weaker sections of society that provides a platform for individuals to succeed in their lives while also developing a pool of skilled resources that Cummins and many other corporates can benefit from. Opportunities for advancement of the weaker sections increase when education systems are aligned to address workforce needs. Special scholarship programs have been put in place to empower needy students with educational and financial assistance.

In 2006, Cummins India Foundation (CIF) initiated the ‘Cummins Scholarship Program’ for meritorious students from financially and socially disadvantaged backgrounds to pursue professional degree and diploma courses. Cummins also entrusts these scholars to its senior employees, who as mentors provide guidance through the entire duration of the course

Now in its 12th year, Cummins awarded 200 new meritorious and needy students with scholarships to pursue technical courses, taking the total number of scholars to 1139.

NGO Development

Supporting the underprivileged to lead safe, healthy and a better life, the Company partners with NGOs (non-government organisation) serving the hearing impaired, visually impaired, physically challenged, orphans and old age-elderly.

Improved infrastructure, health and wellness, techniques for conservation, robust assistive aids and new technology is provided as a medium to mainstream the residents into the society. Regular health and safety audits are conducted to ensure a safe living environment for all the residents at NGOs. Activities are aligned to the playbook (standard reference book) and are focused on three primary areas of development:

- Infrastructure Development & Health and Safety
- Conservation of resources
- Education, training & process improvement.

The Company has worked with partner NGOs in constructing new toilets, developing kitchen garden, implementing safety measures for the residents, upgrading the classrooms of the schools, installing e-learning tools and bringing best in class technology for better education of the kids. Partnering with IIT alumni, innovative technologies like digital Braille device have been introduced at the visually impaired NGOs. Following a successful pilot, this project is planned to scale-up and replicate across other blind schools.

Active employee participation and leadership involvement plays an important part in enabling a successful project implementation at all NGOs. Cummins has been engaging with NGOs close to the plant locations. Many good practices have been implemented in the existing NGOs at Pune and Phaltan locations. Following the strategy of 'organically grow and horizontally deploy the best practices', Cummins has partnered with two new NGOs at Ranjangaon and Phaltan sites while continuing its engagements with the existing NGOs. Making use of the right expertise, best practices deployed at the existing NGOs will be replicated at these new NGOs in the coming years.

Principle 5: Businesses should respect and promote human rights

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

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

The Company is committed to fair treatment which also extends to its joint ventures, suppliers and other partners. Cummins makes sure that its suppliers and partners treat their stakeholders in 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.

Cummins in the past month has received four honors for its work in sustainability, ethics and diversity:

- Cummins was named to Barron's first-ever list of America's 100 Most Sustainable Companies. Cummins finished 60th in the magazine's ranking, just behind Macy's and just ahead of Apple.
- Cummins received the highest ranking possible for its environmental and social performance from Institutional Shareholder Services (ISS), a key source of information for institutional investors. This is the first time ISS has reviewed companies on an environmental and social basis.
- Cummins was named one of the world's Most Ethical Companies by the Ethisphere Institute, a leader in defining and advancing the standards of ethical business practices. This is the 11th consecutive year that Cummins has made Ethisphere's list.
- Cummins was named to Forbes Magazine's first-ever list of the 250 Best Employers for Diversity in the United States. Cummins was 62nd on Forbes' list.

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

Cummins understands that it is their responsibility as a good corporate citizen to also be a good steward of our air, land and water. One out of Cummins' three focus areas for Corporate Responsibility is supporting environmental sustainability.

Environmental problems such as global warming and diminishing natural resources demand action, not only from government and individuals, but also from the business as well. Cummins demonstrates its commitment to the environment by producing the technology and products that reduce harmful emissions around the globe, and by reducing its own environmental footprint.

The Monsoon Resilient Maharashtra (MRM)

Maharashtra is home to millions of poor, marginal farmers whose existence depends largely on the annual rainfall (June to August) commonly known as "The Monsoon".

