



Ref: STEX/SECT/2023

July 07, 2023

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

**Subject: Submission of Notice of the 62<sup>nd</sup> Annual General Meeting and Annual Report for the Financial Year 2022-23.**

Dear Sir/ Madam,

We wish to inform you that the Sixty-second Annual General Meeting (“AGM”) of Members of Cummins India Limited (‘Company’) is scheduled to be held on Thursday, August 03, 2023, at 4.00 P.M. (IST) through Video Conferencing (“VC”) / Other Audio-Visual Means (“OAVM”) facility.

In terms of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure) Regulations, 2015 (“SEBI Listing Regulations”), please find enclosed herewith the copy of 62<sup>nd</sup> AGM Notice and Annual Report of the Company for financial year 2022-23 being sent to the Members of the Company through electronic mode.

The aforesaid documents are also available on the website of the Company at [www.cumminsindia.com](http://www.cumminsindia.com).

We request you to please take this intimation on your records.

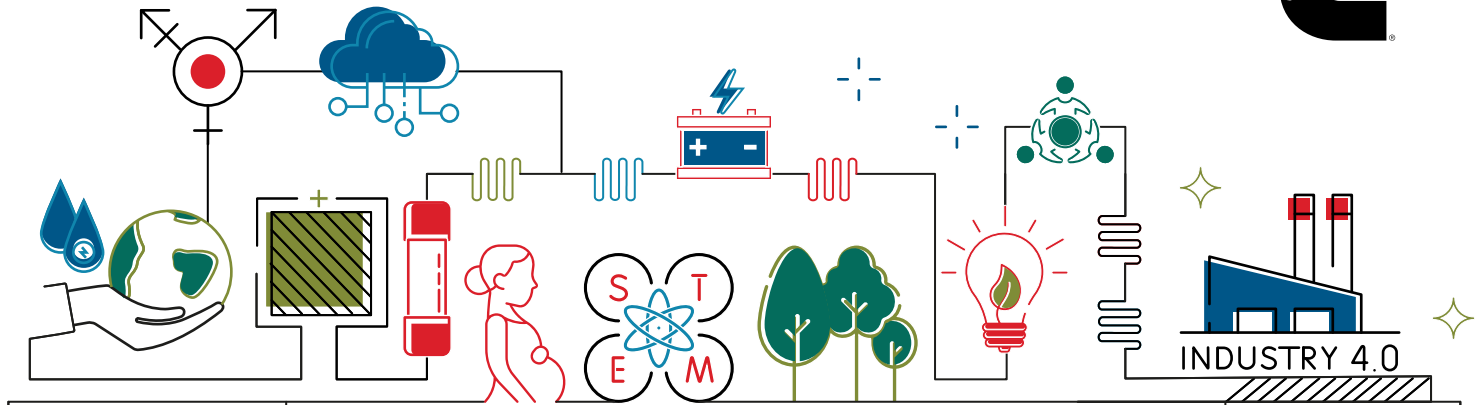
Thanking you,

Yours faithfully,  
For Cummins India Limited

Vinaya A. Joshi  
Company Secretary & Compliance Officer

Encl.: As above.

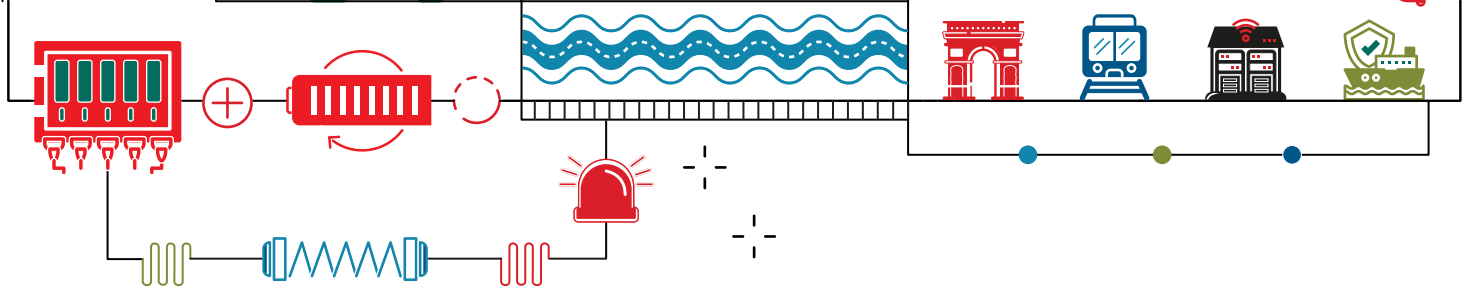
*(This Letter is Digitally Signed)*



**POWER WITH  
PURPOSE**



**Cummins India Limited**  
Annual Report 2022-23



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## ABOUT THE COVER

At Cummins, we strongly believe that progress should be purpose-driven. With a deep-rooted commitment to 'Power with Purpose', we continue to build on our illustrious legacy of accelerating India's growth story for over six decades - powering customer success, developing our people and communities, and protecting our planet. Guided by our core values, we deliver on our brand promise of innovation and dependability by embracing responsible business practices every single day, paving the way for a sustainable future for our customers, communities, nation and the planet.

At Cummins, we are driven by ‘Power with Purpose’. Our purpose is to sustainably power a more prosperous world for everyone.

**Steven M. Chapman**

Chairman, Cummins India Limited (CIL)



*Dear Shareholders,*

As the Company celebrated its 60th anniversary in 2022, let me begin by expressing my deepest gratitude to all our shareholders, both past and present. Your unwavering trust in the Cummins brand and your **shared commitment to our mission, vision and values have been integral to our success.**

The dedication to our **purpose, people and impact** remained at the forefront of all that we accomplished in the past financial year, 2022-23. We successfully propelled our company strategy forward and extended a positive impact on our valued customers, investors, suppliers, employees, communities and the planet.

I am pleased to report that FY 2022-23 was a year of **outstanding performance** for your Company. We recorded **the highest-ever revenue and profit for the second financial year in a row** due to strong demand across various market segments and geographies and the conscious efforts by the Company on managing costs and improving profitability. Despite inflationary pressures and geo-political headwinds, we sustained our growth momentum. As a part of a globally integrated supply chain network, we were able to mitigate the impact of ongoing supply chain constraints and meet customer demand, underscoring the resilience of our business.

At Cummins, we are driven by ‘**Power With Purpose**’. Our purpose is to sustainably power a more prosperous world for everyone. This purpose guides us every day to live up to our brand promise of innovation and dependability and contribute toward the progress of all our stakeholders. In FY 2022-23, **we continued to serve our customers, focused on empowering our communities,** and as part of our PLANET 2050 strategy, we worked on various environmental projects guided by the mantra: **use less, use better, and use again.** We aim to lead the way toward a prosperous and

more sustainable future for all while helping our customers succeed.

We also understand the importance of Diversity, Equity and Inclusion (DE&I) in powering innovation and leveraging it as a competitive advantage. Our enhanced global DE&I strategy focuses on policies and processes that support the hiring, retention, advancement and development of our **people** to create a talent ecosystem that is future-ready and able to help us achieve our goals.

2022 was also a momentous year for Cummins Inc. with the appointment of Jennifer Rumsey as our new Chief Executive Officer on August 1. She made history as the first woman to hold this prestigious position in the company’s over-century-long history. Tom Linebarger, our long-standing global CEO, transitioned to the role of Executive Chairman, cementing Cummins’ commitment to diverse and capable leadership.

Your Company’s **focus on innovation and growth** has never been stronger, and I am excited about the potential that lies ahead for us. By staying nimble and responsive to external and economic indicators and their impact on our customer demand and operations, your Company is well-positioned for long-term profitable growth. I am grateful for your continued contributions to our success and look forward to achieving even greater things together.

Together, we will shape the next six decades and beyond.

I would close by saying that, however good we are today, we know the best is yet to come.

Thank You,

**Steven**

# Cummins India Limited

## Who We Are ?

A group of complementary business units that design, manufacture, distribute and service - engines, generator sets and related technologies.

Founded in

# 1962



## India Headquarters

Cummins India Office Campus, Pune



# 3,161

permanent employees and workers



### Cummins India Facilities

# 5

world-class factories



# 1

parts distribution center



# 480+

4s service touchpoints



# 110

retail touchpoints



# 21.3%\*

gender diversity

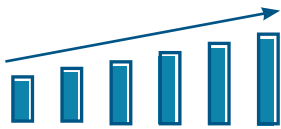
Serves markets in **India, Nepal and Bhutan** and exports its products to various countries across the globe with USA, Europe, Mexico, Africa, Middle East and China being the top destinations



Caters to end markets such as construction, compressor, mining, marine, railway, oil and gas, pumps, defence and power generation



Net Sales



# ₹7,612 Crores

**5** principles of sustainability demonstrated by all factories and offices



Safe



Clean



Diverse



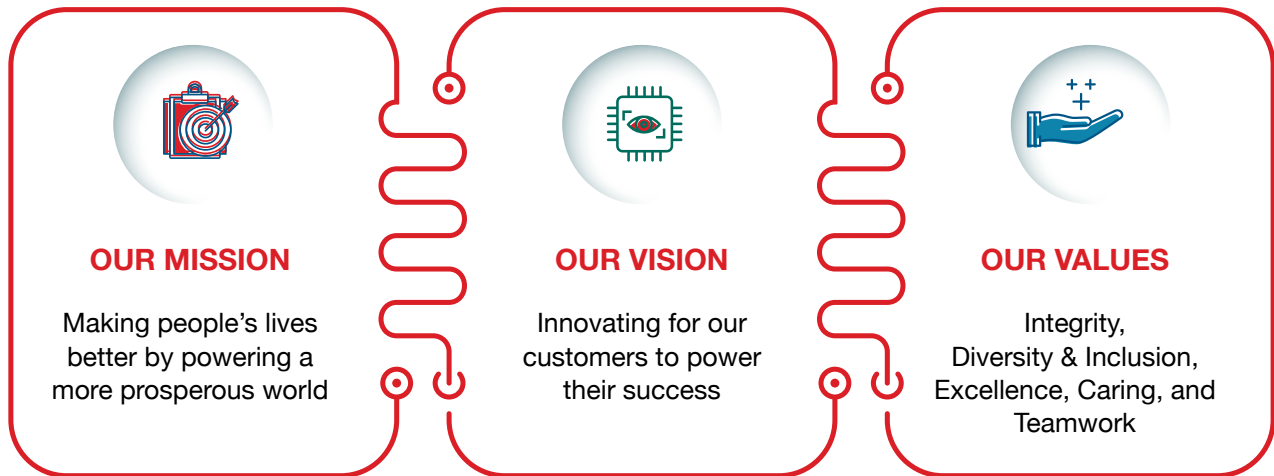
Lean



Green

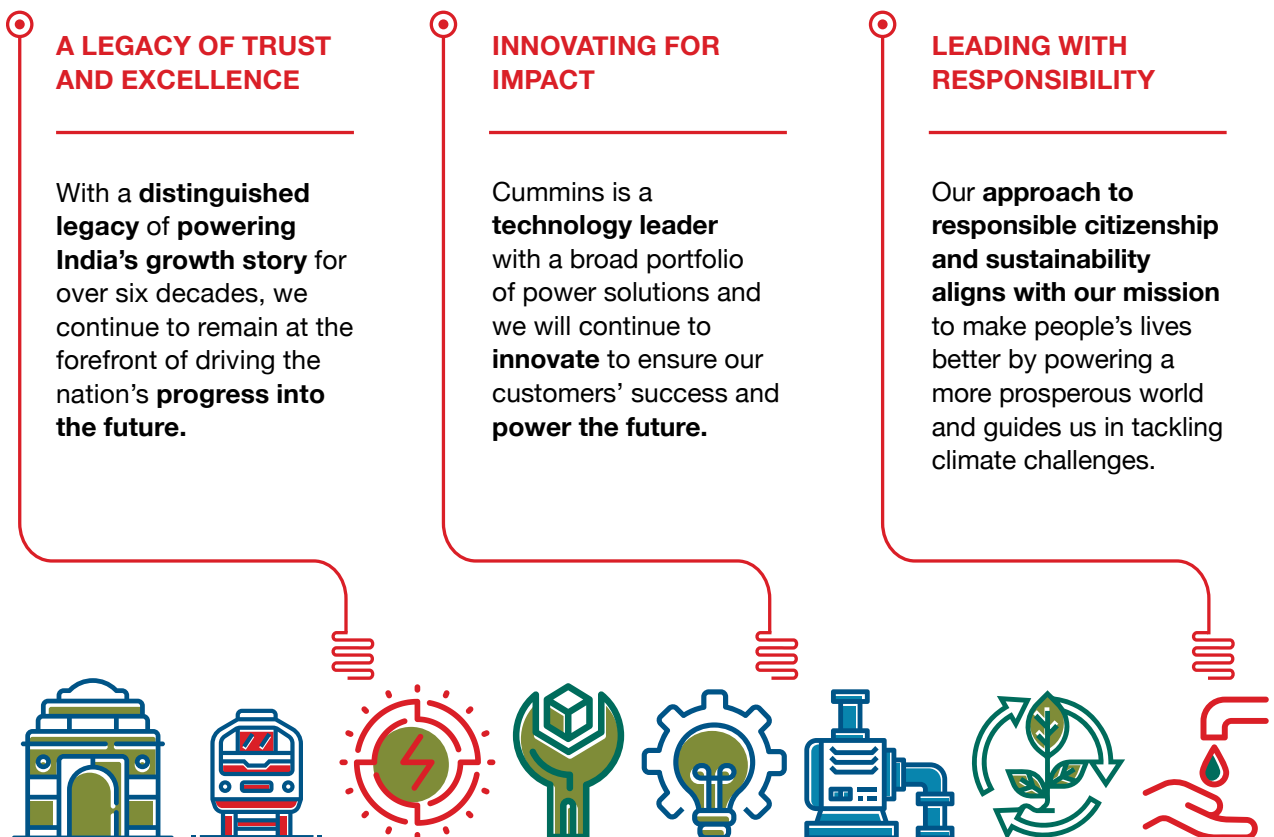
\*For permanent employees and workers only.

# Our Story



# Power with Purpose

The essence of the **'Power with Purpose'** theme lies in our unwavering commitment to go beyond achieving success to make a positive and meaningful impact on people and the planet. It embodies our relentless pursuit of **innovation** and **excellence**, our dedication to **responsible practices**, and our steadfast focus on **sustainability**, aimed at creating a better future for our stakeholders and communities.





At Cummins, at the heart of our mission to power a more prosperous world lies a deep-seated purpose of empowering our people and communities. The Company has always been driven by the ethos of **‘Power with Purpose’** that has underpinned our success for over six decades and continues to shape a sustainable and prosperous future for everyone.



The Company reported the highest ever revenue, outstanding domestic sales, and record-breaking exports, which are a testament to the resilience and agility of our business in meeting the evolving needs of our customers.



**Ashwath Ram**

Managing Director, Cummins India Limited (CIL)

*Dear Shareholder Family,*

I hope this letter finds you in good health.

As we celebrate another successful year, I want to thank you, reflect on our accomplishments and look ahead into the future.

2022 was a remarkable and historic year for our country – India, and your Company, Cummins India Limited (CIL). As India celebrated its 75th year of independence, your Company also marked 60 years of its presence in India and is proud to have been a part of the country’s growth story. Since 1962, we have believed in the potential of our country and focused on opportunities to fuel its progress.

Despite macroeconomic headwinds, we witnessed a surge in demand across our domestic and export markets in the past fiscal year, 2022-23, resulting in a stellar financial performance.

We owe this success to the hard work and dedication of our employees and the unwavering support of our customers, investors, shareholders and partners. These achievements were further bolstered by several tailwinds driving India’s economic growth, including the government’s impetus on infrastructure development and domestic manufacturing, stringent emission norms, alternate fuels, rail, and other electrifications, and various favorable policies.

Throughout FY 2022-23, your Company continued to witness strong demand for its products in domestic and international markets. Demand was robust in business segments like Power Generation for end markets like data centers, hospitality, commercial realty and manufacturing. The Aftermarket business also contributed strongly

to the Company’s success by living up to its commitment to provide exceptional service and support to our customers.

Exemplifying the success of the ‘Make in India’ initiative and bolstering our association with the Indian Railways (IR), the Indian Army, and the Indian Navy, the Company excelled in providing indigenous and integrated customized solutions such as the Hotel Load Converter, Diesel Electric Tower Car (DETC) propulsion system, and bagged the maiden order for submarine genset application.

Demonstrating our ongoing **commitment to Health, Safety and Environment (HSE)**, the Company maintained its focus on sustainability initiatives such as waste recycling, Greenhouse Gas (GHG) reduction, solar PV installations, regenerative dynos, water conservation, treated water reuse, water neutrality, green supply chain, and returnable packaging.

At Cummins, at the heart of our mission to power a more prosperous world lies a deep-seated purpose of empowering our people and communities. The Company has always been driven by the ethos of **‘Power with Purpose’** that has underpinned our success for over six decades and continues to shape a sustainable and prosperous future for everyone. Our long-standing commitment to our stakeholders—our communities, customers, employees, partners and shareholders— remains a top priority and is guided by a strong focus on powering their progress.

A sustainable future is built on the foundation of good governance and strong economic performance. These factors are critical for the long-term success of any business. With this in mind, I am happy to share that starting FY 2022-23, CIL Annual Report will now include a comprehensive



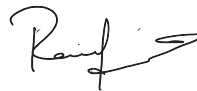
**Business Responsibility and Sustainability Report (BRSR)** in line with the reporting governance process established by the Securities and Exchange Board of India (SEBI). The BRSR will cover a range of critical focus areas, including CIL’s environmental impact, social impact, and governance performance.

As we look to the future, we see a world that is transforming at an unprecedented pace and demands fresh thinking, bold action and innovative solutions. At Cummins, we are committed to being at the forefront of this change. We are committed to reducing our carbon footprint, using fewer natural resources and acting transparently. We will achieve this by executing our PLANET 2050 sustainability strategy and investing in designing and developing critical technologies. However, we cannot do this alone and must partner with all our stakeholders to make a positive impact. With our unique product

portfolio, strong balance sheet, global supply chain, and world-class infrastructure and talent, we are well-positioned to navigate today’s challenges to unlock tomorrow’s opportunities.

At Cummins, we recognize that our success is built upon the trust and support of our employees, customers, shareholders, partners, investors, suppliers and communities. We are committed to accelerate this momentum and work collaboratively to drive meaningful progress and become the best company in the world.

Thank you for your trust in the Cummins brand.



Ashwath

## FY 2022-23 Key Business Highlights



**CIL CELEBRATED 60 GLORIOUS YEARS OF POWERING INDIA**

### POWER GENERATION



**25,000+**  
generator sets delivered, providing nearly 4,800 MW power to customers across India

**2,000 kVA**  
Prime Genset powered by rugged K50 engine launched

### POWER GENERATION INDUSTRIAL



**Supported Indian Railways (IR) in achieving its Mission of Electrification** through ‘Make in India’ products; secured order for the design and development of ‘Make in India’ Hotel Load Converter



**Strengthened our presence across applications** to support an increase in coal production



**Solidified our association** with the Indian Army and the Indian Navy



Continued support to the City Gas Distribution infrastructure



Product portfolio expansion of FM/UL-certified engines

## DISTRIBUTION BUSINESS



Received '**Green Channel Status**' from the Ministry of Defence, Government of India, for a period of five years to supply diesel engines and related parts



Achieved highest ever Net Promoter Score (NPS)

**720,000**

Record service calls logged during FY 2022-23, the highest to date



New integrated technical training facility inaugurated at Phaltan



**New products launched:** Retrofit Emission Control Kit (RECD), Cummins Brake Lining, Cummins Funnel Fuel Filter, New range of Clutches, Power Booster Kit

## CONSTRUCTION



**Business wins from new and existing customers** in tracked and wheeled equipment category



Moved to new-generation electronic 4-cylinder and 6-cylinder engines (from mechanical) to meet **CEV Bharat Stage IV/V emission norms** for Construction Equipment Vehicle (CEV) applications

## POWER GENERATION EXPORTS



Launched **Gensets fit for the Low Horsepower (LHP) rental** segment



Launched **New Series of Fit-for-Market Gensets** powered by B3.3, 6B, QSB7 and QSL9 engines for unregulated markets



**Record Sales** driven by LHP Products, Powergen, and Industrial Engines Exports

# Awards

FY 2022-23 was truly extraordinary for Cummins India Limited, as we received recognition not only for our exceptional products but also for making a positive impact on the communities we touch. Our relentless commitment to innovation, integrity, caring, diversity and inclusion (D&I), and excellence, played a pivotal role in powering the success of all our stakeholders.