In the past few years, the state has been reeling under the onslaught of untimely monsoons and reoccurring droughts. The impact of this has been hardest on rural communities, especially poor farmers, women and children and other marginal sections of society. These groups depend largely on agriculture for their livelihoods and do not have financial or other buffers to sustain themselves through hard times. Since our organization has been a part of Maharashtra for more than five decades, this triggered an urgency to take up the vision of making Maharashtra resilient to the vagaries of the monsoon.

The "Monsoon Resilient Maharashtra" project aims to help farmer communities, who rely on rain-fed agriculture for their livelihood to become water secure and less dependent on monsoon. An important goal of the project is water budgeting or appropriate use of available water. In this, Cummins manages both, the supply side i.e. improving the quantity of water available to the community, and the demand side, which includes instituting correct agricultural practices and protocols.

To achieve this, Cummins has devised a scientific and holistic model consisting of three pillars, the first of which is hydrogeological study. This involves a detailed inventory of groundwater as well as a deep understanding of rock structures in the region, including, the mapping of underground aquifers. The success and effective execution of the second pillar, the watershed program is, in large part, a function of these hydrogeological inputs along with a detailed blue print of the region created using remote sensing data from satellites. The third pillar focusses on the participation of the community in every step of the watershed development. Concerted effort is made to build capabilities within the community to enhance engagement during the watershed implementation. In addition, Cummins enables them to manage and sustain the assets created during our process over the long term; thereby becoming permanently water secure. A key differentiating factor of the project is its experienced and skilled team of NGOs who have made use of cutting edge technology such as Geographic Information System, telematics, water sensors.

The project has been piloted in four villages in Koregaon Taluka of Satara district in Maharashtra and has benefitted 5,500 villagers. Based on the promising results from the pilot, Cummins plans to scale the project to fourteen more villages in Man Taluka, which is significantly more drought prone. The scale up will be executed through alliances and partnerships to ultimately deliver a massive project across the state of Maharashtra.

Clean Air Delhi

With a close understanding of pollution source apportionment, the clean air Delhi project has been initiated in collaboration with Government- NITI Aayog, Industry associations- CII (Confederation of Indian Industries) and Academia to form four task forces.

These task forces aim to address 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. At the current stage, a comprehensive review process of each of the report is currently being done by respective government departments. On completion, Cummins plans to formally submit the complete set of recommendations to the government for regulation formation and implementation.

E-Cycle! – Reduce, Reuse and Recycle

Addressing the imbalance between e-waste generation and its management in Pune and people's limited knowledge about e-waste, Cummins partnered with various NGOs, schools and local communities to create awareness on e-waste. Based on a detailed assessment, a project plan was developed to spread awareness on the ill-effects of e-waste amongst the residents of Pune.

Since then the project has been progressively increasing scale to reach wider audience and make more impact. Another unique aspect of the project involves Cummins employees reaching out to housing societies on the weekends when residents are available to receive information and contribute e-waste for collection. Large scale mega drives and campaigns have been conducted across Pune Municipal Corporation (PMC) and Pimpri Chinchwad Municipal Corporation (PCMC) areas to address the e-waste generation.

This project has grown organically from creating mass scale awareness to changing mind set about handling e-waste which contains toxic elements. Through this project, 22.7 MT of e-waste was collected and processed scientifically. Cummins acted as a major catalyst agent in setting up 22 permanent centres across the city for collection of e-waste established.

Coach Them Young

The Company believes that the first step in change management is to educate. School children are the ideal propagators as they are the future torchbearers of the world and have significant capability to learn, adapt and implement. With this thought, a nationwide environmental education campaign called 'Coach Them Young' project was launched in 2012, which created awareness about environmental issues. The program aims at connecting with students across the length and breadth of the country, leveraging the extensive Cummins network and of our partners including Dealership, Suppliers and Customers. The program has covered an array of topics over the years, including Air Pollution, Noise Pollution, Plastic usage and Recycling etc. The program, through sustained engagement with students every year aims at bringing generational shift in our future generations.