**Golden Peacock Sustainability Award 2022** in the engineering sector



**Green Channel Status Certification** for Distribution Business Unit (DBU) by the **Ministry of Defence, Government of India** for a period of five years

## **Ambition Box 'Best Places to Work in India 2022'**

Among the TOP 25 Companies in Large Category



**Golden Peacock Occupational Health and Safety Award 2022** in the engineering sector

## **"Gold" employer in the India Workplace Equality Index (IWEI) Top Employer 2022**



# Financial Performance 2022-23

An interim dividend of ₹12 per fully paid-up share (600%) declared in Q4 FY 2022-23.

FY 2022-23 concluded with the Board recommending a final dividend of ₹13 per fully paid-up share (650%) aggregating to **₹25 per share** (1250%), subject to your approval at the Annual General Meeting.



## Revenue from Sale of Products and Service

|                       |            |
|-----------------------|------------|
| <b>2022-23</b>        | % Var      |
| <b>₹ 7,612 Crores</b> |            |
| <b>2021-22</b>        | <b>26%</b> |
| <b>₹ 6,026 Crores</b> |            |



## Domestic Sales

|                       |            |
|-----------------------|------------|
| <b>2022-23</b>        | % Var      |
| <b>₹ 5,562 Crores</b> |            |
| <b>2021-22</b>        | <b>26%</b> |
| <b>₹ 4,416 Crores</b> |            |



## Export Sales

|                       |            |
|-----------------------|------------|
| <b>2022-23</b>        | % Var      |
| <b>₹ 2,050 Crores</b> |            |
| <b>2021-22</b>        | <b>27%</b> |
| <b>₹ 1,610 Crores</b> |            |



## Profit Before Tax

|                       |            |
|-----------------------|------------|
| <b>2022-23</b>        | % Var      |
| <b>₹ 1,506 Crores</b> |            |
| <b>2021-22*</b>       | <b>47%</b> |
| <b>₹ 1,027 Crores</b> |            |



## Net Cash Generated From Operations

|                     |            |
|---------------------|------------|
| <b>2022-23</b>      | % Var      |
| <b>₹ 811 Crores</b> |            |
| <b>2021-22</b>      | <b>15%</b> |
| <b>₹ 707 Crores</b> |            |

\*Profit before exceptional items and tax.

# Always Customer-Driven. Always Innovating.

At Cummins, our customers are the driving force behind our business strategy, influencing every step of our journey. In FY 2022-23, the Company has made significant strides to meet customer needs by launching a comprehensive suite of new products for both domestic and export markets, while simultaneously improving its existing product and service offerings. We continued to prioritize our partnership with all stakeholders including key Original Equipment Manufacturers (OEMs), end-users across operating segments, suppliers and our communities.



## INDUSTRIAL BUSINESS



### Railways

- **Powering Indian Railways' Mission of Electrification through 'Make in India' products**

Secured order from Indian Railways for the design and development of the 'Make in India' Hotel Load Converter for auxiliary power



### Pumps

- **Product portfolio expansion of FM/UL certified engines**

To increase presence in the fire pump market globally, your Company continued to expand the product portfolio of FM approved and UL listed engines



### Mining

- **Fortifying presence across applications to support coal production expansion**

Your Company maintained position in the 60T dump trucks and heavy line excavator market while onboarding new OEMs to bolster presence in the mobile crusher business segment



### Marine and Defence

- **Strengthening our association with the Indian Army and the Indian Navy**

Consistently provided integrated customized solutions compliant with stringent naval standards for warships. Your Company also bagged its maiden order for submarine genset application.

Your Company successfully ramped up the engine production for wheeled defence applications for domestic and export requirements.



1 MW DG set for Naval Application



Commercial Marine DG set



### Oil and Gas

#### ■ **Reliable power for City Gas Distribution Infrastructure**

Your Company witnessed record growth in the supply of gas engines due to increased government impetus and transition toward the City Gas Distribution Infrastructure



### Construction

#### ■ **Reinforcing our market presence with future-ready products and a customer-centric approach**

By prioritizing customer focus and offering a compelling value proposition, your Company earned business from new and existing customers across tracked and wheeled equipment categories

Capitalizing on global experience, solid technological know-how, and strong partnerships with major equipment manufacturers, your Company introduced two new engines (4-cylinder and 6-cylinder engine platforms) to strengthen its market presence

#### ■ **Powering a Cleaner India**

With a strong commitment to advancing a cleaner India, the new-generation electronic 4-cylinder and 6-cylinder engines (from mechanical) are ready to meet the Construction Equipment Vehicle (CEV) Bharat Stage IV/V emission norms for CEV applications across Off-Highway Wheeled and Tracked categories



## POWER GENERATION

**Upholding the brand promise of innovation and dependability, your Company delivered value by focusing on Fit For Market and optimized**

**products, and strengthened partnerships with customers across all end-user markets.**

- With a relentless focus on delivering exceptional value, the 2000 kVA Prime Genset powered by the rugged K50 engine was launched to provide superior power density and optimized total cost of ownership to our customers
- By fulfilling High Horsepower genset orders for major hyperscale datacenters in India, your Company demonstrated its commitment to deliver robust, innovative and dependable products



2000 kVA Prime Genset powered by the rugged K50 engine

- The Central Pollution Control Board (CPCB) of India has announced the implementation of CPCBIV+ emission norms for Power Generation (up to 800kW), effective from July 1, 2023. Your Company – through its well-established technology leadership – is preparing for the same and is well equipped to meet the new emission norms.



### Exports

- Your Company's growth in exports revenue in FY 2022-23 was primarily driven by increase in:
  - **Low Horsepower products:** Q-Series and 6B Gensets and Coolpacs driving sales across markets
  - **High Horsepower Powergen engines:** K50 Engines driving sales to intercompany plants
- Your Company has undertaken several product improvement initiatives to strengthen its position in the Powergen markets. This includes enhancements to existing products along with

cost optimization, called Fit For Market (FFM) products.

Your Company launched:

- Gensets fit for the Low Horsepower Rental segment
- New Series of Fit for Market Gensets powered by B3.3, 6B, QSB7 and QSL9 Engines for unregulated markets - Africa Middle East, Asia Pacific and Latin America

- Along with the improvements in products and processes, your Company is leveraging the channel synergy '**One Team**' initiative to improve customer understanding and sales
- Your Company witnessed record sales for exports driven by LHP Products, Powergen and Industrial Engines Exports
- Your Company saw strong demand for Industrial Marine Engines in the Asia Pacific and North America markets



## DISTRIBUTION BUSINESS

Delivering exceptional service, support and sales throughout the product lifecycle, our Distribution Business Unit (DBU) continued its growth journey on the back of strong demand and solid execution, achieving a record-breaking year.

### KEY HIGHLIGHTS



#### Service

# 88%

An all-time high **Net Promoter Score (NPS)** is a testament to the deep-rooted customer loyalty toward the Cummins brand, and its service support

# 95%

- Achieved 95% 4-hour Service Response

Guarantee and further strengthened our commitment to provide time-bound service to customers

- Offered 2-hour Service Response Guarantee for critical sub-segments in Powergen

## 7.2 Lakh

Logged an unprecedented number of service calls, reaching a record-breaking 7.2 Lakh during FY 2022-23, with the **highest monthly calls ever recorded at 72,657** in December 2022. This remarkable surge can be attributed to the upswing in economic activity. Notably, over 80% of these calls were related to preventive maintenance, highlighting our customers' strong inclination to prioritize equipment upkeep and maintenance.

- A new **Integrated Technical Training Facility** was inaugurated at Phaltan and the existing Cummins Technical Training Centre (CTTC) was transformed into an **Electronic Engines Training Center**



Inauguration of Integrated Technical Training Facility at Phaltan



#### Sales

- Appreciation letter received from the **Oil and Natural Gas Corporation (ONGC)** for successfully repowering their Kenworth truck with an advanced X15 engine model, with minimal modifications
- Won the first-ever **Comprehensive Annual Maintenance Contract (CAMC)** solution contract order from the **Indian Navy**



### Product Launches

- **The Retrofit Emission Control Kit (RECD)** employs state-of-the-art filter-less technology and electrostatic precipitation fundamentals to significantly enhance air quality and achieve a Particulate Matter (PM) capture efficiency of over 70%. This innovative solution, launched in collaboration with PI Green Innovations Pvt. Ltd., enables customers to comply with National Green Tribunal (NGT) guidelines for operating Diesel Gensets.



DBU team at the RECD launch in August 2022

- **Cummins Brake Lining:** Part of the On-Highway allied product portfolio, the Brake Lining range is manufactured from an asbestos-free, ecological friction material with efficient braking and good wear characteristics, and caters to a wide range of applications like trucks, trailers, buses, coaches, etc.



- **New range of Clutches:** Available to the On and Off-Highway markets, the newly improved range of Clutches offers diverse applications across commercial vehicles, tractors, cranes, forklifts, and more



- **Cummins Funnel Fuel Filter** is a new heavy-duty, fast-flow filter in a funnel that effectively separates damaging free water and contaminants from gasoline, diesel, heating oil and kerosene. It is suitable for applications where fuel is not directly used from the dispensing units but is stored and handled at sites.

- **Power Booster Kit** is a combination of filters, engine oil and service required to carry out basic maintenance activity for the diesel gensets. It is a comprehensive and cost-effective solution for customers seeking a single-point hassle-free service for their genset.



### Others

- The All India Dealer Meet 2023 was hosted with the resounding theme of 'JEET- Think Big!', to recognize the contribution of our dealers to our growth and paving the way for future success





- **Revolutionizing the Cummins Dealer Operating System (CDOS) with Project OPTIMUS Launch:** Powered by Salesforce, this cutting-edge initiative aims to unlock the full potential of our business and channel partners. By streamlining processes and introducing features such as Customer 360, Engine 360, and Dealer 360, it enhances the customer experience and drives growth by capitalizing on market opportunities.

- **Dealer Management System launched for On-Highway parts distributors:** This system comprises Sales, Order Management, and Inventory modules to simplify the order and inventory management process. The system also allows monitoring and analysis of primary and secondary sales in real-time, thereby identifying potential opportunities to implement pricing strategies and sales schemes.



## INDIA TECHNICAL ORGANIZATION

- **Harnessing Innovation and Research and Development (R&D):** In FY 2022-23, your Company capitalized on the innovation and R&D capabilities of the India Technical Organization (ITO) to introduce a range of cutting-edge products for Powergen and Industrial applications, catering to domestic and export markets
- **Material Cost Optimization:** Your Company maintained a relentless focus on driving down material costs for both new and legacy products
- **Product Development for CPCB IV+ Emission Norms:** Demonstrating our commitment to environmental sustainability and regulatory compliance, your Company is gearing up to introduce new products for CPCB IV+ to meet the emission compliance norms for Powergen products in India

- **Enhancing Productivity through Test Cell Infrastructure:** With a strong focus on efficiency, your Company invested in state-of-the-art test cell infrastructure to achieve increased productivity through better asset utilization and data quality



## QUALITY AND MANUFACTURING EXCELLENCE

- **Transforming Operational Excellence and Customer Success:** Your Company remains committed to transforming operational performance across all functions of the integrated supply chain, delivering enhanced efficiencies and ensuring customer success. Through an accelerated digitalization journey, we are achieving end-to-end visibility across the supply chain and step-jump improvements.



- **Advancing Quality Standards:** Our highly successful next-generation **Accelerated Move toward Zero Defect (AMaZe 4.0) program** closed 500+ projects, resulting in remarkable year-on-year improvements of more than 16% across key quality performance indicators. Recognizing the pivotal role of our supplier partners, we engaged **14 key partners** to adopt AMaZe, driving continuous improvement throughout their value chain. With a strong focus on Preventive and Predictive approaches, we aim to foster a **Zero Defect Mindset** culture and enable the Safe Launch of new products aligned with the CPCB IV+ standards. Through our **Intelligent Quality Tools and Methods (IQTM) and Six Sigma** initiatives, we are driving

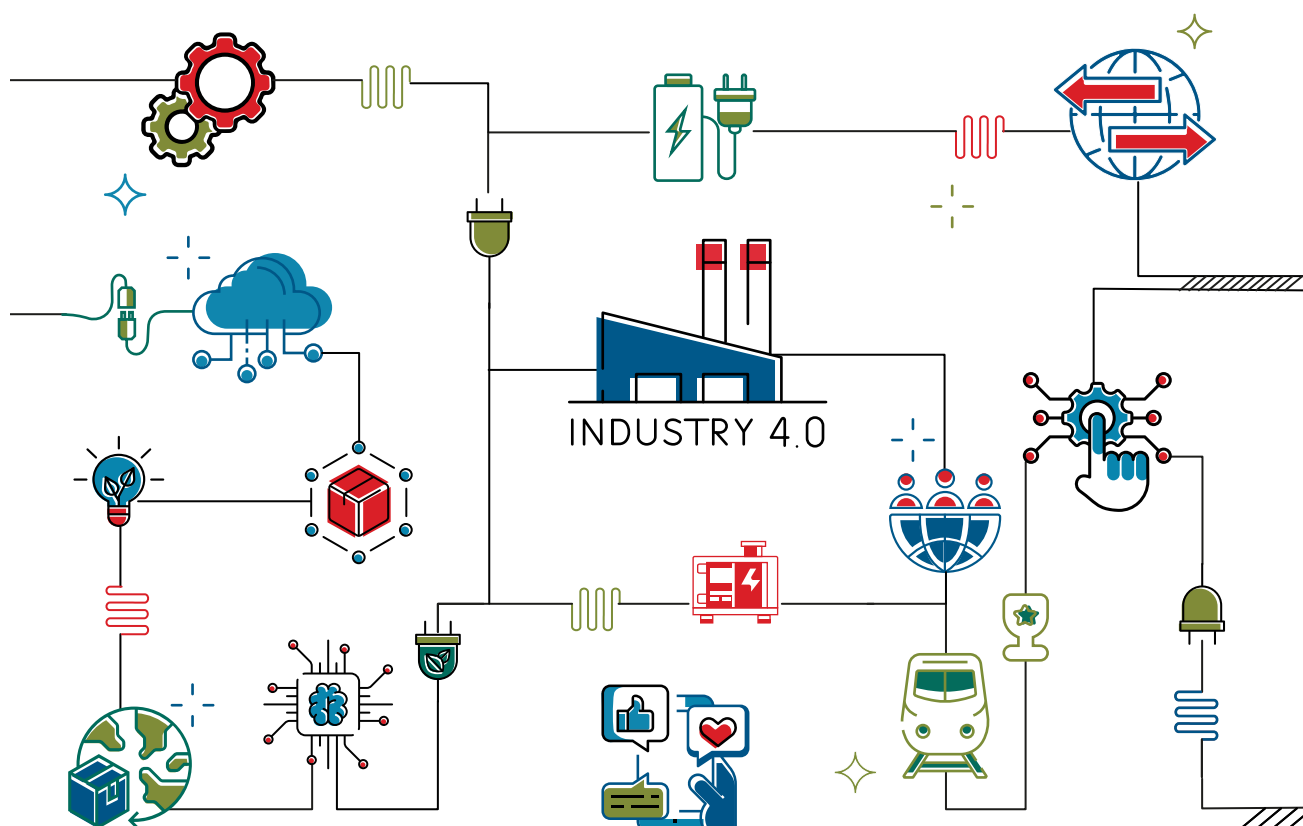
critical projects and have achieved remarkable annualized savings of

**₹ 429 Crores**

inclusive of avoidance and customer savings.

- **Enhancing Cost Efficiency:** By implementing cost optimization projects and adopting a structured Supplier Risk Management process, along with focused capacity planning, your Company sustained competitiveness in the face of rising commodity prices, achieved noteworthy savings, enabled quick recovery, and reduced plant disruptions

- **Impetus on Industry 4.0:** To improve operating efficiencies and minimize losses in the manufacturing value chain, your Company has invested in various Industry 4.0 initiatives across its plants. The focus on establishing efficient and sustainable supply chain is demonstrated through various initiatives around returnable packaging, energy conservation, and driving the value chain to deliver on the upcoming new emission requirements. In alignment with the supply chain digitalization, multiple digital interventions such as Transport Management System and Advanced Supply Chain Planning, are underway to enhance efficiencies, optimize costs, better inventory planning, and governance.



# Board of Directors



**Steven M. Chapman**  
Chairman

Steven M. Chapman has worked with the Cummins Group for 36 years. Since joining the Group in 1985, he has held various roles across geographies, including Director – International Business Development, Vice President – Southeast Asia and China, Vice President – International, President – International Distributor Business, Group Vice President – Emerging Markets and Businesses, and Group Vice President – China and Russia. He has also served on the global Cummins Leadership Team and its predecessors since 2002. Currently, he is also on the board of other public companies and colleges in the USA.



**Ashwath Ram**  
Managing Director

Ashwath Ram has been the Managing Director of Cummins India Limited since August 2019. He joined Cummins in Columbus, Indiana, USA initially in 1991. He then joined the India operations in 2008 and has taken up various roles and won many accolades. He has led the Business Unit Operations as well as key strategic transformation for the Engine Business Unit and Power System Business Unit in India, where his key focus areas of the business included strategy, sales, profitability, operations and supply chain. Ashwath is an active member of industry associations such as Confederation of Indian Industry and Society of Indian Automobile Manufacturers. As the Chairperson of some of their initiatives, he focuses on improving the air quality issues of India's metropolitan cities.



**Rajeev B. Bakshi**  
Independent Director

Rajeev Bakshi is a Non-Executive Independent Director of Cummins India Limited. He has rich experience in Marketing and Supply Chain Management. He is an alumnus of the Indian Institute of Management (IIM), Bangalore and a science and economics graduate from St. Stephens College. Rajeev has served on Boards of Marico Limited, ICICI Ventures and is currently on the Board of Dalmia Bharat Sugar & Industries Limited. Rajeev has also been a member of the CII National Council and National Council of Federation of Indian Chambers of Commerce & Industry (FICCI).



**Priya S. Dasgupta\***  
Independent Director

Priya Shankar Dasgupta is a Non-Executive Independent Director of Cummins India Limited. He has been engaged in the practice of Corporate Law since 1978. He worked as a Senior Associate in a reputed solicitor and advocates firm - M/s. J B Dadachanji & Co. for more than 15 years. He is also the Founder and currently the Senior Partner of Asia Law Offices, Conveyancing & Advocates. His areas of practice include conveyancing, Corporate Laws, Foreign Exchange laws, Anti-trust and Mercantile Laws, Corporate litigations, Mergers and Acquisitions. He is a specialist, inter-alia, in structuring and negotiation of Joint Ventures and Foreign Collaborations and devising entry strategies. He also serves on the Boards of various national and multinational companies in India.

\*Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effective from close of business hours on May 24, 2023.



**Nasser M. Munjee**  
Independent Director

Nasser Munjee is a Non-Executive Independent Director of Cummins India Limited. He holds a master's degree in economics from the London School of Economics. Nasser has held various positions, including Executive Director at HDFC for over 20 years. He is also on the Boards of various multinational companies and trusts. Nasser was a technical advisor to the World Bank's Public Private Partnership Infrastructure and Advisory Fund. He has also been the President of the Bombay Chamber of Commerce and Industry and has served on numerous Government Task Forces on housing, infrastructure and urban development.



**Rama Bijapurkar**  
Independent Director

Rama Bijapurkar is a Non-Executive Independent Director of Cummins India Limited. She is among India's most respected thought leaders on market strategy and India's consumer economy. She has an independent market strategy consulting practice spanning diverse sectors and businesses. She is also a Professor of Management Practice at the Indian Institute of Management, Ahmedabad, and co-founder of People Research on India's Consumer Economy, a not-for-profit think tank and fact tank. Rama has served on the Boards of several blue chip companies in India as well as the Governing Council of the Banking Codes and Standards Board of India. She is a member of the Eminent Persons Advisory Group of the Competition Commission of India.



**Rekha**  
Independent Director

Rekha is a Non-Executive Independent Director of Cummins India Limited. She has rich experience of the Manufacturing, Automotive, Aerospace and Industrial Automation & Energy Management industries, primarily in the disciplines of P&L Management, Marketing, Program Management, Quality Management, Talent Management, Hardware & Software Development and Product Design & Innovation. Rekha is currently working as a Worldwide Leader for Global Developer & India Leader for Customer Experience & Support in Microsoft India R&D. Prior to Microsoft, she has worked with Eaton, Schneider-Electric, Honeywell, GE Research and Technology and Bosch. Rekha has won several Industry Innovation Awards, and has authored and presented papers at the Institute of Electrical and Electronics Engineers (IEEE) conference in Singapore and India. She was also invited to deliver talks at NASA, IEEE, PMI and other Industrial Forums.



**Lira Goswami\***  
Additional Director  
(Independent)

Lira Goswami is an Additional Director (Non-Executive and Independent) of Cummins India Limited. She has rich experience of more than 30 years in corporate, commercial and regulatory work including international business transactions, strategic advisory, mergers and acquisitions, regulatory compliance in various sectors including in the defence, energy, pharma, food and other sectors. Lira is one of the founding partners of Associated Law Advisers (ALA) and heads the corporate and regulatory team at ALA. Lira is a regular speaker on foreign investment, defence procurement, trade, regulatory and compliance issues and has spoken in several anti-corruption conferences in India and C5's Defence Procurement seminars in Washington and Paris. She has also authored articles on diverse subjects including Disinvestment, Related Party Transactions, Foreign Exchange Regulations, Insurance as a tool of Wealth Management, Law and Morality, Legal Obligation, and Civil Disobedience etc.

\*Ms. Lira Goswami has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective May 24, 2023.



**Donald Jackson**  
Non-Executive Director

Donald Jackson is a Non-Executive, Non-Independent Director on the Cummins Board since 2018 and also holds the position of Vice President - Treasury & Tax at Cummins Inc. He has 30 years of experience as a global financial risk management professional. Since May 2015, Donald has headed the Global Corporate Treasury function, including Debt Capital Markets, Foreign Exchange & Commodity Risk Management, Bank Relationships, Short Term Liquidity, Corporate Credit and Pension Risk Management at Cummins Inc. Before joining Cummins Inc., he worked with Hewlett-Packard (HP) in various Treasury areas and as a Foreign Exchange Trader in the Capital Markets area at Grupo Financiero Banamex-Accival (a financial institution headquartered in Mexico).



**Jennifer Mary Bush**  
Non-Executive Director

Jennifer Mary Bush is a Non-Executive and Non-Independent Director of Cummins India Limited and holds the position of Vice President of Cummins Inc., USA and President of the Cummins Power Systems Business. Jennifer had joined Cummins Inc. in 1997 and since then she has contributed to the organization's success in various leadership roles spanning power generation, industrial markets and distribution. She has rich experience which includes serving as a Six Sigma Blackbelt in Power Systems, leading the Global Commercial Marine Engine business and directing key distribution markets in the USA. Jennifer has a strong business acumen focused on painting a vision and energizing teams to deliver outstanding results for customers and the business. She possesses deep expertise in large industrial markets including the commercial marine, oil and gas and mining segments. She serves on the board of a public company and a non-profit organization in the USA.



**Bonnie Jean Fetch**  
Non-Executive Director

Bonnie Jean Fetch is a Non-Executive and Non-Independent Director of Cummins India Limited and currently serves as Vice President and Head of Global Supply Chain and Manufacturing for Cummins Inc. Bonnie is responsible for the strategic and operational leadership globally for Cummins' complex and integrated supply chain as well as the Cummins New and ReCon Parts business and Remanufacturing operations. She previously had leadership accountability for supply chain operations across North America and Supply Chain Services organization. She has rich experience in leading global organizations to significantly improved business performance through inspiring vision and strategy and intentionally building an aligned culture for high performance. She possesses expertise in strategic planning, logistics and manufacturing operations, business development, engineering, supply chain management, and human resources. She has previously served on the boards of private companies and non-profit organizations outside India.

**BANKERS :**

State Bank of India  
 HDFC Bank Limited  
 Citibank, N.A.  
 Bank of America  
 ICICI Bank Limited  
 The Hongkong Shanghai Banking Corporation Limited  
 J.P. Morgan Chase, N.A.

**AUDITORS :**

Price Waterhouse & Co. Chartered Accountants LLP  
 7<sup>th</sup> Floor, Business Bay, Tower A,  
 Wing - 1, Airport Road, Yerwada,  
 Pune 411 006

**REGISTRAR & TRANSFER AGENT :**

Link Intime India Private Limited  
 C-101, 1<sup>st</sup> 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](mailto:rnt.helpdesk@linkintime.co.in)  
 Website : [www.linkintime.co.in](http://www.linkintime.co.in)

**CUMMINS INDIA LIMITED**

[CIN : L29112PN1962PLC012276]  
 Regd. Office : Cummins India Office Campus,  
 Tower A, 5<sup>th</sup> Floor,  
 Survey No. 21, Balewadi,  
 Pune 411 045  
 Phone : (020) 67067000  
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 E-mail : [cil.investors@cummins.com](mailto:cil.investors@cummins.com)  
 Website : [www.cumminsindia.com](http://www.cumminsindia.com)

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# DIRECTORS' REPORT

The Directors take pleasure in presenting the Sixty- second Annual Report together with *inter-alia* its annexures and audited financial statements (including standalone & consolidated along with respective Auditors Report thereon) for the year ended March 31, 2023. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

## 1. FINANCIAL RESULTS:

### On Standalone basis:-

During the Financial Year 2022-23, revenue from operations was ₹ 7,744.43 Crores as compared to ₹ 6,140.40 Crores during the previous year (26% higher). Profit after tax increased to ₹ 1,129.82 Crores from ₹ 886.65 Crores recorded for the previous year (27% higher).

### On Consolidated basis:-

During the Financial Year 2022-23, revenue from operations was ₹ 7,772.09 Crores as compared to ₹ 6,170.92 Crores during the previous year (26% higher). Profit after tax increased to ₹ 1,228.15 Crores from ₹ 933.74 Crores recorded for the previous year (32% higher).

### Financial Summary

|                                   | Standalone               |                          | Consolidated             |                          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                   | 2022-23<br>(₹ in Crores) | 2021-22<br>(₹ in Crores) | 2022-23<br>(₹ in Crores) | 2021-22<br>(₹ in Crores) |
| <b>APPROPRIATION OF PROFIT:</b>   |                          |                          |                          |                          |
| Profit before taxation            | <b>1,492.07</b>          | 1,159.45                 | <b>1,591.29</b>          | 1,206.98                 |
| Net Profit for the year after tax | <b>1,129.82</b>          | 886.65                   | <b>1,228.15</b>          | 933.74                   |
| Dividend                          | <b>623.70</b>            | 443.52                   | <b>623.70</b>            | 443.52                   |

\* Includes Exceptional Items amounting to ₹ (14.30) Crores (F.Y. 2021-22 : ₹ 132.36 Crores). Further details are mentioned in standalone financial statements note no. 47 and 48.

## 2. RESERVES:

The closing balance of reserves, including retained earnings, of the Company as at March 31, 2023 was ₹ 5,312.54 Crores. During the Financial Year, there was no amount proposed to be transferred to the Reserves.

## 3. BUSINESS UPDATE AND STATE OF COMPANY'S AFFAIRS:

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

## 4. DIVIDEND:

The Directors have recommended a final dividend of ₹ 13 per equity share of ₹ 2/- each fully paid-up share in their meeting held on May 24, 2023, in addition to the interim dividend of ₹ 12/- per



equity share of ₹ 2/- each fully paid-up share declared on February 08, 2023, aggregating to ₹ 25/- (i.e. 1250%) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2023 (previous year ₹ 18.50/- per equity share i.e. 925%). The final dividend is subject to approval of the Members at the ensuing Annual General Meeting and shall be subject to deduction of income tax at source.

## 5. SHARE CAPITAL:

The paid-up share capital of the Company is ₹ 554,400,000/- divided into 277,200,000 equity shares of ₹ 2/- each as on March 31, 2023. Your Company has not come out with any issue (public, rights or preferential) during the year. There is no change in the share capital during Financial Year 2022-23.

## 6. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associates as on March 31, 2023 :-

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

CSSPL, a wholly-owned subsidiary, of the Company focuses on sales of Cummins engines, parts, accessories and providing service support to engines and generators in parts of Northern India close to the National Capital Region (NCR). CSSPL generated a revenue of ₹ 145.51 Crores from its operations for the year ended March 31, 2023, as compared to ₹ 101.59 Crore during the previous year (43% higher).

### b) Cummins Research and Technology India Private Limited (CRTIPL):

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

The Board of directors of Cummins Research and Technology India Private Limited at its meeting held on March 21, 2016, had decided to cease operations of CRTIPL. Accordingly, it ceased its operations from April 1, 2016. The shareholders of CRTIPL, in their extra-ordinary general meeting held on April 1, 2022, passed a resolution to initiate voluntary winding-up of CRTIPL under the Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016. The liquidator, appointed by the shareholders at the extra-ordinary general meeting, completed all the procedures pertaining to the voluntary winding-up, and has submitted the dissolution application with the Hon'ble National Company Law Tribunal, Mumbai Bench ('NCLT') on May 20, 2023.

### c) Valvoline Cummins Private Limited (VCPL):

VCPL, a 50:50 joint venture between Valvoline International Inc., USA, a global leader in lubricants and engine oils, and your Company, VCPL generated a revenue of ₹ 2,150.25 Crores from its operations for the year ended March 31, 2023, as compared to ₹ 1,694.88 Crores during the previous year (27% higher).

**d) Cummins Generator Technologies India Private Limited (CGTIPL):**

Your Company owns 48.54% shareholding in the Associate Company namely CGTIPL which is in the business of design, manufacturing, marketing, sales and service of alternators and related spare parts. CGTIPL generated revenue of ₹ 1,803.26 Crores from its operations for the year ended March 31, 2023, as compared to ₹ 1,200.44 Crores during the previous year (50% higher).

The Shareholders of CGTIPL at their Extra-ordinary General Meeting held on March 17, 2022, approved a scheme of reduction of the issued, subscribed and paid-up share capital of the Company (the 'Scheme') from ₹ 16,070,010/- consisting of 1,607,001 equity shares of ₹ 10/- each to ₹ 15,995,680/- consisting of 1,599,568 equity shares of ₹ 10/- each by paying off, cancelling and extinguishing, in aggregate, 7,433 equity shares of the Company ('Capital Reduction') as recommended by the Board of Directors in their meeting held on February 11, 2022. The Company has filed a petition with Hon'ble National Company Law Tribunal ('NCLT'), Mumbai Bench, seeking approval for the said Scheme of Capital Reduction on April 07, 2022. No effect of the scheme has been given in CGTIPL financial statements as at and for the year ended March 31, 2023, pending approval from NCLT.

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

Further, a statement containing the salient features of the financial 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 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.

**7. CHANGE IN THE NATURE OF THE BUSINESS:**

During the year under review, there was no change in the nature of the business pursuant to *inter-alia* Section 134 of the Companies Act, 2013 and Companies (Accounts) Rules, 2014.

**8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

No loan or guarantee was given, or investment was made by your Company during the Financial Year 2022-23 pursuant to Section 186 of the Companies Act, 2013.

**9. DEPOSITS:**

Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the Financial Year 2022-23.

## 10. FUND RAISING BY ISSUANCE OF DEBT SECURITIES, IF ANY

Pursuance to SEBI Circular No. SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018, the Directors confirm that the Company is not defined as a “Large Corporate” as per the framework provided in the said Circular. Moreover, your Company has not raised any fund by issuance of debt securities.

## 11. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

During Financial Year 2022-23, no materially significant related party transactions were entered into by the Company, that may have potential conflict with the interests of Company, at large.

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

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

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

## 12. CONSERVATION OF ENERGY:

During the Financial Year 2022-23 your Company has strived to imbibe energy conservation principles and initiatives across all its facilities.

Your Company at its Kothrud location (KEP) has installed Phase III 550 and Phase IV 1058 KWP grid connected PV Solar plant and this commissioning has led to increase in solar energy utilization from 16% to 28% and the installation has resulted in generation of 40.18 lacs units of electricity and INR 427 lacs cost saving for energy. Pirangut Power System Plant has generated 179475 kWh energy from solar. CPG SEZ plant has generated 533960 kWh electricity from their Solar Photovoltaic (PV) Plant in 2022-23.

Your Company has generated total 52.64 lacs units of electricity from onsite solar installation.

The other initiatives taken by the Company for energy conservation are highlighted below –

1. **Compressed Air System:** Installation of compressed air system for hot air exhaust and IFC controller at one of the plant located at Phaltan which combinedly saved a total 15000 kWh of energy.
2. **Lighting** - This year also the Company has continued to take its initiatives for replacement of fluorescent tube lights with LED lights.
3. **Replacement of Non energy efficient fans and installation of sensors** – Your Company has installed occupancy sensors in washrooms and offices and 460 non-energy efficient fans were replaced and both projects resulted into saving of 7.2 lacs units of electricity.

4. **Application of CCTV Camera for High Tension Installation 33 KVA for Daily Power Consumption monitoring:** Daily power consumption monitoring is required to be done by the Company for calculation of power factor. To enhance the human safety in this process at 33 KVA monitoring of daily power consumption is done through installed CCTV Camera at one of the plant located at Phaltan.
5. **Paint Booth Blower replaced with VFD Blower –** Your Company has replaced Paint Booth Blower with VFD Blower at one of the plants located at Phaltan which has resulted in savings of Rs. 94,800/- per year and also saved total units of 6000 KWH.

### 13. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

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

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

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

#### A. New Product Development: -

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

1. Rail engine product families to support the growing Rail Business;
2. Marine engine product families to support the increasing commercial Marine Business;
3. Further enhancements of non-diesel product development capability such as use of alternative fuels are being explored in India;
4. Telematics and Analytics capabilities have been developed to improve uptime and fuel efficiency performance of our products; and
5. To enhance the position of Cummins in the Low kVA segment, your Company has introduced a 40 kVA genset with X2.7 litre engine.

Further, your Company continues to strengthen its channel presence through its GOEM partners who have added 12 additional sales dealers across various geographies.

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

1. Enhanced product and service capabilities through use of electronic tools and simulation software to deliver improved engine performance;

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

**C. Future plans include:-**

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

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

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

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

| Particulars   | 2022-23<br>(₹ in Crores) | 2021-22<br>(₹ in Crores) |
|---|--------------------------|--------------------------|
| Capital   | 7.42                     | 20.93                    |
| Recurring   | 19.05                    | 44.51                    |
| Total   | 26.47                    | 65.44                    |
| Total R&D expenditure as a percentage of total sales turnover | 0.35%                    | 1.09%                    |

**14. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 6,904 engines and 9,952 generator sets. Foreign exchange earned in terms of actual inflows during the year 2022-23 and foreign exchange outgo in terms of actual outflows during the year 2022-23 were as follows:-

| Particulars                | FY 2022-23<br>(₹ in Crores) | FY 2021-22<br>(₹ in Crores) |
|----------------------------|-----------------------------|-----------------------------|
| Foreign exchange earnings* | 2,276.87                    | 2,490.11                    |
| Foreign exchange outgo*    | 1,111.87                    | 973.80                      |

\*Equivalent value of various currencies

**15. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT:**

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

The Company has obtained a Certificate from Practicing Company Secretary confirming compliance with conditions of the Code of Corporate Governance as stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including amendments thereof) and the same is appended as **Annexure '6'** which forms part of this Report.

The Company has received a Certificate from Practicing Company Secretary confirming that none of the Directors on the Board of the Company have been debarred or disqualified by MCA or SEBI or any such statutory authority from being appointed / continuing as Director and the same is appended as **Annexure '7'** which forms part of this Report.

**16. ANNUAL RETURN:**

As per the requirement under Section 92(3) of the Companies Act, 2013, the draft Annual Return for Financial Year 2022-23 is available on the website of the Company at the link: <https://www.cummins.com/en/in/investors/india-annual-reports>. Since the Annual General Meeting is proposed to be held on August 03, 2023, the Company shall upload a copy of Annual Return for Financial Year 2022-23 as soon it has filed the said Annual Return with Registrar of Companies.

## 17. RISK MANAGEMENT:

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust Enterprise Risk Management Framework to identify, monitor and minimize risks. As a process, the risks associated with the business are identified and prioritized based on impact, probability of occurrence, organization's risk management capability and velocity of risk. Such risks are reviewed by the Senior Management, Risk Management Committee and the Board on a quarterly basis. The Company has a structured governance mechanism where risks identified under the ERM Framework are categorized based on level of oversight required. Subsequently, Risk Owners and appropriate review forum are identified for each of the risk and metrics are developed for monitoring and reviewing the risk mitigation efforts. The established comprehensive Risk Management Framework ensures that risk areas having a potential impact on Company's continued existence as a going concern and to its development are identified and addressed on timely basis.

The 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 including the risk management processes, systems and practices of the Company; (b) overseeing that all existing risks and new risks that the organization faces including cyber security risks have been identified and assessed, and (c) overseeing that adequate resources have been allocated to effectively manage those risks. Further details on Risk Management Committee are included in the Corporate Governance Report.

The details and process of Enterprise Risk Management implemented by the Company through Risk Management Policy, are included in the Management Discussion and Analysis, which forms part of Annual Report.

## 18. INTERNAL FINANCIAL CONTROL:

Your Company has established adequate internal financial controls for ensuring orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

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 Annual Report.

## 19. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

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

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

In addition, your Company has complied with provisions relating to constitution of an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a stable well governed ethics investigations process. Regular workshops and awareness programmes against sexual harassment are conducted across the organization. During the year under review, one complaint pertaining to sexual harassment of woman employee was reported to the Committee which was resolved. No complaints remained unresolved as on March 31, 2023.

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

## 20. COMPLIANCE WITH THE CODE OF CONDUCT:

All Directors on the Board and Senior Management have affirmed compliance to the Code of Conduct and Cummins Code of Business Conduct respectively for the Financial Year 2022-23. A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by the Board of Directors and Senior Management for the Financial Year 2022-23 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.

## 21. DIRECTORS' RESPONSIBILITY STATEMENT:

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit and Compliance Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2022-23.

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, 2023, 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, 2023 and of the profit for the period April 01, 2022 to March 31, 2023;
- (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.

## 22. DIRECTORS:

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

#### Appointments and Re-appointments

Mr. Ashwath Ram as (DIN: 00149501), Executive Director, was re-appointed as the Managing Director of the Company in the 61<sup>st</sup> Annual General Meeting of the Company held on August 10, 2022, effective August 17, 2022, for a term of three years.

Ms. Rekha (DIN: 08501990) was appointed by the Board as an Additional Director w.e.f. August 11, 2022 and regularized as a Director (Non-Executive and Independent) by way of Postal Ballot on September 20, 2022, to hold office for a period of five (5) consecutive years effective from August 11, 2022 to August 10, 2027, not liable to retire by rotation.

Ms. Jennifer Mary Bush (DIN: 09777114) was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 05, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 05, 2022, liable to retire by rotation.

Ms. Bonnie Jean Fetch (DIN: 09791477) was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 25, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 25, 2022, liable to retire by rotation.

Ms. Lira Goswami (DIN: 00114636) was appointed as an Additional (Non-Executive Independent) Director of the Company with effect from May 24, 2023. On recommendation of the Nomination and Remuneration Committee, the Board of Directors have proposed appointment of Ms. Lira Goswami as a Non-Executive and Independent Director, not liable to retire by rotation, for a period of five (5) years from May 24, 2023. The resolution seeking shareholder's approval for her appointment forms part of the Notice.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Steven Chapman (DIN: 00496000), Director (Non-Executive and Non-Independent) of the Company, retires by rotation and being eligible, offer himself for re-appointment. The proposal seeking shareholder's approval for his re-appointment forms part of the Notice, which is also approved by the Board on the recommendation of the Nomination and Remuneration Committee.

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

## Cessation

During the year, Mr. Norbert Nusterer (DIN: 07640359) resigned as Director (Non-Executive and Non- Independent Director) of the Company effective August 26, 2022 to focus on family and personal interests, post his exit from Cummins Group. He had confirmed that there were no other material reasons for his resignation.

Mr. P.S. Dasgupta (DIN: 00012552) resigned as Director (Non-Executive and Independent) of the Company effective from close of business hours of May 24, 2023 on account of professional exigencies. Consequently, he also ceased to be a Chairman of Stakeholders Relationship Committee and Corporate Social Responsibility Committee & Member of Audit and Compliance Committee, Risk Management Committee and Nomination and Remuneration Committee with effect from close of business hours of May 24, 2023. He had confirmed that there were no other material reasons for his resignation.

The Board places on record its appreciation for the outgoing Directors' invaluable contribution and guidance during their respective tenure.