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.

Through this program in the last year a million students and till date close to three million students across the country were reached out to. The program aims at touching even more lives in the coming years

'Patravali'- Using Green Plates: Conserve water, Reduce plastic and Improve health

Demand and supply of water is a major problem faced by the society across the globe. Below average rainfall in last few years has aggravated the issue of water scarcity. City of Pune utilizes 40 million litres of water for washing utensils every day. Water mixed with soap and chemicals is released in the water bodies' causing pollution.

Another reason causing harm to the environment is the use of sub-standard plastic / thermocol plates for serving hot food. Plastic and thermocol plates are not biodegradable and end up in landfills taking more than 300 years to decompose.

Project Patravali aims at promoting the use of Green plates- utensils made from dried leaves of Sal tree (locally known as "Patravali") as an alternative for Steel, Plastic and Thermocol. The use of green plates would lead to prevention of land contamination, improving quality of human health by avoiding carcinogenic products and conserving water and avoiding large scale water pollution.

Benefits of the Patravali was communicated to thousands of citizens and devotees through various mediums like the print media and radio broadcast. In order to gauge the feasibility, a pilot was implemented at the Cummins cafeteria facility. On receiving a positive response, this project was then scaled up to reach a larger audience. Over 300,000 green plates and 1,100,000 bowls used through involvement of thousands of citizens. Another success story was the use of green plates by 35,000 pilgrims during the annual Pandharpur Wari, who traditionally had been using either plastic or thermocol plates.

The project would be scaled up and expanded further with the active support of the NGOs, our employees and community in the coming years.

"Ideal Immersion" - Innovative and eco-friendly way of dissolving Plaster of Paris (PoP) idols during festival times.

Each year, across India, the festival of Ganesh Chaturthi is celebrated on a large scale. Towards the end of this festival, beautifully carved and decorated idols are immersed into water bodies such as rivers, ponds, lakes and the sea or are land filled. The idols of deities are made of plaster of paris which is non-biodegradable. The immersion of this idol has a serious impact on the environment, as it disturbs the ecological balance by polluting water and adversely affecting the flora and fauna.

Recognizing the urgent need for a solution to minimize the environmental impact of this practice, engineers from Cummins succeeded in dissolving PoP material. To further optimize the process in terms of the time and chemicals required, Cummins partnered with premier national research institute, National Chemical Laboratory.

In partnership with Pune Municipal Corporation, National Chemical Laboratory, Cummins reached thousands of households for dissolution of PoP idols at the household level. Videos and other communication material were developed to spread awareness on the process of dissolving the PoP idol at individual homes or at the housing society level.

Scaling efforts to reach a larger community Cummins helped divert 0.3 million PoP idols, 1,000 tons of Nirmalaya and plastic from water bodies. Also the model of household idol immersion has been successfully replicated at five other locations.

Safe Chulha- Energy efficient way of cooking!

This is an initiative that positively impacts women and children in villages where traditional cooking with use of firewood is still predominant. The energy efficient - Safe Chulha initiated helps in reducing the smoke and toxic emissions, firewood consumption and save cooking time.

Through this campaign, Cummins has successfully leveraged the skills, time and passion of its employees who have played a major part in engaging with its NGO partners, identifying beneficiaries, training the volunteers and beneficiaries. Feedback collected from the users shows a very encouraging trend of usage with over 90% beneficiaries using the energy efficient stoves.

Safe Chulha Campaign 2017 saw completion of the targeted deployment of 2,200 safe and energy efficient cook stoves. This initiative has been replicated across model villages and the villages which are part of the Monsoon Resilient Maharashtra Project. The project in 2018 will gear up to reach all model villages across the five plant locations of Cummins.

Being the catalyst- The Water neutrality way!

Dams and reservoirs form an important source of water storage for cities and villages. Over the years, the capacity of dams to store water has been decreasing due to intense siltation. Dam de-silting involves removing the silt from the dam, thereby increasing its capacity to withhold and store water.