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

### b) Committees of the Board:

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

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

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

### c) Policy on Director's Appointment and Remuneration:

The Policy of the Company on Director's Appointment and Remuneration, including criteria for determining qualifications, positive attributes, independence of the Directors and other matters provided under Section 178 (3) of the Companies Act, 2013, adopted by the Board viz. Nomination and Remuneration Policy, is appended as **Annexure '8'** which forms part of this Report.

Details of the remuneration paid to the Board of Directors are provided in the Corporate Governance Report. It is affirmed that the remuneration paid to the Directors is as per the terms laid down in the Nomination and Remuneration Policy of the Company.

**d) Board Performance Evaluation Mechanism:**

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance and the Directors, Chairman 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) Inter-se relationships between the Directors:**

There are no relationships between the Directors *inter-se*.

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

During the year, various documents, background notes etc. were shared with to Independent Directors to have a better insight in to state of affairs of the Company.

The Chairman and/or the Managing Director also have periodic discussions with the newly appointed Directors to provide them, details of initiatives of the Company for better understanding of the Company, its business and the regulatory framework in which the Company operates and equip him/ her to effectively fulfil his/ her role and responsibilities as a Director of the Company.

The details of familiarization programmes imparted are available at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

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

Pursuant to the provisions of Section 149 of the Companies Act, 2013 read along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the Independent Directors have submitted *inter-alia* declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and the SEBI Regulations.

Further, the Independent Directors have also confirmed that there has been no change in the circumstances affecting their status as Independent Directors of the Company. The said Certificates(s) were taken on record by Board after their requisite assessments.

**23. NUMBER OF MEETINGS OF THE BOARD:**

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

**24. KEY MANAGERIAL PERSONNEL:**

There were no changes in the Key Managerial Personnel(s) during the Financial Year 2022-23.

## 25. PARTICULARS OF EMPLOYEES:

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

## 26. INDUSTRIAL RELATIONS:

Industrial relations at all the plants of the Company continue to be cordial. Multiple initiatives have been rolled out for our shop, office and field technician employees under 'Advancing our workforce Strategy' (AWS) at all sites across the globe. Key purpose of AWS is to inspire and encourage 'All Employees' to reach their full potential by implementing similar talent management policies and processes for all the shop, office and field technician employees like those implemented for our managerial employees. The Company has introduced a performance management system for our shop, office & technician employees. It will help in rewarding better performance, help employees to create Individual Development Plans which will help them to grow in the organization. The Company also enhances right environment by creating right spans of control so that it helps manager to spend quality time on employees' developmental needs. The Company also taking right steps to provide them access to technology with which employees can leverage our online systems. Additionally, the Company has also introduced an internal job posting system for all new positions across organization which helps us to grow talent from non-exempt category. The Company has revised Domestic Relocation Policy in the FY 2021-22 thus enabling seamless movement of talent across all categories encouraging them to take more learning opportunities. All these are steps in the right direction in our journey to help employees reach their full potential. The unionized employees in Kothrud Engine Plant Pune have completed one cycle of performance management process. HR & Line Managers are putting all the right efforts in implementation. Voluntary Retirement Scheme which was launched at Company's Kothrud Engine Plant, Pune on May 16, 2022 has concluded on June 15, 2022. Employees also participated in a grand "Family Day" function at the Kothrud Engine Plant which was very well appreciated by the employees & their family members. Employee participation in various Corporate Responsibility projects has been commendable during the Financial Year. They joined hands with Company to drive some critical social impact projects.

## 27. AUDITORS:

### STATUTORY AUDITORS:

At the 60<sup>th</sup> Annual General Meeting held on August 12, 2021, M/s. Price Waterhouse & Co, Chartered Accountants LLP, Chartered Accountants (Firm Registration No.: 304026E/E-300009) ("PWC"), was appointed as Statutory Auditor of the Company to hold office till the conclusion of 65<sup>th</sup> Annual General Meeting.

Accordingly, PWC completed audit for Financial Year 2022-23 and issued Auditor's Report. There are no qualifications, reservations, adverse remarks or disclaimers made by the auditors in the Audit Report for the Financial Year 2022-23.

In terms of the Section 139(1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the appointment of Statutory Auditors does not require ratification by the shareholders in Annual General Meeting. Accordingly, the Board noted the continued appointment of PWC as the Statutory Auditors of the Company for the Financial Year 2023-24 in its meeting held on May 24, 2023. PWC have informed the Company that their appointment is within the limits prescribed under Section 141 of the Companies Act, 2013.

**SECRETARIAL AUDITOR:**

M/s Pramod Shah & Associates, (FCS 334), was appointed to conduct the secretarial audit of the Company for the Financial Year 2022-23, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 and Secretarial Audit Report pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Financial Year 2022-23 is appended as **Annexure '5'** which forms part of this Report. Both the reports do not contain any qualification, reservation or adverse remark.

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

The Board on the recommendation of the Audit and Compliance Committee has re-appointed M/s Pramod Shah & Associates to conduct the secretarial audit of the Company for the Financial Year 2023-24 in its meeting held on May 24, 2023.

Further, during the Financial Year 2022-23 and two previous financial years, no penalties, strictures were imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority, on any matter related to capital markets.

**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. The Directors, on the recommendation of the Audit and Compliance Committee, had appointed M/s. C S Adawadkar & Co., Cost Accountants (Firm Registration Number: 100401), to audit the cost accounts of the Company for the Financial Year 2022-23 at a remuneration of ₹ 950,000/- plus taxes as applicable and re-imbursalment of out of pocket expenses. The remuneration was ratified by shareholders in the 61<sup>st</sup> Annual General Meeting held on August 10, 2022.

Pursuant to recommendation of the Audit and Compliance Committee, the Board in its meeting held on May 24, 2023 has appointed M/s C S Adawadkar & Co. (Firm Registration No.: 100401), to audit the cost accounts of the Company for the Financial Year 2023-24 at a remuneration of ₹ 950,000/- plus taxes as applicable and re-imbursalment of out of pocket expenses. As required under the Companies Act, 2013, the shareholders ratification for the remuneration payable to M/s. C S Adawadkar & Co, Cost Auditors, is being sought at the ensuing Annual General Meeting.

M/s. C S Adawadkar & Co, Cost Auditors, under Section 139(1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, have furnished a certificate of their eligibility and consent for appointment.

**28. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:**

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

Details about the CSR Policy and initiatives taken by the Company during the year are available on our website <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Annual Report on our CSR Activities is appended as **Annexure '11'** which forms part of this Report.

## 29. BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT :

As stipulated under the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular dated May 10, 2021, your Company has introduced the Business Responsibility and Sustainability Report ('BRSR') for Financial Year 2022-23, which provides enhanced disclosures on Environment, Social and Governance (ESG) practices and focused areas of the Company, is appended as **Annexure '12'** and forms a part of this Report.

## 30. SECRETARIAL STANDARDS:

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

## 31. DIVIDEND DISTRIBUTION POLICY:

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

## 32. INVESTOR EDUCATION AND PROTECTION FUND (IEPF):

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

| Date of Declaration | Type of Dividend        | Amount transferred (₹) | No of equity shares transferred |
|---------------------|-------------------------|------------------------|---------------------------------|
| August 06, 2015     | Final Equity Dividend   | 11,505,870             | 154,114                         |
| February 02, 2016   | Interim Equity Dividend | 6,231,785              | 10,508                          |

## 33. DETAILS OF INSOLVENCY AND BANKRUPTCY CODE:

During the year under review, your Company has neither made any application nor any application is pending for or against the Company under the Insolvency and Bankruptcy Code.

## 34. DETAILS REGARDING VALUATION REPORT:

During the year under review, your Company has not entered into any One-Time Settlement with Bank's or Financial Institutions and therefore, no details of Valuation in this regard is available.

**35. GENERAL:**

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

- a. Issue of equity shares with differential rights as to dividend, voting or otherwise;
- b. Issue of shares (including sweat equity shares) by the Company to its employees;
- c. The Managing Director of the Company did not receive any remuneration or commission from any of its subsidiaries. Further, the Company had not appointed any other Whole-time Director except the Managing Director;
- d. No frauds were reported by Auditors under Section 143(12) of the Companies Act, 2013 and rules frame thereunder;
- e. No equity shares were lying under unclaimed suspense account during the financial year 2022-23;
- 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, 2023 till the date of this Report which would affect the financial position of your Company.

**ACKNOWLEDGEMENT:**

The 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. The Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and associates.

For and on behalf of the Board of Directors,

Place : Pune  
Date : May 24, 2023

Steven Chapman  
Chairman  
DIN: 00496000

Ashwath Ram  
Managing Director  
DIN: 00149501

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

## Annexures to the Directors' Report

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

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

#### PART “A”: Subsidiaries:-

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

| Sr. No. | Particulars   |   |
|---------|---|---|
| 1.      | Name of the subsidiary :  | Cummins Sales & Service Private Limited |
| 2.      | The date since when subsidiary was acquired   | October 01, 2015                        |
| 3.      | Reporting period for the subsidiary concerned, if different from the holding company's reporting period :                     | Financial Year 2022-23                  |
| 4.      | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries : | Indian Rupees (₹)                       |
| 5.      | Share capital :   | ₹ 12.00 Crore                           |
| 6.      | Reserves & surplus :  | ₹ 13.03 Crore                           |
| 7.      | Total assets :  | ₹ 61.31 Crore                           |
| 8.      | Total Liabilities :   | ₹ 36.29 Crore                           |
| 9.      | Investments :   | ₹ Nil                                   |
| 10.     | Turnover :  | ₹ 145.51 Crore                          |
| 11.     | Profit before taxation :  | ₹ 6.94 Crore                            |
| 12.     | Provision for taxation :  | ₹ 1.99 Crore                            |
| 13.     | Profit after taxation :   | ₹ 4.95 Crore                            |
| 14.     | Proposed Dividend :   | Not Applicable                          |
| 15.     | % 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 financial 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  | Valvoline Cummins Private Limited          | Cummins Generator Technologies India Private Limited                   |
|--|--|--|
| <b>1. Date of the latest audited Balance Sheet</b>                                   | March 31, 2023                             | March 31, 2023   |
| <b>2. Date on which the Associate/ Joint Venture was associated or acquired</b>      | October 28, 1994 (Please refer note no. 1) | July 05, 2002  |
| <b>3. Shares of Associates / Joint Ventures held by the Company on the year end</b>  |  |  |
| No. of Shares  | 9,500,000 equity shares of ₹ 10/- each     | 779,997 equity shares of ₹ 10/- each                                   |
| Amount of Investment in Associates / Joint Ventures                                  | ₹ 8.04 Crores (Please refer note no. 1)    | ₹ 17.20 Crores (Please refer note no. 2)                               |
| Extent of Holding %  | 50%  | 48.54%   |
| <b>4. Description of how there is significant influence</b>                          | Joint Venture                              | Associate Company with control of more than 20% of total share capital |
| <b>5. Reason why the associate / joint venture is not consolidated</b>               | NA   | NA   |
| <b>6. Net worth attributable to Shareholding as per latest audited Balance Sheet</b> | ₹ 140.99 Crore                             | ₹ 268.53 Crore   |
| <b>7. Profit/Loss for the year</b>   |  |  |
| i. Considered in Consolidation   | ₹ 78.15 Crore                              | ₹ 130.65 Crore   |
| ii. Not Considered in Consolidation  | ₹ 78.16 Crore                              | ₹ 138.51 Crore   |

#### Notes:-

- The shareholding in Valvoline Cummins Private Limited, valued at ₹ 8.46/- per share, was transferred to the Company and consequently considered as a Joint Venture post amalgamation of Cummins Sales and Service India Limited (erstwhile wholly-owned subsidiary of Company) w.e.f. April 01, 2008 vide order of Hon'ble High Court of Bombay dated March 20, 2009.
- The Company invested ₹ 220.50/- per share in Cummins Generator Technologies India Private Limited.
- The Company invested ₹ 9.60/- per share in Cummins Research and Technology India Private Limited.
- There is neither any Associate Company / Joint Venture which is yet to commence operations nor any Associate Company/ Joint Venture which has been liquidated or sold during the year.

5. The Board of directors of Cummins Research and Technology India Private Limited ('CRTI') at its meeting held on March 21, 2016, had decided to cease operations of CRTI. Accordingly, it ceased its operations from April 1, 2016. The shareholders of CRTI, in their extra-ordinary general meeting held on April 1, 2022, passed a resolution to initiate voluntary winding-up of CRTI under the Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016. The liquidator, appointed by the shareholders at the extra-ordinary general meeting, completed all the procedures pertaining to the voluntary winding-up, and has submitted the dissolution application with the Mumbai Bench of The National Company Law Tribunal (NCLT') on May 20, 2023.
6. Share of profit of Joint Venture and Associate Company have been considered in consolidation.

For and on behalf of the Board of Directors,

Steven Chapman  
Chairman  
DIN: 00496000

Ashwath Ram  
Managing Director  
DIN: 00149501

Nasser Munjee  
Director  
DIN: 00010180

Place : Pune  
Date : May 24, 2023

Vinaya Joshi  
Company Secretary  
PAN: AMQPJ5216P

Ajay S. Patil  
Chief Financial Officer  
PAN: AAJPP9246Q

## 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, 2023, which were not at arm's length basis.

#### 2. Details of material<sup>1</sup> contracts or arrangement or transactions at arm's length basis

|                              |   |  |  | (₹ in Crores)             |
|------------------------------|---|--|--|---------------------------|
| Name of the Related Party(s) | Nature of Relationship  | Nature, tenure and particulars of transactions   | Salient Terms  | Amount of the transaction |
| Cummins Limited, UK ('CL')   | Subsidiary of Cummins Inc., USA which is the holding company of the Company | As part of regular business operations:<br>1. sale of engines/gensets, their parts, accessories, and spares by the Company;<br>2. purchases of engines/ gensets, their parts, accessories or spares by the Company;<br>3. availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs'); | All contracts with related party defined as per Section 2(76) of the Companies Act, 2013, are reviewed for arm's length testing internally basis the international and domestic transfer pricing study. Further, all the transactions are at arm's length. | ₹ 980 Crores              |

| Name of the Related Party(s)          | Nature of Relationship   | Nature, tenure and particulars of transactions   | Salient Terms   | Amount of the transaction |
|---------------------------------------|--|--|---|---------------------------|
| Tata Cummins Private Limited ('TCPL') | <p>50-50% joint venture company between Cummins Inc., USA and Tata Motors Limited, India.</p> <p>Mr. Ashwath Ram, Managing Director of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is Managing Director of TCPL.</p> <p>Mr. Ajay S. Patil, Chief Financial Officer of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is a Director of TCPL.</p> | <p>As part of regular business operations:</p> <ol style="list-style-type: none"> <li>1. purchase of internal combustion engines, their parts and accessories thereof by the Company;</li> <li>2. sale of internal combustion engines, their parts and accessories thereof by the Company;</li> <li>3. availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> | <p>All contracts with related party defined as per Section 2(76) of the Companies Act, 2013, are reviewed for arm's length testing internally basis the international and domestic transfer pricing study. Further, all the transactions are at arm's length.</p> | ₹ 1,254 Crores            |

| Name of the Related Party(s)                         | Nature of Relationship  | Nature, tenure and particulars of transactions  | Salient Terms  | Amount of the transaction |
|--|---|---|--|---------------------------|
| Cummins Technologies India Private Limited ('CTIPL') | CTIPL is a subsidiary of Cummins Inc., USA which is also the holding company of the Company | As part of regular business operations: <ol style="list-style-type: none"> <li>purchase of engines, gensets, turbochargers, their parts, components and spares by the Company;</li> <li>sale of engines/ gensets, their parts, accessories, and spares by the Company;</li> <li>availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> | All contracts with related party defined as per Section 2(76) of the Companies Act, 2013, are reviewed for arm's length testing internally basis the international and domestic transfer pricing study. Further, all the transactions are at arm's length. | ₹ 1,336 Crores            |
| Cummins Inc., USA ('CMI')                            | Holding company of the Company  | As part of regular business operations: <ol style="list-style-type: none"> <li>purchase of engines, gensets, turbochargers, their parts, components and spares by the Company;</li> <li>sale of engines/gensets, their parts, accessories, and spares by the Company;</li> <li>availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol>  | All contracts with related party defined as per Section 2(76) of the Companies Act, 2013, are reviewed for arm's length testing internally basis the international and domestic transfer pricing study. Further, all the transactions are at arm's length. | ₹ 426 Crores              |

## Notes:

1. Material related party transactions (RPTs) i.e., transactions exceeding rupees one thousand crore or ten percent of the annual consolidated turnover, whichever is lower, 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. Out of such companies, the transactions with CL, TCPL, CTIPL and CMI are Material RPTs. During the FY 2021-22, the total annual consolidated turnover of the Company was ₹ 6,056.97 Crores. Considering the same read with thresholds prescribed in Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had material party transactions with CL of ₹ 980 Crores, with TCPL of ₹ 1,254 Crores, with CTIPL of ₹ 1,336 Crores and with CMI of ₹ 426 Crores. The said transactions were approved by the Audit and Compliance Committee and Board of Directors on February 10, 2022, May 26, 2022, and August 10, 2022 and by shareholders at the Annual General Meeting held on August 10, 2022 and through Postal Ballot ended on September 20, 2022.
2. Similar transactions with related parties are expected in the current Financial Year. Therefore, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit and Compliance Committee and the Board of Directors have approved these transactions on February 08, 2023 and May 24, 2023 and shall present the same for approval by the shareholders at the ensuing Annual General Meeting.

For and on behalf of the Board of Directors,

Steven Chapman  
Chairman  
DIN: 00496000

Ashwath Ram  
Managing Director  
DIN: 00149501

Place : Pune  
Date : May 24, 2023

# Annexures to the Directors' Report

## Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and Development

#### Economic Trends and Implications

- The Financial Year 2022-23 was marked by an uncertain and fragile global economic environment. The geopolitical crisis in Europe fuelled global inflation in energy and commodity prices, forcing central banks across economies to undertake monetary tightening. This adversely impacted the global growth outlook, and multiple agencies have lowered the growth forecasts for 2022 and 2023. For a net importing country like India, the depreciating rupee resulted in a higher Current Account Deficit (CAD) and increased inflationary pressures.
- The Indian economy has shown resilience and emerged as the fastest-growing major economy, with a GDP growth rate of 7% in FY 2022-23<sup>1</sup>. Core industry output reported a growth of 7.6% in FY 2022-23<sup>2</sup> driven by higher output of coal, cement, and fertilizer industries. Manufacturing Purchase Managers' Index (PMI) remained in the expansionary zone resulting in higher capacity utilization across industries.
- Infrastructure development continues to be a focus area for the Government of India, with multiple projects being executed under the initiatives – PM Gati Shakti and the National Infrastructure Pipeline. The Union Budget 2023-24 increased the outlay for capital investments by 33% to ₹10 lac crore<sup>3</sup>. Developing quality infrastructure will be instrumental in reducing the cost of logistics and will boost exports by improving the competitiveness of Indian products.
- Policy interventions like Production Linked Incentive (PLI) Schemes, National Logistics Policy (NLP), Free Trade Agreements (FTAs), and Foreign Trade Policy 2023 are expected to provide the tailwinds to the economic activity going ahead. Structural reforms and measures taken to improve the ease of doing business have resulted in India emerging as an attractive FDI destination.
- Energy security and decarbonization have emerged as major themes not only in India but globally as well. The Government of India has identified “Green Growth” as one of the seven priorities in the Union Budget 2023-24. Increasing the share of renewables in the energy mix will help in the decarbonization of the grid. The National Green Hydrogen Mission, with an outlay of ₹19,700 crores, envisages making India a hub for Green Hydrogen by incentivizing production and consumption. These developments in the direction of sustainability and green energy are positive for the economy.
- The growth prospects face headwinds from the economic slowdown in developed economies, hawkish forward guidance by central banks on inflation, a depreciating currency, and geopolitical risks. However, high foreign exchange reserves, sustained foreign direct investment and rising private consumption can mitigate some of the downside risks. The uncertainty in the macro environment has led to a downward revision of the GDP forecast by multiple agencies for FY 2023-24.

#### Sources:

1. Ministry of Statistics and Programme Implementation (MOSPI)
2. Index of Eight Core Industries (ICI) Ministry of Commerce & Industry
3. Ministry of Finance

## 2. Opportunities and Threats

### Key Opportunities

#### Power Generation

- FY 2022-23 witnessed robust growth for the Power Generation market driven by strong business activity and economic growth across industries. Key segments driving the growth of the Power Generation market included Datacentres, Real estate, Manufacturing, and Infrastructure.
- While the average power supply deficit at the national level continues to remain less than 1%, your Company expects the Power Generation business to follow a growth trajectory led by opportunities arising from segments like infrastructure and manufacturing due to higher capital expenditure by the Government and private sector companies. Rising demand in the realty sector and investments by global and domestic players in the datacentres market also provide growth opportunities.
- The emission norms are getting more stringent for the power backup industry, with the implementation of CPCBIV+, effective from 1<sup>st</sup> July 2023, your Company is prepared to bring forward best-in-class, sophisticated, and compliant products for the customers.

#### Industrial

- **Railways:** Indian Railways is set to achieve its ambitious target of 100% track electrification of broad-gauge network by 2023 which is driving demand for Diesel Electric Tower Cars (DETCs) that are used in the installation and maintenance of overhead electric lines. Your Company believes that this will also fuel demand for the electrified propulsion industry in the long term. With the expansion of the railway network and dedicated freight corridors becoming operational, growth is expected in the track maintenance sector.

Indian Railways' focus on reducing dependency on diesel in the auxiliary power sub-segment is driving demand for hotel load converters. Your Company has ventured into the supply of hotel load converters which will help regain business in the auxiliary power sub-segment.

To move towards a green economy with net zero emissions, Indian Railway is also evaluating hydrogen fuel cell solutions for the "Hydrogen for Heritage" initiative. Your Company is actively exploring ways to partner with Indian Railways on this initiative.

- **Mining:** India achieved record coal production in FY 2022-23 at 892 million tonnes, registering an annual growth of 14.65%. With increased power demand further intensifying the pressure to enhance domestic coal production, new coal blocks are being developed, and mining operations are being contracted to private players to enhance productivity. Growth in domestic coal production is expected to have a favorable impact on the Heavy Earth Moving Machinery (HEMM) market in which your Company is a critical technology supplier.
- **Marine:** In line with the Indian Navy's fleet expansion and fleet modernization plan backed by the 'Atmanirbhar Bharat' initiative, there is a strong pipeline of opportunities from defense PSU shipyards. Increased opportunities are expected in the commercial marine segment due to the Government of India's mandate to use indigenous vessels for inland water transport and vessels operating in government ports.
- **Oil & Gas:** An investment of ₹ 1.25 lac crore has been planned for developing the pipeline infrastructure for the 11th round of the CGD network. In line with this, your Company continues to expect strong demand for gas compression engines from the city gas distribution segment.



- **Defence:** Reforms by the Government of India to focus on indigenous design, development, and manufacturing, along with an intent to promote exports of defence equipment expected to boost domestic production. Your Company is expecting growth in engine requirements from Original Equipment Manufacturers (OEMs) participating in this sector.
- **Pumps:** Your Company is looking to export FM / UL certified pump packages to global OEMs.
- **Construction:** Infrastructure growth is a key catalyst to achieve the Government of India's plan to be a 5 trillion-dollar economy in the next few years. Under the "National Infrastructure Pipeline", the government has made an investment plan of ₹ 100 lac crore over five years, whereby more than 60% of infrastructure projects are from construction-intensive sectors like Roads, Railways, Airports, Irrigation, Urban infrastructure, and Ports.

Your Company is a leading engine supplier in the Construction equipment segment and is well placed to take advantage of the strong industry tailwinds fuelled by the Government's impetus on economic growth and infrastructure investment.

*\*Sources: Ministry of Railways, IROAF - Indian railways Organization for Alternate fuels, Ministry of Coal, Ministry of Petroleum and Natural Gas, Ministry of Defence, Ministry of Road Transport and Highways and India Investment Grid – Government of India.*

## Distribution

- Growth is expected in the Powergen business on the back of strong demand for maintenance of Datacentres and commercial realty as contact-intensive services pick up. The introduction of CPCBIV+ emission regulations will see some impact on maintenance practices.
- Investment in the infrastructure sector and the increasing pace of project delivery will further boost the utilization of equipment leading to the requirement of maintenance and better aftermarket revenue.
- Change in emission norms for off-highway equipment to CEV BSIV is triggering a change in-service support model from OEMs to prefer Cummins, resulting in more aftermarket opportunities.
- Aggressive coal production targets to meet energy needs is driving the growth in the mining sector. This will lead to higher equipment utilization and demand for HEMM (High Tonnage) vehicles with high horsepower Q Series engines.
- Execution of the Dedicated Freight Corridor (DFC) project by Railways and strengthening of the track network across the country will lead to higher usage of overhead cranes and track maintenance equipment, driving demand for aftermarket services.
- Rapidly developing domestic gas pipeline network under the City Gas Distribution (CGD) initiative in various cities will lead to higher demand and usage for gas compressor engines and parts.
- National Green Tribunal's (NGT) emphasis on cleaner energy alternatives and regulations on the use of diesel-based power backup gensets will increase demand for Dual Fuel Kits and Retrofitted Emission Control Devices (RECDs).

## Exports

- Strong demand for Powergen segments is expected from Latin America, and Middle East regions. Telecom, rental, healthcare, manufacturing, and marine segments are driving growth in these markets.
- Your Company is also tapping into opportunities available in Industrial segments such as rail and marine in regions such as Latin America, Africa, and Asia Pacific, building upon our existing presence in the region.

## Key Threats

### Power Generation

- With the domestic players expanding their product ranges and international players gaining a foothold in the region, competition is rising in the Powergen segment. As a result, pricing pressure is intensifying across the industry. The products are also witnessing significant cost increases driven by the rise in commodity prices, geopolitical conflict, and supply constraints.

### Industrial

- **Railways:** With rail electrification work nearing the 100% target by end of 2023, demand for DETC is expected to soften from FY 2023-24.
- **Mining:** Timely allocation of coal blocks to private players and ramping up of coal production is critical to boosting demand for mining equipment.
- **Oil & Gas:** Due to the Covid-19 extension granted to CGD players, a lack of infrastructure readiness is delaying the release of tenders for compressor packages, thereby impacting short-term demand.
- **Construction:** Your Company is ready and excited to launch best-in-class products for expected Construction, Earthmoving, Material Handling and Mining Equipment (CEMM) BS IV emission norms. A delay in clarity in norms' implementation timeline could defer the launch of these products.

### Distribution

- Growing environmental concerns leading to bans on the use of DG sets in Non – Attainment Cities (NACs) and better availability and quality of grid power could result in lower utilization of DG sets.
- Target of 100% Rail electrification by the year 2023 will limit restrict usage of diesel engines to Diesel Electric Multiple Units (DEMUs) and Power Car applications which will reduce maintenance requirements from customers.

## Exports

- Your Company anticipates volatility in demand due to economic slowdown in advanced economies, ongoing geopolitical conflict, and the tightening of monetary policies by central banks of all major economies.
- Your Company is experiencing strong competitive activity in the Powergen segment. Global OEMs and Genset assemblers, are driving increased competition in the market.

### 3. Product-wise Performance

#### Power Generation

- Your Company launched 2000kVA prime-rated DG set powered by the K50 mechanical engine to cater to customer requirements in commercial realty, infrastructure, and manufacturing segments at competitive pricing. It offers improved power density with optimized TCO for the customers.

#### Industrial

- **Railways:** Your Company has strengthened its market presence and partnership with Indian Railways through the supply of complete DETC propulsion packages.
- **Marine:** Your Company has successfully delivered the largest genset of 1 MW for Hindustan Shipyard Ltd. (HSL) Diving Support Vessel for the Indian Navy. DG sets >1 MW for Commercial marine applications have also been supplied.
- **Oil & Gas:** The segment showed robust growth due to higher demand from gas compression OEMs.
- **Defence:** Production ramp-up of key applications such as Missile Carrier Vehicles, Armored personnel carriers, and Towed Artillery Guns is driving demand for engines >400HP.
- **Construction:** With a strong customer focus & excellent value proposition, your Company has won businesses from new and existing customers in both tracked & wheeled equipment categories.

#### Distribution

- Your Company witnessed growth in the whole goods portfolio due to the strong focus on the opportunity to re-power competition engines by providing a cost-effective solution in segments like Railways, Powergen, and Construction.
- New launches drove growth in the Power Generation market. Dual Fuel Kits and RECDs were launched to help customers meet the NGT regulations. The “Power Booster” service bundle was offered as a comprehensive, cost-effective solution for customers seeking a single point hassle-free service for their genset.
- To cater to the high-growth On-highway segment, your Company launched a new range of brake linings, clutches, and CNG Kits.

#### Exports

- Your Company’s growth in Exports revenue for the previous financial year was primarily driven by an increase in sales of low-horsepower products like Q-series and B-series across geographic markets. The K50 engine continued to experience higher demand in industrial segments.

### 4. New Business initiatives for Financial Year 2022-23

#### Power Generation

- Focusing on customer needs, significant steps were taken to improve the power density of products to reduce the total cost of ownership, lower the maintenance cost and provide the benefit of a smaller installation footprint.

- The Central Pollution Control Board (CPCB) of India announced the CPCBIV+, Power Generation emission norms for <800KW range, which are the most stringent emission norms in the global power generation industry. With its well-established technology leadership, your company has meticulously developed products that comply with the new emission standards.

## Industrial

- **Railways:** Your Company has succeeded in design and development of a Hotel Load Converter to meet the requirements of the auxiliary power sub-segment of Indian Railways. This year also, your Company saw the successful commissioning of the complete propulsion system for Diesel Electric Tower Cars (DETCs) to Indian Railways.
- **Marine:** Your Company has a strong order board for commercial marine and has successfully onboarded new customers.
- **Mining:** Your Company continues to innovate and develop fit-for-market products to expand its presence in the HEMM segments.
- **Pumps:** Your Company has successfully expanded its product portfolio with high-speed ratings of FM / UL certified engines for the global pumps segment.
- **Defence:** Your Company has secured new orders for the wheeled Troop carrier vehicles and Artillery Guns from Defence OEMs.
- **Construction:** Your Company has strengthened its leadership position by leveraging global experience, technology leadership and strong partnerships with all major equipment manufacturers and is placed in an excellent position to benefit from the government's focus on infrastructure development in the country.

## Distribution

- Qualtrics-based NPS measurement system launched to improve customer service and experience.
- 2-Hour Service Response Guarantee introduced for select sub-segments.
- A state-of-the-art training facility was inaugurated in Wathar, Maharashtra. The 15,000-square feet campus will offer training to Cummins and dealer service engineers.
- IT infrastructure used for dealer management has been revamped to improve our channel partners' order and inventory management processes.
- Organized All India Dealers Meet (AIDM) to acknowledge the exceptional performance of its dealers in 2022. Cummins India leadership team appreciated our dealer's continued partnership and encouraged them to adopt a growth mindset to start the next phase of growth.

## Exports

- Your Company has undertaken several product improvement initiatives to offer more value to its customers. This includes enhancements to existing products, cost optimization and the launch of Fit-For-Market (FFM) products. Your Company launched new series of Fit for Market (FFM) gensets for unregulated markets - Africa Middle East, Asia Pacific, and Latin America.

- Along with the improvements in products and processes, your Company is leveraging channel synergy to improve understanding of customer requirements and improve sales.

## 5. Achievements

### Power Generation

- Your Company achieved volumes of nearly 25,000 generator sets in FY 2022-23, providing nearly 4,800 MW power to customers across India.
- In the high horsepower segment, your Company successfully executed the orders for a large hyper scale datacentre coming up in India. Hyperscale datacentres present a huge business potential and with this prestigious win your Company is well positioned to expand its presence in this segment and meet the stringent customer requirements.
- We reinforced partnerships with our customers across all the end user segments, collaborating to enable growth. Your Company has been recognized as the recipient of the Best Partner Award at the CtrlS Strategic Partner Awards 2022. CtrlS is a leading Indian Company providing datacentre and cloud hosting services.

### Industrial

- **Railways:** Your Company maintained a strong partnership with Indian Railways and was able to export India-built DEMUs for Mozambique.
- **Marine:** Your Company has received an order for the submarine genset project from Indian Navy marking its first-ever foray into the submarine application for Cummins globally.
- **Mining:** Your Company has made further inroads in Heavy Earth Moving Machinery (HEMM) market (above 100T dump truck) by working with key OEMs.
- **Construction:** With two new certified engine platforms, 4-cylinder, and 6-Cylinder, for the CEV BS IV norms for wheeled construction equipments, your Company has been able to strengthen its leadership position in the industry.

### Distribution

- DBU achieved Net Promoter Score (NPS) of 88% which is the testimony of customer loyalty towards Cummins, and its service support.
- Your Company was granted the 'Green Channel Status' by the Ministry of Defence, Government of India for a period of five years, for supplying diesel engines and related parts.
- Your Company was recognized by the Oil and Natural Gas Corporation (ONGC) for successfully repowering their heavy-duty truck with minimal modifications. ONGC issued an appreciation letter to Cummins India for its efforts.
- Model Depot contract for part supplies to Coal India through Company depots was renewed and is expected to drive sales growth.

## Exports

- The Low kVA Fit-for-Market products are gaining traction in the unregulated markets of Latin America, Africa, the Middle East, and Asia Pacific.
- Your Company saw strong demand for Industrial Marine Engines in Asia-Pacific and North America markets.

## 6. Outlook and Initiatives for the Current Year and Thereafter

### Power Generation

- Your Company will focus on enhancing current products, particularly in high horsepower range and developing value-added offerings for the customers.
- With a greater focus on more stringent environmental norms in the future, your Company is positioned favorably as a pioneer in producing engines with cleaner technology.
- Power backup solutions operating on alternate energy sources are expected to enter the power generation landscape in the coming years. Your Company sees these technologies as opportunities to serve customers since they become more viable.

### Industrial

- Your Company is investing to offer locally built products to customers and support the Government of India's "Make in India" and "Atmanirbhar Bharat" initiative.
- **Railways:** With continued efforts towards achieving 100% electrification of broad-gauge network, your Company is looking to pursue growth opportunities in electrified propulsion system solutions.
- **Marine:** Your Company aims to maintain its relationship with the Indian Navy, Coast Guard as well as major shipyards to offer integrated propulsion and genset packages for upcoming projects. With fit-for-market products, your Company plans to make further inroads in the fishing boat segment.
- **Mining:** Your Company continues to invest in new technologies in mining segment for higher capacity equipment and future emission regulations (CEMM).
- **Defence:** Your Company is well placed to address emerging opportunities resulting from Government of India's focus on giving boost to domestic defence manufacturing industry and increasing share of indigenous content in defence equipment.
- **Construction:** Your Company is developing BSV certified electronic 4-cylinder and 6-cylinder engine platforms to address Bharat Stage V (CEV BSV) emission norms from April 2024 for the Off-highway wheeled segment in India. For tracked applications, your Company is planning to introduce electronic 4-cylinder and 6-cylinder engines before next emissions.

### Distribution

- Your Company, along with all industries and markets, continues to experience global supply disruption, impacting many areas of the business in both first fit and aftermarket. We are mitigating these effects by focusing our efforts on supplier recovery, adequate staffing, focus on optimizing logistics and transportation.

- The Company expects to strengthen its position in the On-highway segment through fit-for-market product and service offerings, improved last mile reach and enhanced branding.
- Addressing the growing ESG focus amongst its customers, your Company will extend its emission-reducing products to new business segments and applications.

### **Exports**

- Your Company is focused on increasing the exports of its products and is positioned strongly in the marketplace across key geographies.
- Focusing on customer needs, your Company has taken significant steps to improve the development of Fit for Market products for Latin America, Asia Pacific, Africa, and Middle East regions.
- Your Company continues to improve the support provided to its customers and distributors worldwide by leveraging the channel-factory synergy.

## **7. Risks and Concerns the Management Perceives**

- Your Company's export growth hinges on the increase in demand in partner countries. The Company continues to be cautious about export business performance due to the ongoing economic uncertainty and aftereffects of the pandemic in partner countries. Because of Company's international business presence, we are exposed to foreign currency exchange rate risks.
- Capital investment in the private sector has been lagging even though the country's attractiveness for investment has been well established. Coupled with inflation being on the higher side along with high-interest rates, delayed capital investment plans could have downside risk for domestic demand.
- As your Company readies for the launch of new products driven by CPCB-IV+ emission norms, there is expected to be some downside risk to the demand of the products given pre-buy in the months leading to the change.

### **Measures to Mitigate Risks**

- To counter the slowdown in global economic growth and demand, it was imperative to maintain focus and leadership in the domestic market. New product and market development, overall portfolio diversification and better regional penetration for existing products was and will continue to be the focus areas for your Company.
- Various restructuring projects combined with cost reduction programs, which leverage Six Sigma approach, such as 'Accelerated Cost Efficiency' (ACE) V, Accelerated Move towards Zero Defects (AMaZE), Accelerated Supply Chain Excellence and Transformation (ASCENT) have had a significant positive influence on your Company's profitability. Continued focus on these efforts will help your Company to maintain cost leadership in the domestic market and will remain the preferred source for exports.
- Your Company is actively working on its Supply Chain for further improvements. Dual sourcing adjusted payment terms with financially weaker suppliers, price revisions, supplier agreements, inventory building (areas wherever necessary) are some of the measures that your Company is taking to make the supply chain more agile and resilient against disruption.

## 8. Internal Control Systems and its Adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. These controls have been designed to provide a reasonable assurance regarding maintenance of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, 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 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. As an ongoing program, the reinforcement of the Cummins Code of Conduct is prevalent across the organization. The Code covers transparency in financial reports, ethical conduct, regulatory compliance, conflicts of interest review, and reporting of concerns. Anti-fraud programs, including whistle-blower mechanisms, are operative across the Company.

## 9. Risk Management

The Board and the Risk Management Committee take responsibility for the overall risk management process throughout the organization. Through an Enterprise Risk Management program, the Company's business units and corporate functions address opportunities and 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 *inter-alia* covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, legal & environmental compliances, data security, product quality, product planning and business continuity plan.

## 10. Key Financial Ratios

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

| Particulars   | FY 2022-23    | FY 2021-22 | Explanation for significant change  |
|---|---------------|------------|---|
| Debtor Turnover                                       | <b>5.45</b>   | 5.29       | NA  |
| Inventory Turnover                                    | <b>6.48</b>   | 6.38       | NA  |
| Interest Coverage Ratio (Debt Service Coverage Ratio) | <b>74.38</b>  | 77.55      | NA  |
| Current Ratio   | <b>2.70</b>   | 2.53       | NA  |
| Debt Equity Ratio                                     | <b>0.07</b>   | 0.08       | NA  |
| Operating Profit Margin (%)                           | <b>22.2%</b>  | 16.91%     | During the year the Company could achieve higher revenue from operations and higher profits resulting in better Return on Equity Ratio. |
| Net profit Margin (%)                                 | <b>14.77%</b> | 12.28%     | NA  |



Note: The disclosed financial ratios are in alignment with Schedule III of Companies Act, 2013, as amended and as per guidance note on 'Division II - IND AS Schedule III to the Companies Act, 2013' (Revised in January 2022) issued by Institute of Chartered Accountants of India. Please refer to Note no. 45 of Standalone Financial Statements for additional disclosure.

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

| Particulars             | Standalone |         | Consolidated |         |
|-------------------------|------------|---------|--------------|---------|
|                         | 2022-23    | 2021-22 | 2022-23      | 2021-22 |
| Return on Net Worth (%) | 22.39%     | 16.29%  | 22.79%       | 16.36%  |

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

## 11. Human Resources Development and Industrial Relations

The total number of employees including the contractual employees stands at 3,634 as on March 31, 2023.

### Leadership Excellence

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

In line with our 'Hire to Develop' philosophy, we continue to invest in our sponsorship programs and leadership development programs. Details are following:

- 91 employees availed education assistance to pursue higher education programs using the Global Education Assistance Policy (GEAP).
- 230 leaders across 2 Cohorts successfully graduated the Building Success in You (BSY) program. BSY Cohort 1 was launched in April 2022, and BSY Cohort 2 was launched in October 2022.
- Global Leadership Development Program (GLDP) was launched in March 2023 with 23 leaders as participants.
- 71 leaders were covered across 3 sessions of Building Success in Others (BSO) – Leadership Conversations program.
- 80 leaders were covered across 5 sessions of BSO – Cummins Environment & You program.
- BITS (Pilani) M.Tech in Automotive Engineering degree program got launched in October 2022. With this, 94 employees were pursuing Company sponsored B. Tech program and M.Tech Programs during financial year 2022-23.

### Hire-To-Develop and Seamless Talent Deployment

Your Company is continuing with the important initiative of hire-to-develop that presents growth opportunities to employees for self-development by taking up responsibilities across functions and

businesses. At least 363 professional employees have moved into different roles or functions within the organization. There were 6.2% of professional employees who were promoted to the next salary grade due to change in their job profiles and relative advancement in career growth.