In a bid to increase the capacity of the Khadakwasla dam, Cummins has been working closely with the NGO Green Thumb, to help in its de-siltation. Silt removed through the process is then transported to other afforestation sites and NGO kitchen gardens. Also farmers from the nearby villages collect the nutrient rich silt from the site to enhance their organic farming and increase yield.

As part of the Every Employee Every Community (EEEC) initiative, Cummins employees have been passionately working together with the NGO to de-silt the dam. Cummins employee's expertise was utilized to conduct extensive contour surveys to understand the topography. Contour survey facilitated de-silting in a cost effective manner helping conserve 13,300 million litres Gallons of water

Collaboration with the NGO, civic authorities, elected members, and community continued this year too. Other corporates were encouraged to join the common objective of water conservation through various industry forums. Government having noticed the successful implementation of this project have replicated a similar model across seven states.

In continued partnership with the Army at the Aundh military station, Cummins desilted the 3rd lake resulting in conserving close to 757 million litres of water. The preservation of the lake and on-going afforestation efforts in the vicinity have resulted into widespread ecosystem development with varied species of flora and fauna thriving ever since the project has begun.

Gre-Engage – A sustainable pan India Afforestation program

Gre-Engage is a pan India afforestation campaign that aims at sustainable tree plantation and sustenance towards achieving the goal of increasing the green cover across all of our manufacturing and office locations in the country. This project helps build oxygen hubs by planting trees, harvesting rain-water, adding organic supplements to improve soil fertility, and building nesting structures to attract birds, thus eventually creating a full-fledged ecosystem. This program has multiple benefits for the community by preventing encroachment, increasing ground water levels and supporting farmers for their agricultural needs and augmenting the family income. This project also aims to address the effects of 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.

Gre-Engage is one of the longest running projects started in 2011 in partnership with many stakeholders that is reaching new milestones each year. Extending our commitment towards the project of Gre-Engage, Cummins has continued to maintain and sustain its ecosystem efforts. In the year 2017, more than 24,000 trees were planted while close to 95,000 trees were sustained.

Believing in working together, Cummins partnered with the forest department to create dense forests and build oxygen hubs in and around Cummins office sites while providing a safe haven to improve biodiversity of the site.

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

The Company works on various advocacy initiatives with the respective industry associations as partners. All the issues that Cummins works on are 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. Similarly, for issues on power generation, Cummins works with the Indian Diesel Engines Manufacturers Association (IDEMA). On broader issues relating to the environment and society, Cummins works with CII, FICCI and Assocham.

Cummins' major advocacy focus is on issues related to emissions for automotive, power generation and off-highway equipment sectors. Cummins had a 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 so as 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 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

Driven by a deep rooted belief that the opportunity to pursue a better life should be available to everyone, Cummins constantly tries to increase opportunity and equity for those most in need through targeted recruitment efforts as well as via various Corporate Social Responsibility projects that address social justice issues.

Higher Education in STEM for school going girl children – Empowerment of women and girls in the community

In line with 'Cummins Powers Women program'- A Global CSR initiative the Company will partner with a network of best in class non-profit organisations to accelerate the empowerment of the women and girls in the community.

The investment will include a range of effective programs including grass route teaching and mentoring, financial empowerment through entrepreneurship, leadership training and strategic guidance.

Cummins will support programs that advance education, equity, opportunity and social justice for the girls and will continuously track its development. The vision of this project is for Cummins to act as a catalyst in enabling girls coming from the most underprivileged background (semi-urban communities of Pune) to recognize and actualize their potential in STEM, gain higher technical education, enter the high-skilled workforce and ultimately become empowered.

Phaltan Town Development: The vision for this project is to make Phaltan a "livable model town", the best in its category and size in India, by 2030. Beginning with entry point, short-term projects that will improve the current condition of Phaltan, the team would simultaneously work on developing a holistic urban plan for a "Green Futuristic" town to be implemented by the local municipality and other Government agencies while Cummins providing the architectural design support apart from the development of the urban plan.

Creating 'Model Villages'

'Serving and improving the communities in which we live', is a Cummins value that is engrained within the employees and is well demonstrated in the rural development area where the Company has embarked on a journey to create model villages since 2010. The program is carried out in collaboration with Cummins employees and research institutes in various stages.

For village transformation, the methodology adopted was the Participatory Rural Appraisal (PRA), a tool used to calculate need assessments of the villages. The needs were prioritized and accordingly a final long term plan and framework was developed. The plan was implemented in a phased manner in collaboration with the community and all stakeholders. This is an exhaustive and detailed exercise which is aimed to bring out both stated and latent needs of the villagers.

The Cummins journey in rural development started with a village called Nandal near Megasite, today Cummins is working with 12 villages across India. Aligned to community needs assessment and Model village playbook, the Company has been working on Watershed Management, Agriculture, Education and Health, Social Engineering & Income growth. Over 22 check dams and 6 ponds, 1 drinking water well, 41 soak pits have been created saving close to 12,111 million litres of water in the villages. So far, total 39 Health Camps have been conducted in 12 villages. Benefitting 4,800+ villagers totally 21 schools were upgraded in 12 model villages providing access to 4,500+ students.

As a step towards building a sustainable community, this year Cummins' intervention was focused to aid income generation activities for the women at model villages. In line with this, Cummins launched a new initiative: 'Empower-Her'- Powering HER for a better tomorrow through which an all women self-help groups (Water ATMs, Milking machine, and Backyard poultry) was established as an entrepreneur model. Residential training for women entrepreneurs were conducted with the help of subject matter experts and other educational institutes. This project so far has helped 80 women to become economically self-reliant. Cummins plans to replicate and launch many such initiatives for helping women at model villages become confident and financially independent.

In partnership with a subject matter expert, Cummins introduced a cattle based scientific and organic farming. A pilot was launched with five model farmers and subsequent trainings were arranged to understand the scientific approach of farming. This initiative has garnered lot of support from the villagers and the benefits of this program has been prominently visible. Till date, close to 85 farmers have adopted and implemented organic farming in their respective farms. Manjarsumbha will be the first urea free village in India to have all the farmers of the village adopting scientific and organic farming practices. In order to reduce human interventions and increase agriculture efficiency Cummins has distributed modern agricultural tools and equipment to villagers. Organic farming complemented with the use of new equipment has resulted into increased agricultural yield leading to doubled income of many families. The produce created from organic farming is sold across villages and even brought to cities. To encourage the farmers, sale of the organic produce was arranged in the office premises of Cummins; this saw an overwhelming response from the employees.

Cummins has worked in collaboration with Maharashtra Industrial Development Corporation (MIDC) and has undertaken large scale plantation program for developing green cover across the industrial belts near Megasite. To ensure the sustainability, native variety of trees were identified in consultation with NGO, MIDC and a group of experts from your Company. The project progresses in phased manner, Phase I saw a total plantation of over a thousand trees near the Megasite. With an intention of creating employment for the locals, engagement of the manual laborers from local villages was prominent during the important phases of the project. With continued partnership with MIDC, the project will commence its Phase II of the plantation drive in the year 2018. Along with MIDC, Cummins has also jointly carried out major plantation drives with the forest department. Similar partnerships and collaborative model with eminent government organizations and NGOs have been established for successful deployment of Model village projects.

Signature Project with Cummins College of Engineering for Women, Pune-updated

The Cummins College of Engineering for Women (CCEW), India's 1st women's engineering college was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha. This project was taken up as a signature project in 2012-13. Under this initiative, the Company aims to enhance the quality of education so as to rank CCEW amongst the top 5% privately-managed engineering institutes in India.

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.