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

In your Company, we are working on the following strategic initiatives - Reimagine the HR function to meet evolving needs, deliver predictive and prescriptive talent analytics, and empower the workforce through technologies. Under these initiatives, leaders will have more autonomy and accountability to deliver talent management strategies. They will have greater real-time access to talent intelligence by which they can make more informed and proactive decisions. At every level, leaders will have the capability and capacity to deliver on their leadership responsibilities. Your Company is working towards making talent processes, tools, and approaches to be largely harmonized, allowing HR employees to consult more seamlessly across the organization.

## Recruitment

Continuing the focus around employing the right and diverse talent at both entry and experienced level and developing them for future roles within the organization, this year, your Company hired 87 entry-level professionals supplemented with 574 experienced hires.

The Company hired 39 (45%) female candidates as freshers in addition to 216 (38%) female candidates with required and relevant experience keeping our overall gender diversity hiring at 39%, thus showcasing the commitment towards gender equality. Your Company has increased its focus on diversity beyond gender by hiring a workforce from diverse backgrounds like People with Disabilities, LGBTQ+ & North-East region of India.

The Company is now successfully running the 'Partnership and Engagement' program with premier engineering institutes like IITs and NITs to hire top engineering talent thereby continuing our focus on 'Hire to Develop' philosophy at an early stage.

This year again your Company continued its focus on increasing brand presence on social media platforms viz. LinkedIn, Facebook, and Instagram and will continue to focus on improving this engagement with the digital media.

## Diversity, Equity, and Inclusion (DE&I)

Diversity, Equity, and Inclusion is in the DNA of your Company. Reiterating Mr. J Irwin Miller's (Cummins Chairman, 1951-1977) famous quote "*Character, ability and intelligence are not concentrated in one sex over the other, nor in persons with certain accents or in certain races or in persons holding degrees from universities*", your Company has five Employee Resource Groups (ERGs) focusing on the primary dimensions of diversity namely: **Gender, Generation, Culture, Person with Disability (PwD), and LGBTQ+**. Promoting the organisation's Diversity, Equity and Inclusion agenda, these ERGs work on initiatives that contribute to making organisation's environment 'Inclusive' enabling employees to bring in their full potential at workplace. Initiatives undertaken by these ERGs include revisiting internal policies and processes, introducing new policy or guidelines to support a diverse dimension, rolling out effective workshops and awareness events, conducting audits and recommending workplace adjustments amongst others.

The Company to focus on increasing our gender (female) diversified talent, which is today at 25%. As the next step, your Company is working to achieve gender parity in our workforce, by moving the needle to 50% representation of female talent. In this journey, the **WE Network** (Women Empowerment Network) ERG will continue to be a strong partner with the business. As the Company hiring primarily through our campus and lateral hiring, we would also focus on the pool of talent who have taken a career break but are now all geared up to restart their career.

'**Wings**', Employee Resource Group, focused on hiring and providing a conducive environment to Persons with Disability, celebrated International Day of Persons with Disabilities (IDPWD) inviting senior India and global leaders to address the audience and had persons with disabilities share their success stories which inspired many. The Company also prioritising how we can create a safe and inclusive environment in the Company to also attract the LGBTQ+ talent. '**India Pride**', ERG for LGBTQ+ community worked on creating more awareness, promoting Pride Ally program, and holding training sessions on bursting myths and sensitizing employees. Another key area of focus is under-represented regions of our country in the workforce i.e., talent from Northeast India. Our ERG, '**Ekam**', is concentrating on spreading more awareness about different regions, cuisines, cultures etc through events, webinars, and competitions. In addition, we have an ERG, '**NeXus**', focused on generation awareness. They actively organized Brown bag Lunch and Learn sessions with senior leaders, a quiz contest 'SmarTicus' and a series of podcasts.

Your Company continues to be sensitive to the fact that today's working couples live in nuclear family setups and depend a lot on the Corporate on-site child-care facility. For your Company, on site creches are not just a legal compliance but reiterates our core value of 'Caring'. The Company has taken steps to ensure that the prime focus of these centres is not just to provide a safe and child friendly environment, but also ensure that there are various interventions planned throughout the year that stimulate the child's development and give an opportunity to the parent (employee) in playing an active role in the same, thus making them feel engaged in their child's key growing years.

For your Company to be successful in consistently delivering on its commitment to provide an inclusive environment to a diverse workforce, senior leader's commitment to lead, to advocate and to advise on issues related to diversity and inclusion are critical. In the Financial Year 2021-22, your Company hosted its first Diversity, Equity and Inclusion Townhall on March 15, 2022, themed *Winning with the Power of Difference*. In this event, Mr. Ashwath Ram, Managing Director of your Company, shared his personal story and commitment towards DE&I alongside aspirational goals and way forward with all employees. He reiterated his 100% commitment to work towards:

- Achieving our **Gender Representation** goals
- Ensuring strong **regional diversity** with focus on North-East
- Promoting talent from **under-represented groups** with focus on economically poor background
- Transforming lives with dignity of **LGBTQ+** by securing their livelihood and enabling economic empowerment.

This event also consisted of an address by Carolyn Butler-Lee, Vice President – Diversity & Inclusion, Cummins Inc. and a panel discussion witnessing zealous participation from senior leaders of your Company. The efforts to achieve above mentioned goals were continued in the financial year 2022-23.

## Megasite Update

At Cummins Megasite, Phaltan, living up to the spirit of 'One Cummins', your Company continues to move talent seamlessly within all the plants based on employee and business needs. Your Company believes in "Hire to Develop" and acts by providing internal opportunities as well as recruitment of fresh talent through campus recruitment. Right talent balance is achieved through hiring special skills from outside to meet business talent needs.

At Cummins Megasite, your Company has achieved 18.8% female representation amongst the shop-floor employees and 14.8% female representation amongst the professional employees. The Company continued to provide certain kind of COVID support in terms of precautions related to sanitisation, voluntary use of mask, providing booster vaccination for employees & their families. As it was challenging to get vaccines in open market as well as Government Hospitals, we extended this vaccination support to our contractual employees & their families as well. This helped us to ensure employee well-being and business continuity. We are actively working on implementing a broad plan to ensure retention & engagement of employees at Megasite, part of which has already been implemented.

## Right Environment

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 while engaging the full talent of our diverse employees to delight all our stakeholders consistently. Your Company's efforts to drive awareness and commitment amongst employees towards 'Cummins Code of Business Conduct', 'Treatment of Each Other at Work' Policy and other Ethics and Compliance policies continue year on year through various communication platforms, trainings, emailers, portals, posters etc. which helps in creating and sustaining the right environment for all the stakeholders, both internal and external to the organization. Every year, your Company utilizes its learnings via various speak up channels and ensures to upgrade all relevant policies to help its employees unleash their full potential. In addition to the other policy awareness and trainings, the Company also focuses its efforts on creating awareness, through training, posters, email communications etc. on "Prevention of Sexual Harassment" under the Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act").

## 12. 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 all stakeholders. Integrity, transparency, and compliance with applicable laws in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency, and accountability at all levels in the organization. Your Company believes that corporate governance is instilled in our values and principles. Your Company's continued commitment to ethical business practices is reflected across all our operations. It inspires the Company to set standards which not only meet applicable statutory obligations but goes even further.

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

### 2. BOARD OF DIRECTORS:

#### a) Composition of the Board of Directors, attendance at Meetings and other details as on March 31, 2023 and as on date of this Report:

**Composition:** The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors. As on March 31, 2023, the Board comprises of 10 Directors, with 1 Promoter (Executive) Director, 4 Promoter (Non-Executive and Non-Independent) Directors, 5 Independent (Non-Executive) Directors that includes 2 Woman Independent (Non-Executive) Directors. And the end of business hours on date of this Report, the Board comprises of 10 Directors, with 1 Promoter (Executive) Director, 4 Promoter (Non-Executive and Non-Independent) Directors, 5 Independent (Non-Executive) Directors that includes 3 Woman Independent (Non-Executive) Directors. The name and brief profile of Board of Directors of the Company can be accessible on the website of the Company at <https://www.cummins.com/en/in/investors/cummins-india-limited-board-of-directors>.

Mr. Steven Chapman (DIN 00496000), Non-Executive Director is the Chairman of Board of Directors of the Company effective October 01, 2020. Mr. Ashwath Ram (DIN 00149501), Executive Director, was re-appointed as the Managing Director of the Company effective August 17, 2022, for a term of three years.

During the Financial Year under review, six Board Meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on May 26, 2022, August 10, 2022, November 04, 2022, December 15, 2022, February 08, 2023 and March 20, 2023 for which the requisite quorum was present.

All Independent Directors attended the separate meeting of Independent Directors held on February 07, 2023 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as 'SEBI Listing Regulations'). The Independent Directors, after considering the views of Executive Directors and Non-Executive Directors, reviewed the performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company.

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

| Name of the Director                                   | Details of the Board Meeting(s) |            |            |            |            |            | % of attendance of a Director | Date of the AGM<br>10.08.2022 |
|--|---------------------------------|------------|------------|------------|------------|------------|-------------------------------|-------------------------------|
|  | 26.05.2022                      | 10.08.2022 | 04.11.2022 | 15.12.2022 | 08.02.2023 | 20.03.2023 |                               |                               |
| <b>Chairman (Non- Executive Director)</b>              |                                 |            |            |            |            |            |                               |                               |
| Mr. Steven Chapman<br>(DIN: 00496000)                  | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓                             |
| <b>Managing Director (Executive Director)</b>          |                                 |            |            |            |            |            |                               |                               |
| Mr. Ashwath Ram <sup>3</sup><br>(DIN: 00149501)        | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓                             |
| <b>Non-Executive Directors</b>                         |                                 |            |            |            |            |            |                               |                               |
| Mr. Norbert Nusterer <sup>2</sup><br>(DIN: 07640359)   | ✓                               | ✓          | NA         | NA         | NA         | NA         | 100                           | ✓                             |
| Mr. Donald Jackson<br>(DIN: 08261104)                  | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓                             |
| Ms. Jennifer Mary Bush <sup>5</sup><br>(DIN: 09777114) | NA                              | NA         | NA         | ✓          | ✓          | ✓          | 100                           | NA                            |
| Ms. Bonnie Jean Fetch <sup>6</sup><br>(DIN: 09791477)  | NA                              | NA         | NA         | ✓          | ✓          | ✗          | 66.67                         | NA                            |
| <b>Independent (Non-Executive) Directors</b>           |                                 |            |            |            |            |            |                               |                               |
| Mr. Nasser Munjee<br>(DIN: 00010180)                   | ✓                               | ✓          | ✓          | ✗          | ✓          | ✓          | 83.33                         | ✓                             |
| Mr. Rajeev Bakshi<br>(DIN: 00044621)                   | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓                             |

| Name of the Director                              | Details of the Board Meeting(s) |            |            |            |            |            | % of attendance of a Director | Date of the AGM |
|---|---------------------------------|------------|------------|------------|------------|------------|-------------------------------|-----------------|
|   | 26.05.2022                      | 10.08.2022 | 04.11.2022 | 15.12.2022 | 08.02.2023 | 20.03.2023 |                               | 10.08.2022      |
| Mr. P.S. Dasgupta <sup>7</sup><br>(DIN: 00012552) | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓               |
| Ms. Rama Bijapurkar<br>(DIN: 00001835)            | ✓                               | ✓          | ✓          | ✓          | ✓          | ✓          | 100                           | ✓               |
| Ms Rekha <sup>4</sup><br>(DIN: 08501990)          | NA                              | NA         | ✓          | ✓          | ✓          | ✓          | 100                           | NA              |
| Ms. Lira Goswami <sup>8</sup><br>(DIN: 00114636)  | NA                              | NA         | NA         | NA         | NA         | NA         | NA                            | NA              |

**Notes: -**

1. Mr. Nasser Munjee, Director (Non-Executive and Independent) attended the AGM as the Chairperson of Audit and Compliance Committee (erstwhile known as Audit Committee) of the Board of Directors of the Company. Ms. Rama Bijapurkar, Director (Non-Executive and Independent) attended the AGM as the Chairperson of Nomination and Remuneration Committee, Mr. P.S. Dasgupta, Director (Non-Executive and Independent) attended the AGM as the Chairperson of the Corporate Social Responsibility Committee and Stakeholders Relationship Committee of the Board of Directors of the Company. Mr. Rajeev Bakshi, Director (Non-Executive and Independent) attended the AGM as the Chairperson of Risk Management Committee of the Board of Directors of the Company.
2. Mr. Norbert Nusterer resigned as Director (Non-Executive and Non-Independent Director) of the Company effective August 26, 2022, to focus on family and personal interests, post his exit from Cummins Group. Further, he had confirmed that there were no other material reasons for his resignation.
3. Mr. Ashwath Ram was re-appointed as the Managing Director (Key Managerial Personnel) in the 61<sup>st</sup> Annual General Meeting of the Company held on August 10, 2022, effective August 17, 2022, for a term of three years.
4. Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022.
5. Ms. Jennifer Mary Bush was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 05, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 05, 2022, liable to retire by rotation.

6. Ms. Bonnie Jean Fetch was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 25, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 25, 2022, liable to retire by rotation.
7. Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effective from close of business hours of May 24, 2023 on account of professional exigencies. Consequently, he also ceased to be a Chairman of Stakeholders Relationship Committee and Corporate Social Responsibility Committee & Member of Audit and Compliance Committee, Risk Management Committee and Nomination and Remuneration Committee with effect from close of business hours of May 24, 2023.
8. Ms. Lira Goswami has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective May 24, 2023.
9. Pursuant to relaxations granted by Ministry of Corporate Affairs ('MCA') and SEBI vide Circulars/ notifications, few meetings during the Financial Year were held through Video Conferencing.

The composition of the Board is in conformity with Regulation 17, 17A and 26 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI Listing Regulations, as amended from time to time, the Independent Directors have submitted *inter-alia* declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI Listing Regulations. Further, the Independent Directors have also confirmed that they are independent of Management.

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

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

In the opinion of the Board, all the Independent Directors possess requisite qualifications, experience, expertise and hold high standards of integrity for the purpose of Rule 8(5)(iia) of the Companies (Accounts) Rules, 2014.

None of the Directors of the Company are related to each other *inter-se*.

The Senior Management of your Company have made disclosures to the Board confirming that there are no material financial and commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

**b) Details of Directorship and Committee Memberships:**

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



| Name of Directors                                      | Category                                     | No. of Directorships in other public limited Companies |         | No. of Committee positions in other public limited Companies*** |          | Directorship in other listed Companies (Category of Directorship)  |
|--|--|--|---------|---|----------|--|
|  |  | Chairman   | *Member | Chairman  | **Member |  |
| Mr. Steven Chapman<br>(DIN: 00496000)                  | Promoter, Non- Executive and Non-Independent | -  | -       | -   | -        | -  |
| Mr. Ashwath Ram<br>(DIN: 00149501)                     | Promoter, Executive                          | -  | 2       | -   | -        | -  |
| Ms. Rama Bijapurkar<br>(DIN: 00001835)                 | Non-Executive and Independent                | -  | 6       | 2   | 4        | 1. Sun Pharmaceuticals Industries Limited @<br>2. Apollo Hospitals Enterprise Limited @<br>3. VST Industries Limited @<br>4. Mahindra & Mahindra Financial Services Limited @<br>5. Gokaldas Exports Limited @ |
| Mr. Nasser Munjee<br>(DIN: 00010180)                   | Non-Executive and Independent                | 3  | 4       | 4   | 4        | 1. The Indian Hotels Company Limited @   |
| Mr. P. S. Dasgupta <sup>6</sup><br>(DIN: 00012552)     | Non-Executive and Independent                | -  | 7       | 2   | 3        | 1. RSWM Limited @<br>2. Maral Overseas Limited @<br>3. Ester Industries Limited @<br>4. Timken India Limited @<br>5. Vindhya Telelinks Limited #   |
| Mr. Rajeev Bakshi<br>(DIN: 00044621)                   | Non-Executive and Independent                | -  | 2       | -   | -        | 1. Dalmia Bharat Sugar and Industries Limited @<br>2. Macrotech Developers Ltd   |
| Ms. Rekha <sup>1</sup><br>(DIN: 08501990)              | Non-Executive and Independent                | -  | -       | -   | -        | -  |
| Mr. Donald Jackson<br>(DIN: 08261104)                  | Promoter, Non-Executive and Non-Independent  | -  | -       | -   | -        | -  |
| Mr. Norbert Nusterer <sup>2</sup><br>(DIN: 07640359)   | Promoter, Non-Executive and Non-Independent  | -  | -       | -   | -        | -  |
| Ms. Jennifer Mary Bush <sup>3</sup><br>(DIN: 09777114) | Promoter, Non-Executive and Non-Independent  | -  | -       | -   | -        | -  |
| Ms. Bonnie Jean Fetch <sup>4</sup><br>(DIN: 09791477)  | Promoter, Non-Executive and Non-Independent  | -  | -       | -   | -        | -  |

| Name of Directors                                | Category                      | No. of Directorships in other public limited Companies |         | No. of Committee positions in other public limited Companies*** |          | Directorship in other listed Companies (Category of Directorship) |
|--|-------------------------------|--|---------|---|----------|---|
|  |                               | Chairman   | *Member | Chairman  | **Member |   |
| Ms. Lira Goswami <sup>5</sup><br>(DIN: 00114636) | Non-Executive and Independent | -  | 1       | -   | 2        | 1. Maruti Suzuki India Limited                                    |

\* Number of Membership of Board includes Chairmanship of Board.

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

\*\*\* Pertains to memberships/chairpersonships of the Audit Committee and Stakeholders' Relationship Committee of other Indian public companies as per Regulation 26(1)(b) of the SEBI Listing Regulations.

Category of directorship held:

@Independent and Non-Executive Director

#Additional Director

<sup>1</sup> Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022.

<sup>2</sup> Mr. Norbert Nusterer resigned as Director (Non-Executive and Non-Independent Director) of the Company effective August 26, 2022, to focus on family and personal interests, post his exit from Cummins Group. Further, he had confirmed that there were no other material reasons for his resignation.

<sup>3</sup> Ms. Jennifer Mary Bush was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 05, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 05, 2022, liable to retire by rotation.

<sup>4</sup> Ms. Bonnie Jean Fetch was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 25, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 25, 2022, liable to retire by rotation.

<sup>5</sup> Ms. Lira Goswami has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective May 24, 2023.

<sup>6</sup> Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effective from close of business hours of May 24, 2023 on account of professional exigencies.

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

The details given in the table are as per Regulation 26 and Schedule V of SEBI Listing Regulations.