In 2007, with Cummins' support, CCEW launched its first four-year BE degree program in Mechanical Engineering in India. In 2011, the first all-women batch of 65 mechanical engineers in India, graduated with flying colours. In 2015-16, its silver jubilee year, the college was granted academic autonomous status by the University Grants commission from the academic year 2016-17. This is a significant milestone in the history of the college. This will allow women engineers graduating from this college, the opportunity to be even more sought after by the industry. Till date, 8300 women engineers have graduated from CCEW.

Cummins' engagement with the Cummins College of Engineering for Women, saw two significant milestones in the last year. The college commenced a post graduate course in Mechanical Engineering. With support from Cummins India Foundation and ANSYS, a Centre for Research and Intellectual Entrepreneurship and Research (CeRIE) was set up. CeRIE aims to inculcate research and innovation culture in faculty and students at the institute and help improve CCEWs 'All India College Ranking' by strengthening its research capabilities. Along with the CeRIE design lab, Cummins plans to set up a Government funded prototype centre and a Technology Business Incubator, thereby ensuring research capability, which will further help to incubate and commercialize ideas.

Technical Education for Communities (TEC)

Today, many communities are facing a growing problem: increasing skills gaps resulting in unfilled jobs and high unemployment rates. Global communities deserve improved educational outcomes to create jobs that make families and communities stronger. Cummins and the Foundation are investing in education right now through Technical Education for Communities (TEC), a global initiative that targets the technical skills gap through local vocational education programs. TEC delivers a standardized education program and set of tools to help education partners develop market-relevant curriculum, teacher training, career guidance and the practical experience needed by students.

Cummins has been associated with the Industrial Training Institute (ITI) at Phaltan since 2010 and has steadily enhanced the infrastructure and skills sets of staff and students. To address the market relevant skill requirements, Cummins initiated English speaking, employability and soft skills training for the students who are from local villages in and around Phaltan. The addition of a state of the art welding simulator helps students gain expertise in welding. Furthermore, creating the right environment in the school by providing and maintaining clean and hygienic washrooms on par with those at Cummins facilities, has also resulted in women candidates opting for vocational education.

Aligned to Cummins' CSR strategy of horizontally deploying its learnings and the Cummins Operating System of treating suppliers as partners, another TEC site was initiated at Kolhapur. This site has the distinction of being the first global site where the supplier is the front face and Cummins is providing functional excellence. Cummins' collaborative efforts have resulted in women joining the institute for the very first time in 2016-17 and this trend continued during the course of the year.

Cummins' engagement with ITI's in Phaltan and Kolhapur as part of the Global Technical Education for Communities program continued and both sites have shown progress.

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 38 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 78% 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 Customer Assistance Cell to its customers to reach out through a Toll-Free number or e-mail to register their grievances. In the Financial Year 17-18, 323 complaints were registered, 29 of which were under resolution on March 31, 2018. There were 24 active consumer litigations at the end of March 2018, down from 31 in April 2017, with 10 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.

Notes

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Business Responsibility Report 2017-18

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, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

- Cummins India Leadership Team

Building Leadership skills at multiple levels in the organization through a series of initiatives -

- High Performance Teamwork
- Executive Development Program
- Global Leadership Development Program
- Building Success in Others Program
- Cummins Leadership Culture Sessions
- Growing Women Leaders Program focusing on increasing women in leadership roles
- Sponsored Education for management and technical development with premier institutions
- Special certification on Industrial Relations for managers engaged in plant roles

Corporate Responsibility

Cummins India Foundation Impact

Meaningful sustainable projects focusing on Higher Education, Energy and Environment and Equality of Opportunity.

Cummins Scholarship Program

Making higher education accessible to meritorious students from financially and socially disadvantaged backgrounds.

200 students awarded scholarship this year

1,139 students benefitted till date

E-Cycle! - Reduce, Reuse and Recycle electronic waste

Partnering with NGOs in creating awareness on e-waste, and ensuring effective collection and processing through authorized channels.

22.7 metric tons e-waste collected and processed

22 permanent centers for e-waste collection established across the city

GreEngage

A sustainable pan India afforestation program that aims at sustainable tree plantation and sustenance towards increasing the green cover across all Cummins' manufacturing and office locations in the country.

Also helps build oxygen hubs by planting trees, harvest rain-water, add organic supplements to improve soil fertility, and build nesting structures to attract birds, thus eventually creating a full-fledged ecosystem.

24,000+ trees planted last year

95,000+ trees sustained till date

Coach Them Young - School Children become 'Change Agents'

Cummins continues to scale-up the nation-wide education campaign 'Coach Them Young' year-on-year to create awareness amongst students on important environment issues such as solid waste management, air, water and noise pollution. In the last year alone, over a million students from across the country were reached out to.

3,300,000 students from across the country reached out to till date

Going Green with Patravali

Project Patravali aims at promoting the use of green plates - utensils made from dried leaves of Sal tree (locally known as 'Patravali') as an alternative for steel, plastic and thermocol.

300,000+ green plates
1,100,000 bowls used

Safe Chulha - Energy efficient way of cooking

C.A.R.E SafeChula

An energy efficient initiative used to replace the traditional means of cooking involving fire and wood in villages.

2,100 safe and energy efficient cook stoves deployed

Creating Model Villages

A holistic developement approach to build self sustainable communities. With the success of the Nandal village in Maharashtra, this project is now being replicated across many other villages in India, situated near Cummins' manufacturing plants.

22+ check dams 6 ponds 1 drinking water well 41 soak pits 21 schools upgraded

Close to 1,211 million liters of water saved Benefitted 4,800+ villagers

Technical Education for Communities (TEC)

Partnering with Industrial Training Institutes in order to develop market relevant curriculum, provide teacher training, career guidance and practical experience for students pursuing vocational education-

- In Phaltan which houses the largest manufacturing campus
- In Kolhapur where majority of suppliers are based

Kolhapur is the first global site where the supplier is the front face and Cummins provides functional excellence. Cummins' collaborative efforts have resulted in girls joining the institute for the very first time.

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The newly introduced Masters course in Mechanical Engineering and 'Centre for Research and Intellectual Entrepreneurship and Research' (CeRIE), in addition to other plans to enhance research and innovation capabilities of the institute, makes CCEW much sought after for young aspiring engineers.

8,300+ women engineers since 1991

Three new Long Term Strategic CR projects being undertaken -

Clean Delhi Air - Taking the lead in collaborating with the Confederation of Indian Industry (CII), the Niti Aayog, government authorities, NGOs, academia and other industries in devising a holistic and databased road map to rid the capital of its worsening pollution levels.

Monsoon Resilient Maharashtra - Towards helping the rain dependent rural communities in the state, institute measures to lessen their dependency on monsoon and become self-sufficient.

Phaltan Model Town - To envisioning a model city setup for Phaltan by developing a holistic urban plan with the help of government agencies.

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

- 95.19% recycling rate*
- The plants are in the process of ISO 50001 certification
- 625 KWp capacity solar power plant installed at the Cummins Megasite, Phaltan
- Around 2000 trees planted at the Company's sites last year

*Data pertains to Cummins India Ltd.

"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."

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Health and Wellness

7 Levers of Healthy Lifestyle

- Physical Activity
- Nutrition
- Sleep
- Stress Management
- Substance Free (staying away from addictions)
- Clean Water
- Sunshine & Clean Air

Who we are

A group of complementary business units that design, manufacture, distribute and service engines, generator sets and related technologies.

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1962

India Headquarters

Cummins India Office Campus, Pune

Over **3,750** employees across India

Women represent

24% of the total workforce

Markets and Segments

- Serves domestic markets in India, Nepal and Bhutan and exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations
- Caters to segments such as construction, compressor, mining, marine, railway, oil and gas, pumps, defence and power generation

Net Sales

₹4,952 crores

Cummins India Ltd. facilities

5 world-class factories and

1 Parts Distribution Center

450+ Service Touch Points

All factories and offices demonstrate the five principles of sustainability

Safe

Green

Clean

Lean

Diverse

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