**c) Disclosure of Expertise or Skills of Directors:**

The Directors so appointed on the Board are from diverse backgrounds and possess expertise in the fields that they represent which enables them to effectively contribute in deliberations at Board and Committee meetings. In terms of Listing Regulations, the Board has identified following core skills/ areas of expertise of the Directors as given below:

| <b>Sr. No.</b> | <b>Core Skills/ Expertise</b>                         | <b>Description of the Skill/ Expertise</b>   |
|----------------|---|--|
| 1.             | General Management and Leadership                     | Extended leadership experience resulting in a practical understanding of organizational systems and processes, complex business and regulatory environment, strategic planning, risk management, understanding of emerging local and global trends and management of accountability and performance. Demonstrated strengths in developing talent, planning succession, driving change and long-term growth & guiding the Company towards its vision, missions, and values. |
| 2.             | Financial and Accounting Expertise/ Experience        | In depth understanding of finance and financial reporting processes, taxation, proficiency in complex financial management, capital allocation and resource utilization across business lines and geography of operations. Understanding of financial policies and accounting statements.  |
| 3.             | Global business/ emerging Market Experience           | Experience in driving business success in markets around the world with an understanding of diverse business environments, economic conditions, regulatory frameworks, sensitivity to cultural diversity and adaptability. Appreciation of long-term trends, strategic choices and experience in guiding and leading management teams to make decisions in uncertain environments.   |
| 4.             | Industry Knowledge and Experience                     | Domain knowledge in businesses in which the Company participates i.e., automotive industry, manufacturing, engineering along with key operational areas such as distribution and supply chain management. Guidance and contribution to growth of Company along with Board oversight in all dimensions of business and Board accountability.  |
| 5.             | Governance and Regulatory oversight                   | Experience in developing insights about maintaining board and management accountability, protecting shareholder interests and observing appropriate governance practices while driving corporate ethics and values.  |
| 6.             | Mergers & Acquisitions                                | Experience of leading growth through acquisitions and other business combinations with ability to access 'build' or 'buy' options and developing the company through inorganic growth options. Evaluate financial, operational and cultural integration with acquired company or other business combinations.  |
| 7.             | Sales & Marketing                                     | Ability in developing strategies to increase sales and market share through innovation, build better experience for customers, enhance company's reputation along with creating brand awareness and leveraging consumer insights for business benefits.  |
| 8.             | Human Resource Management                             | Representation of gender, ethnic, geographic, cultural, or other perspectives that expand the Board's understanding of the needs and viewpoints of various stakeholders like customers, partners, employees, and other stakeholders. Recognition and retention of talent in the organization.  |
| 9.             | Sustainability, Environment and Social Responsibility | Building company's strategy around sustainability and right environment and achieving success with sense of social responsibility.   |

| <b>Sr. No.</b> | <b>Core Skills/ Expertise</b>         | <b>Description of the Skill/ Expertise</b>  |
|----------------|---------------------------------------|---|
| 10.            | Information Technology and Innovation | Significant background in technology, resulting in knowledge of how to anticipate technological trends, generate disruptive innovation, and extend or create new business models leveraging digital / Information Technology across the value chain, ability to anticipate technological driven changes and appreciation of the need of cybersecurity and controls across organization. |

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

| <b>Sr. No.</b> | <b>Name of Director</b>             | <b>Expertise / Skills in specific functional area</b>  |
|----------------|-------------------------------------|--|
| 1              | Mr. Steven Chapman                  | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience & Governance and Regulatory oversight  |
| 2              | Mr. Ashwath Ram                     | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience, Governance and Regulatory oversight and Sustainability, Environment and Social Responsibility |
| 3              | Mr. Nasser Munjee                   | General Management and Leadership, Financial and Accounting Experience, Industry Knowledge and Experience & Sustainability, Environment and Social Responsibility  |
| 4              | Mr. P.S. Dasgupta <sup>5</sup>      | General Management and Leadership, Global business/ emerging Market Experience, Governance and Regulatory oversight, Mergers & Acquisitions & Sustainability, Environment and Social Responsibility              |
| 5              | Mr. Rajeev Bakshi                   | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience, Sales & Marketing & Sustainability, Environment and Social Responsibility                     |
| 6              | Ms. Rama Bijapurkar                 | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience, Governance and Regulatory oversight, Sales & Marketing and Human Resource Management          |
| 7              | Ms. Rekha <sup>1</sup>              | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience, Sales & Marketing & Information Technology and Innovation                                     |
| 8              | Mr. Donald Jackson                  | General Management and Leadership, Financial and Accounting Expertise/ Experience (including Treasury Experience) & Global business/ emerging Market Experience  |
| 9              | Ms. Jennifer Mary Bush <sup>2</sup> | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience, Sales & Marketing and Sustainability, Environment and Social Responsibility                   |

| <b>Sr. No.</b> | <b>Name of Director</b>            | <b>Expertise / Skills in specific functional area</b>   |
|----------------|------------------------------------|---|
| 10             | Ms. Bonnie Jean Fetch <sup>3</sup> | General Management and Leadership, Global business/ emerging Market Experience, Industry Knowledge and Experience & Human Resource Management   |
| 11             | Ms. Lira Goswami <sup>4</sup>      | General Management and Leadership, Industry Knowledge and Experience, Governance and Regulatory oversight, Mergers & Acquisitions and Sustainability, Environment and Social Responsibility |

<sup>1</sup> Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022.

<sup>2</sup> Ms. Jennifer Mary Bush was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 05, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 05, 2022, liable to retire by rotation.

<sup>3</sup> Ms. Bonnie Jean Fetch was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 25, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 25, 2022, liable to retire by rotation.

<sup>4</sup> Ms. Lira Goswami has been appointed as an Additional Director (Non-Executive and Independent) of the Company effective May 24, 2023.

<sup>5</sup> Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effect from close of business hours of May 24, 2023.

**d) Details of equity shares of the Company held by the Directors as on March 31, 2023 are given below:**

| <b>Name of Director</b> | <b>Category of Director</b>  | <b>Number of Equity Shares</b>         |
|-------------------------|------------------------------|--|
| <b>Mr. Ashwath Ram</b>  | Promoter, Executive Director | 13,757 fully paid shares of ₹ 2/- each |

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

### 3. COMMITTEES OF THE BOARD:

The Composition of the Committees of the Board of Directors as on March 31, 2023 is as stated in the below table:

| Sr. No. | Name of Committees  | Composition  |
|---------|---|--|
| 1       | <b>Audit and Compliance Committee</b><br>(erstwhile known as Audit Committee) | Mr. Nasser Munjee, Chairperson<br>Mr. P. S. Dasgupta, Member<br>Mr. Rajeev Bakshi, Member<br>Mr. Donald Jackson, Member*                               |
| 2       | <b>Nomination and Remuneration Committee</b>                                  | Ms. Rama Bijapurkar, Chairperson<br>Mr. P. S. Dasgupta, Member<br>Mr. Nasser Munjee, Member<br>Mr. Rajeev Bakshi, Member<br>Mr. Steven Chapman, Member |
| 3       | <b>Stakeholders Relationship Committee</b>                                    | Mr. P. S. Dasgupta, Chairperson<br>Ms. Rama Bijapurkar, Member<br>Mr. Rajeev Bakshi, Member<br>Mr. Ashwath Ram, Member                                 |
| 4       | <b>Corporate Social Responsibility Committee</b>                              | Mr. P. S. Dasgupta, Chairperson<br>Mr. Nasser Munjee, Member<br>Ms. Rama Bijapurkar, Member<br>Mr. Ashwath Ram, Member                                 |
| 5       | <b>Risk Management Committee</b>  | Mr. Rajeev Bakshi, Chairperson<br>Mr. Nasser Munjee, Member<br>Mr. P. S. Dasgupta, Member<br>Ms. Rama Bijapurkar, Member<br>Mr. Ashwath Ram, Member    |

\* Mr. Steven Chapman ceased to be Member of Audit and Compliance Committee effective May 26, 2022 and Mr. Donald Jackson was appointed as Member of the Audit and Compliance Committee effective May 26, 2022.

#### a) AUDIT AND COMPLIANCE COMMITTEE:

The Board had approved the change in nomenclature of “Audit Committee” to “Audit and Compliance Committee” with effect from November 04, 2022. Further, the Board had also approved the revised Charter to enhance the role and responsibilities of the Committee with the intent of strengthening the compliance process.

#### Composition:

As on March 31, 2023, the Audit and Compliance Committee comprised of 4 Directors including 1 Promoter (Non-Executive) Director – Mr. Donald Jackson and 3 Independent Directors – Mr. Nasser Munjee (Chairperson), Mr. P.S. Dasgupta and Mr. Rajeev Bakshi.

#### Meetings at a glance:

|                  |                 |                   |
|------------------|-----------------|-------------------|
| 4                | 6               | 100 %             |
| <b>Directors</b> | <b>Meetings</b> | <b>Attendance</b> |

**Meetings and Attendance at the Audit and Compliance Committee Meetings for F.Y. 2022-23**

| Name of Directors    | Dates of Audit and Compliance Committee Meetings |                 |                   |                    |                      |                      |
|----------------------|--|-----------------|-------------------|--------------------|----------------------|----------------------|
|                      | May 24,<br>2022                                  | May 26,<br>2022 | July, 27,<br>2022 | August 10,<br>2022 | November 04,<br>2022 | February 08,<br>2023 |
| Mr. Nasser Munjee    | ✓  | ✓               | ✓                 | ✓                  | ✓                    | ✓                    |
| Mr. P. S. Dasgupta** | ✓  | ✓               | ✓                 | ✓                  | ✓                    | ✓                    |
| Mr. Rajeev Bakshi    | ✓  | ✓               | ✓                 | ✓                  | ✓                    | ✓                    |
| Mr. Donald Jackson*  | NA   | NA              | ✓                 | ✓                  | ✓                    | ✓                    |
| Mr. Steven Chapman*  | ✓  | ✓               | NA                | NA                 | NA                   | NA                   |

\*Mr. Steven Chapman ceased to be Member of Audit and Compliance Committee effective May 26, 2022 and Mr. Donald Jackson was appointed as Member of the Audit and Compliance Committee effective May 26, 2022.

\*\*Mr. P.S. Dasgupta pursuant to his resignation ceased to be a Member of Audit and Compliance Committee effect from close of business hours of May 24, 2023 and Ms. Lira Goswami, Ms. Rama Bijapurkar and Ms. Jenny Bush were appointed as Members of the Audit and Compliance Committee effective from May 25, 2023.

Minimum number of meetings of the Audit and Compliance Committee during the year under review, were complied with.

The Committee reviewed the audited financial statements for the year ended March 31, 2023 and unaudited financial results for the quarters ended June 30, 2022, September 30, 2022 and December 31, 2022. The Committee also reviewed (i) Appointment and remuneration of Statutory, Secretarial and Cost Auditors of the Company; (ii) Performance of Subsidiary, Joint Ventures & Associates; (iii) Appointment and reports of the Internal Auditor; (iv) Cost Audit Report for the year 2021-22; (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) Forex Management Policy; (xii) \*Prohibition of Insider Trading Policies and (xiii) Ethics, Cummins Code of Conduct and related matters.

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

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

**Broad Terms of Reference of the Audit and Compliance Committee:**

The Committee primarily acts in line with the Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI Listing Regulations.

The Committee oversees the Company's financial reporting process, the system of internal financial controls, the audit process, the Company's system/ process/ mechanism for monitoring legal and regulatory compliances 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 is guided by the Charter adopted by the Board, accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

The Charter is reviewed and re-assessed when deemed fit by the Committee and was last amended on November 04, 2022.

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 on the website at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

**\* Related Party Transactions Policy:** The Policy regulates all transactions between the Company and its related parties. Pursuant to the relevant provisions of Section 188 and any other applicable provisions of the Companies Act, 2013 and Rules framed thereunder, Regulation 23 of the SEBI Listing Regulations and various circulars issued by SEBI, the Policy was revised and adopted in the Board Meeting held on February 10, 2022, effective from April 01, 2022.

The Committee has been entrusted with the following responsibilities/Terms of Reference for review of financial reporting process and system of internal financial controls:

- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- To recommend appointment, remuneration and terms of appointment of Auditors (Statutory Auditors, Secretarial Auditor, Cost Auditor and Internal Auditor) of the Company and to approve payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- To review with the Management, the annual and quarterly financial statements and Auditor's Report thereon before submission to the Board for approval;
- To review, with the Management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the end utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- To review and monitor the auditor's independence, performance, experience, qualification, and effectiveness of audit process along with performance of statutory and internal auditors, adequacy of the internal control systems;
- To approve transactions of the Company with related parties and/or any subsequent modification thereof;
- Scrutiny of inter-corporate loans and investments to evaluate undertakings or assets of the Company, wherever it is necessary;
- To evaluate internal financial controls and risk management systems;
- To review compliance and reports as may be applicable, pursuant to the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015;
- To review the adequacy of internal audit function, discuss with Internal Auditors of any significant findings and follow up thereon, review the findings of any internal investigations into matters of a material nature and reporting the matter to the Board;



- To discuss with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower Policy and/or Vigil Mechanism;
- To review and recommend the Cost Audit Statements and Cost Audit Report to the Board of Directors;
- To approve appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- To review utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower or such other limit as may be prescribed.

The Committee has been entrusted with the following responsibilities/ terms of reference for review of legal and regulatory compliances:

- To review the system and/or framework devised for monitoring and implementing compliance with applicable laws, rules and regulations, to ensure that the same is adequate and operating effectively and to recommend changes required if any;
- To note the overall compliance status by periodically reviewing the Legal Compliance Report including management responses thereto;
- To review the legal cases filed by and against the Company, as per the threshold approved by the Board and/or Committee from time to time and significant government inquiries or investigations and other significant legal actions, if any;
- To review significant current and upcoming amendments to the laws, rules and regulations that may impact business operations, performance, strategy or reputation of the Company;
- To review ethics updates periodically;
- To aid management in developing a strong compliance culture at all levels in the Company resulting in appropriate consideration of compliance risks in key strategic and business decisions.

**b) NOMINATION AND REMUNERATION COMMITTEE:**

**Composition:**

As on March 31, 2023, the Committee comprised of 5 Directors including 1 Promoter (Non-Executive) Director and Chairman of the Board - Mr. Steven Chapman and 4 Independent Directors – Ms. Rama Bijapurkar (Chairperson), Mr. P. S. Dasgupta, Mr. Rajeev Bakshi and Mr. Nasser Munjee.

**Meetings at a glance:**

|                              |                             |                                  |
|------------------------------|-----------------------------|----------------------------------|
| <b>5</b><br><b>Directors</b> | <b>5</b><br><b>Meetings</b> | <b>96 %</b><br><b>Attendance</b> |
|------------------------------|-----------------------------|----------------------------------|

**Meetings and attendance at the Nomination and Remuneration Committee Meetings for F.Y. 2022-23:**

| Name of the Director | Dates of Nomination & Remuneration Committee Meetings |                    |                      |                      |                      |
|----------------------|---|--------------------|----------------------|----------------------|----------------------|
|                      | May 25,<br>2022                                       | August 10,<br>2022 | November 04,<br>2022 | December 15,<br>2022 | February 08,<br>2023 |
| Ms. Rama Bijapurkar  | ✓   | ✓                  | ✓                    | ✓                    | ✓                    |
| Mr. P.S. Dasgupta*   | ✓   | ✓                  | ✓                    | ✓                    | ✓                    |
| Mr. Nasser Munjee    | ✓   | ✓                  | ✓                    | ✘                    | ✓                    |
| Mr. Rajeev Bakshi    | ✓   | ✓                  | ✓                    | ✓                    | ✓                    |
| Mr. Steven Chapman   | ✓   | ✓                  | ✓                    | ✓                    | ✓                    |

\* Mr. P.S. Dasgupta, pursuant to his resignation ceased to be a Member of Nomination and Remuneration Committee effect from close of business hours of May 24, 2023 and Ms. Lira Goswami and Ms. Bonnie Fetch were appointed as Members of the Nomination and Remuneration Committee effective from May 25, 2023.

Minimum number of meetings of the Nomination and Remuneration Committee during the year under review, were complied with.

The Committee reviews appointment of Directors, Key Managerial Personnel and Senior Management 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, Senior Management Personnel and other employees of the Company. The Committee is guided by the Nomination and Remuneration Policy and Nomination and Remuneration Committee Charter accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Policy is reviewed and re-assessed as deem fit by the Committee and was last amended February 08, 2023. The Board had adopted the Nomination and Remuneration Committee Charter effective February 08, 2023.

**Broad Terms of Reference of the Nomination and Remuneration Committee:**

The role and terms of reference of the Committee primarily covers the areas as contemplated under Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI Listing Regulations;

- To identify persons who are qualified to become directors and who may be appointed as Key Managerial Personnel and Senior Management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a remuneration policy, relating to the remuneration for the Directors, Key Managerial Personnel, and other employees;

- Formulation of criteria for evaluation of performance of Independent Directors, Non-Executive Directors, the Board and Committees of the Board as per applicable laws;
- Devising a policy on diversity of the Board of Directors as a part of overall Nomination and Remuneration Policy;
- Recommend to the Board, all remuneration, in whatever form, payable to the Directors, Key Managerial Personnel and Senior Management;
- Identify whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors or on the basis of a review of skills matrix of the Board of Directors;
- Deliberate on succession planning of Executive and Independent Directors, Key Managerial Personnel and Senior Management.

#### **Performance evaluation criteria for Directors including Independent Directors:**

The Committee oversees the evaluation process, undertaken 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 including:

- Reviewing the Performance of the Non-Independent Directors and the Board as a whole;
- Reviewing performance of Committees of the Board;
- Reviewing performance of the Chairperson and the Managing Director of the Company; and
- Assessing the quality, quantity and timelines of flow of information between the Company's Management & the Board.

Feedback on each Director including separate feedback for Chairperson is solicited as a part of the survey. Some of the performance indicators based on which the Independent Directors are evaluated include:

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

The Head - HR contacts each Director annually with respect to performance of the Directors, Board and its Committees and the Board dynamics. Based on SEBI's guidance note on Board Evaluation dated January 05, 2017, these comments relate to the broad question of how the Board can improve its key functions of overseeing financials, major areas of strategy, risk, integrity and governance.

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

### Remuneration of Directors:

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

There is no pecuniary relationship or transactions of any of the Non-Executive Directors vis-à-vis the Company, apart from the remuneration as detailed in this Report or in the Note No. 41 to the Standalone Financial Statements.

### Criteria for making payment to Non-Executive Independent Directors:

- Non-Executive Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they are Members) and commission as per limits prescribed in the applicable provisions of the Companies Act, 2013, as amended from time to time. Quantum of sitting fees may be subject to review on a periodic basis, as may be required.
- The payment of sitting fees and commission shall be recommended by the Nomination and Remuneration Committee and approved by the Board based on the study of comparable companies and within the limits prescribed under the applicable provisions of the Companies Act 2013, as amended from time to time. Overall remuneration practices shall be consistent with recognized best practices.
- In addition to the sitting fees and commission, the Company may pay/reimburse to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company.

### Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 01, 2022 to March 31, 2023:

| Name of the Director   | Sitting fees | Annual Commission | Total (₹) |
|------------------------|--------------|-------------------|-----------|
| Mr. Nasser Munjee      | 8,50,000     | 15,00,000         | 23,50,000 |
| Mr. P. S. Dasgupta     | 9,00,000     | 15,00,000         | 24,00,000 |
| Mr. Rajeev Bakshi      | 9,00,000     | 15,00,000         | 24,00,000 |
| Ms. Rama Bijapurkar    | 8,00,000     | 15,00,000         | 23,00,000 |
| Ms. Rekha <sup>1</sup> | 3,00,000     | 9,59,677          | 12,59,677 |

<sup>1</sup> Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022

**Details of remuneration paid to Managing Director of the Company during the Financial Year April 01, 2022 to March 31, 2023:**

(₹ in Crores)

| Name            | Sitting fees | Salary            | Commis-sion | House Rent | Gas/ Elect. / water | Medical | Other Benefits | Total             |
|-----------------|--------------|-------------------|-------------|------------|---------------------|---------|----------------|-------------------|
| Mr. Ashwath Ram | -            | 4.77 <sup>^</sup> | -           | -          | -                   | -       | -              | 4.77 <sup>^</sup> |

<sup>^</sup> This value includes value of stock options of Holding Company.

Notes: -

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of the Managing Director and other Directors.

**c) STAKEHOLDERS RELATIONSHIP COMMITTEE:**

**Composition:**

As on March 31, 2023, the Stakeholders Relationship Committee comprised of 4 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 3 Independent Directors – Mr. P. S. Dasgupta (Chairperson), Ms. Rama Bijapurkar and Mr. Rajeev Bakshi.

**Meetings at a glance:**

|                  |                 |                   |
|------------------|-----------------|-------------------|
| <b>4</b>         | <b>2</b>        | <b>87.5 %</b>     |
| <b>Directors</b> | <b>Meetings</b> | <b>Attendance</b> |

**Meetings and Attendance at the Stakeholders Relationship Committee Meetings for F.Y. 2022-23:**

| Name of Directors   | Date of Stakeholders Relationship Committee Meetings |                   |
|---------------------|--|-------------------|
|                     | May 25, 2022   | November 03, 2022 |
| Mr. P. S. Dasgupta* | ✓  | ✓                 |
| Mr. Ashwath Ram     | ✓  | ✓                 |
| Ms. Rama Bijapurkar | x  | ✓                 |
| Mr. Rajeev Bakshi   | ✓  | ✓                 |

\* Mr. P.S. Dasgupta, pursuant to his resignation ceased to be a Chairperson of Stakeholders Relationship Committee effect from close of business hours of May 24, 2023 and Ms. Lira Goswami was appointed as a Chairperson of the Stakeholders Relationship Committee effective from May 25, 2023.

Minimum number of meetings of the SRC Committee during the year under review, were complied with.

The Committee is guided by the Charter, adopted by the Board, accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Charter is reviewed and re-assessed when deemed fit by the Committee. The terms of reference was amended and the Charter including revised terms of reference was adopted on May 26, 2022.

#### **Broad Terms of Reference to the Stakeholders Relationship Committee:**

The Committee primarily acts in line with the Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI Listing Regulations. The Committee reviews and advises the Company in relation to:-

- To resolve the grievances of the security holders of the company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends/warrants, issue of new/duplicate certificates or new certificates on split/consolidation/renewal etc., dematerialization and re-materialization requests of equity shares are addressed in timely manner, general meetings, Investor Education and Protection Fund related queries etc;
- To oversee compliances in respect to dividend payments and transfer of unclaimed amounts and shares to the Investor Education and Protection Fund, as per the provisions of the Companies Act, 2013 and Rules thereunder;
- To review the measures taken for effective exercise of voting rights by security holders;
- To oversee the performance of the Registrar & Share Transfer Agent ('RTA') including review of their adherence to the service standards adopted by the Company or as may be prescribed by regulatory authorities, from time to time;
- To recommend measures for overall improvement in the quality of investor services including ensuring proper controls;
- To review various measures and initiatives taken by the company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company;
- To obtain, at its sole authority, professional services/ advice of internal or outside experts (legal or other professionals), where judged necessary, to discharge its duties and responsibilities;
- To periodically provide updates to the Board, on such matters as it considers relevant and carry out such other function as may be delegated by the Board or as may be prescribed under applicable laws from time to time;
- To note the investor engagement plans/initiatives and movement in shareholdings and ownership structure of the Company.

**Compliance Officer:** The Board has appointed, Ms. Vinaya Joshi, Company Secretary as the Compliance Officer, as required under the SEBI Listing Regulations and the Nodal Officer to ensure compliance with the IEPF rules.

**The following shareholder complaints were received and resolved during the financial year April 01, 2022 to March 31, 2023:**

| <b>Sr. No.</b> | <b>Nature of Complaint</b>        | <b>No. of Complaints*</b> |
|----------------|-----------------------------------|---------------------------|
| 1.             | Non-receipt of Annual Reports     | 0                         |
| 2.             | Non- receipt of Dividend Warrants | 12                        |
| 3.             | Non-receipt of Share Certificates | 9                         |
| 4.             | Non-receipt of Bonus Certificates | 1                         |
| 5.             | Others                            | 11                        |
|                | <b>Total</b>                      | <b>33</b>                 |

\* BSE and NSE vide its guidance note dated July 07, 2022 has directed listed companies to consider complaints received from all the sources while filling the quarterly report for investor complaints.

**Number of complaints pending with the Company as on March 31, 2023: NIL**

**Number of pending share transfers with the Company as on March 31, 2023: NIL**

Pursuant to a Circular dated March 27, 2019, the Securities and Exchange Board of India (SEBI) had, effective from April 01, 2019, mandated the transfer of shares only in dematerialized form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior April 01, 2019 and returned due to deficiency in the document. SEBI vide its circular dated September 07, 2020 had set March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and vide its circular dated December 02, 2020 prescribed operational guidelines for Transfer and Dematerialization of re-lodged physical shares. The Company has acted upon all valid requests for share transfer received during the Financial Year 2021-22 in accordance with the provisions of SEBI Listing Regulations and the circulars issued thereunder.

**Prohibition of Insider Trading Code & Fair Disclosure Code:** The Company has a separate Code of Conduct to regulate, monitor and report trading by its employees, Connected Persons and Designated Persons in listed securities of the Company, in line with SEBI (Prohibition of Insider Trading) Regulations, 2015 (and amendment thereof). The Code was last amended by the Board of Directors on October 27, 2021. The said Code is applicable to all Directors, Designated Persons and Connected Persons, as defined under the said Regulations. The Code *inter-alia* governs sale and purchase of shares of the Company by Directors, Designated Persons and Connected Persons and disclosure obligations. The trading window is closed during the time of declaration of results and occurrence of any material events, if any as per the Code.

The Company also has a Code of Practices and Procedures for Fair Disclosure and Protection of Unpublished Price Sensitive Information ('Fair Disclosure Code') pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2018 (Amendment) and which was brought into effect from April 01, 2019 in order to protect and preserve the confidentiality of unpublished price sensitive information (UPSI), ensures timely and adequate disclosure of UPSI and to maintain uniformity, transparency and fairness in dealing with all its stakeholders. The Code is also uploaded on the website of the Company and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

**d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:****Composition:**

As on March 31, 2023, the Corporate Social Responsibility Committee comprised of 4 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 3 Independent Directors – Mr. P. S. Dasgupta (Chairperson), Mr. Nasser Munjee and Ms. Rama Bijapurkar

**Meetings at a glance:**

|                  |                 |                   |
|------------------|-----------------|-------------------|
| <b>4</b>         | <b>4</b>        | <b>100 %</b>      |
| <b>Directors</b> | <b>Meetings</b> | <b>Attendance</b> |

**Meetings and Attendance at the Corporate Social Responsibility Committee Meetings of F.Y. 2022-23:**

| Name of Directors   | Date of Corporate Social Responsibility Committee meetings |                 |                   |                   |
|---------------------|--|-----------------|-------------------|-------------------|
|                     | May 25, 2022   | August 09, 2022 | November 03, 2022 | February 07, 2023 |
| Mr. P. S. Dasgupta* | ✓  | ✓               | ✓                 | ✓                 |
| Mr. Nasser Munjee   | ✓  | ✓               | ✓                 | ✓                 |
| Ms. Rama Bijapurkar | ✓  | ✓               | ✓                 | ✓                 |
| Mr. Ashwath Ram     | ✓  | ✓               | ✓                 | ✓                 |

\* Mr. P.S. Dasgupta, pursuant to his resignation ceased to be a Chairperson of Corporate Social Responsibility Committee effect from close of business hours of May 24, 2023. Ms. Rama Bijapurkar and Ms. Bonnie Fetch were appointed as Chairperson and Member of the Corporate Social Responsibility Committee respectively, effective from May 25, 2023.

Minimum number of meetings of the CSR Committee during the year under review, were complied with.

The Committee is guided by the Charter, adopted by the Board, accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Charter is reviewed and re-assessed when deemed fit by the Committee and was last amended on March 26, 2021.

**Broad Terms of Reference of Corporate Social Responsibility Committee:**

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

- To identify the areas of CSR activities;
- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act, 2013 or any amendment thereto read with Government Directives from time to time;



- To formulate and recommend to the Board, an Annual Action Plan, in pursuance to its CSR Policy;
- To recommend the amount of expenditure be incurred on such other activities as decided and permitted under the applicable laws from time to time;
- To implement and monitor the Corporate Social Responsibility Policy of the Company from time to time;
- To coordinate with Cummins India Foundation or any other agencies as may be decided, for implementing programs and executing initiatives as per CSR Policy of the Company;
- To take such necessary steps as may be required to carry out impact assessment of CSR projects, as per applicable laws through an independent agency;
- To carry out any other function as may be delegated by the Board or as may be prescribed under applicable laws from time to time; and
- The Committee may periodically provide necessary updates to the Board.

The Committee has also formulated a Policy indicating the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act, 2013 or any amendment thereto, adopted by the Board, accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Policy is reviewed and re-assessed as and when deem fit by the Committee and was last amended on March 26, 2021.

#### e) **RISK MANAGEMENT COMMITTEE:**

##### **Composition:**

As on March 31, 2023, the Risk Management Committee comprised of 5 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 4 Independent Directors (Non-Executive) – Mr. Rajeev Bakshi (Chairperson), Mr. P. S. Dasgupta, Ms. Rama Bijapurkar and Mr. Nasser Munjee.

##### **Meetings at a glance:**

|                  |                 |                   |
|------------------|-----------------|-------------------|
| <b>5</b>         | <b>4</b>        | <b>95 %</b>       |
| <b>Directors</b> | <b>Meetings</b> | <b>Attendance</b> |

##### **Meetings and Attendance at the Risk Management Committee Meetings for F.Y. 2022-23:**

| Name of Directors   | Date of Risk Management Committee meetings |                    |                      |                      |
|---------------------|--|--------------------|----------------------|----------------------|
|                     | May 25,<br>2022                            | August 09,<br>2022 | November 04,<br>2022 | February 07,<br>2023 |
| Mr. Rajeev Bakshi   | ✓  | ✓                  | ✓                    | ✓                    |
| Mr. Nasser Munjee   | ✓  | ✓                  | ✓                    | ✓                    |
| Mr. P. S. Dasgupta* | ✓  | ✓                  | ✓                    | ✓                    |
| Mr. Ashwath Ram     | ✓  | ✓                  | ✓                    | ✓                    |
| Ms. Rama Bijapurkar | x  | ✓                  | ✓                    | ✓                    |

\* Mr. P.S. Dasgupta, pursuant to his resignation ceased to be a Member of Risk Management Committee effect from close of business hours of May 24, 2023 and Ms. Lira Goswami and Ms. Jenny Bush were appointed as Members of Risk Management Committee effective from May 25, 2023.

Minimum number of meetings of the RMC Committee during the year under review, were complied with.

### **Broad Terms of Reference of the Risk Management Committee:**

The roles and responsibilities of the Committee are as prescribed under Regulation 21 of the SEBI Listing Regulations. The Committee is guided by the Charter adopted by the Board, accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>. The Charter is reviewed and re-assessed when deemed fit by the Committee and was last amended on August 11, 2021.

- To identify, assess, mitigate and monitor the existing as well as potential risks (internal and external) to the Company, to recommend the strategies to overcome them and review key leading indicators in this regard;
- To formulate and recommend to the Board, a Risk Management Policy, which shall include framework for identification of internal and external risks faced by the Company, in particular including financial, operational, sectoral, sustainability, information, cyber security risks or any other risk as may be determined by the Committee; measures for risk mitigation and business continuity plan;
- To periodically review and approve the Risk Management framework including the risk management processes, systems and practices of the Company;
- To evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner;
- To advise on developing and implementing action plans to mitigate the risks;
- To co-ordinate its activities with the Audit and Compliance Committee and other committees in instances where there is any overlap with risk areas or audit (e.g., internal, or external risk issues/ audit issues relating to Risk Management Policy or practice);
- To oversee at such intervals as may be necessary, the adequacy of Company's resources to perform its risk management responsibilities and achieve its objectives;
- To review and periodically assess the Company's performance against the identified risks of the Company; and
- To review and periodically re-assess the adequacy of its Charter and recommend any proposed changes to the Board for approval.

**4. GENERAL MEETING ('GM'):****a) ANNUAL GENERAL MEETING ('AGM'):****Location, Date and Time, where previous three (3) AGM were held:**

|                                   | <b>FY 2019-20</b>  | <b>FY 2020-21</b>  | <b>FY 2021-22</b>  |
|-----------------------------------|--|--|--|
| <b>Date and Time</b>              | August 25, 2020<br>At 3.30 P.M.  | August 12, 2021<br>At 3.30 P.M.  | August 10, 2022<br>At 12 Noon  |
| <b>Venue</b>                      | Conducted through Video conference. Place of Meeting was construed as Cummins India Office Campus, Tower A, 5 <sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411 045 | Conducted through Video conference. Place of Meeting was construed as Cummins India Office Campus, Tower A, 5 <sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411 045 | Conducted through Video conference. Place of Meeting was construed as Cummins India Office Campus, Tower A, 5 <sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411 045 |
| <b>Special resolutions passed</b> | No special resolution was passed   | No special resolution was passed   | No special resolution was passed   |

**b) EXTRA-ORDINARY GENERAL MEETING ('EGM'):**

No Extra-ordinary General Meetings of the shareholders of the Company was convened during the FY 2022-23.

**c) POSTAL BALLOT:** Two Postal Ballots were conducted during the FY 2022-23.**Procedure:**

In compliance with Regulation 44 of the SEBI Listing Regulations, Sections 108, 110 of the Companies Act, 2013, Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014, and other applicable provisions of the Act read with the Rules issued thereunder and General Circulars issued by Ministry of Corporate Affairs, the Company provided remote e-voting facility to all its Members. The Company engaged the services of National Securities Depository Limited ("NSDL") for the purpose of providing e- voting facility to all its Members.

The postal ballot notice was sent to the members in electronic form at their email addresses registered with the depositories/RTA.

The Company also published notice in the newspapers declaring the details of completion of dispatch, e-voting details and other requirements in terms of the Companies Act, 2013 read with the Rules issued thereunder and the Secretarial Standards issued by the Institute of Company Secretaries of India.

The results were displayed on the website of the Company [www.cumminsindia.com](http://www.cumminsindia.com) and communicated to the Stock Exchanges, Depositories, and Registrar and Share Transfer Agents. The resolutions passed by the postal ballot were deemed to have been passed on the last date e-voting period.

| <b>Date of dispatch of Notice</b> | <b>Postal Ballot period</b>  | <b>Particulars of Resolution(s) passed</b>  | <b>Type of Resolution</b> |
|-----------------------------------|--|---|---------------------------|
| August 19, 2022                   | Monday, August 22, 2022 (9.00 a.m. IST) to Tuesday, September 20, 2022 (5.00 p.m. IST) | Appointment of Ms. Rekha (DIN: 08501990) as a Non-Executive Independent Director                            | Special Resolution        |
|                                   |  | To approve additional material related party transaction(s) with Cummins Limited, UK                        |                           |
|                                   |  | To approve additional material related party transaction(s) with Tata Cummins Private Limited               |                           |
|                                   |  | To approve additional material related party transaction(s) with Cummins Technologies India Private Limited |                           |
| November 25, 2022                 | Monday, November 28, 2022 (9 a.m. IST) to Tuesday, December 27, 2022 (5.00 p.m. IST)   | Appointment of Ms. Jennifer Mary Bush (DIN: 09777114) as a Director (Non-Executive and Non-Independent)     | Ordinary Resolutions      |
|                                   |  | Appointment of Ms. Bonnie Jean Fetch (DIN: 09791477) as a Director (Non-Executive and Non-Independent)      |                           |

## 5. DISCLOSURES:

- a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>.
- b) The Company has disclosed the Material Subsidiary Policy on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>.
- c) The Company has disclosed all policies, codes and charters, as required to be disclosed and are accessible on the website of the Company at <https://www.cummins.com/en/in/investors/india-corporate-governance>.
- d) 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.
- e) The Company has complied with the mandatory Corporate Governance requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI Listing Regulations.
- f) The Company has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI Listing Regulations.

- g) The Company follows a Vigil Mechanism Policy (earlier known as Whistle Blower Policy) since Financial Year 2003-04 in line with the SEBI Listing Regulations. No person has been denied access to the Audit and Compliance Committee under the Vigil Mechanism Policy.
- h) The Managing Director and Chief Financial Officer of the Company have certified to the Board of Directors, *inter alia*, on the accuracy of financial statements and adequacy of internal controls for the financial reporting as required under Regulation 17(8) read with Part B of Schedule II of SEBI Listing Regulations.
- i) Foreign exchange risk and hedging activities:  
  
During the Financial Year 2022-23, 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. 43 (a)(i) to the Annual Accounts (Standalone Financial Statement).
- j) 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.
- k) There were no recommendations of Committees of the Board, mandatorily required, in a Financial Year 2022-23 which were not accepted by the Board.
- l) Details relating to fees paid to the Statutory Auditors are given in note no. 31 to the Standalone Financial Statements and note no. 31 to the Consolidated Financial Statements.
- m) In the opinion of the Board, the Independent Directors fulfill the conditions specified in these regulations and are independent of the Management.
- n) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013: The details of number of complaints filed and disposed of during the year and pending as on March 31, 2023 is given in the Directors' Report.
- o) During the Financial year 2022-23, the Company has not granted any 'Loans and advances in the nature of loans to firms/companies in which Directors are interested by name and amount'.

## 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](http://www.cumminsindia.com) and also on <https://www.nseindia.com/> and <https://www.bseindia.com/>.
- b) The official news releases of the Company were displayed on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com) and also on <https://www.nseindia.com/> and <https://www.bseindia.com/>
- c) The annual audited and quarterly/ half-yearly unaudited financial results for the year ended March 2022 and quarters ended June, September and December 2022 were duly published in Business Standard (All editions) and Loksatta (Pune Edition).
- d) Transcript of Conference calls with the Analysts held on May 27, 2022, August 11, 2022, November 07, 2022 and February 09, 2023 and the Managing Director's Presentation to the Shareholders made at the Annual General Meeting held on August 10, 2022 were

displayed on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com). Additionally, transcript of 61<sup>st</sup> Annual General Meeting held on August 10, 2022 was displayed on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com).

- e) In compliance with the provisions of Section 20 of the Companies Act, 2013 and as a continuing endeavour towards the 'Go Green' initiative by Ministry of Corporate Affairs, the Company proposes to send all correspondence / communications through email to those shareholders who have registered their email-id with their depository participant's / Company's Registrar and Share Transfer Agent.

## 7. GENERAL SHAREHOLDER INFORMATION:

|                                |   |   |
|--------------------------------|---|---|
| Registered Office              | Cummins India Office Campus, Tower A, 5 <sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411 045 Maharashtra, India   |   |
|                                | Phone No.   | : (020) 67067000  |
|                                | Fax No.   | : (020) 67067015  |
|                                | Website   | : <a href="http://www.cumminsindia.com">www.cumminsindia.com</a>  |
| Annual General Meeting         | Date and Time: August 03, 2023  |   |
|                                | Mode  | : Video conference and other audio-visual means   |
|                                | Venue   | : Deemed venue shall be Cummins India Office Campus, Tower A, 5 <sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411045 |
| Financial Year                 | The Financial Year of the Company is 1 <sup>st</sup> April to 31 <sup>st</sup> March.   |   |
| Financial calendar (Tentative) | <ul style="list-style-type: none"> <li>■ Results for quarter ending June 30, 2023 – By second week of August, 2023</li> <li>■ Results for quarter and half year ending September 30, 2023 – By first week of November 2023</li> <li>■ Results for quarter and nine months ending December 31, 2023 – By second week of February 2024</li> <li>■ Results for the year ending March 31, 2024 – By Fourth week of May, 2024</li> </ul> |   |
| Interim dividend payment date  | March 08, 2023  |   |
| Record Date                    | July 26, 2023   |   |
| Final Dividend payment date    | August 31, 2023 (subject to approval of shareholders in the ensuing Annual General meeting)   |   |
| Listing on Stock Exchanges     | <b>Name of Exchange</b>   | <b>Stock Code</b>   |
|                                | 1. BSE Limited (BSE) P. J. Towers, Dalal Street, Mumbai : 400 001   | 500480  |
|                                | 2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai : 400 051  | CUMMINSIND  |
| Payment of Listing Fees        | The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2023-24.  |   |

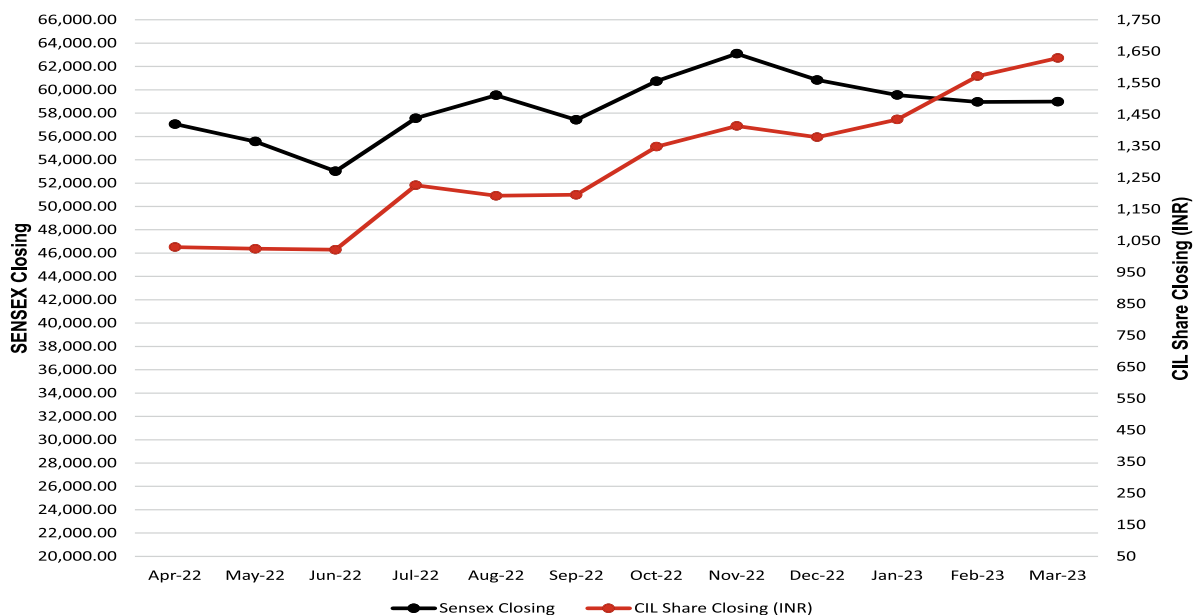
**Market price data: High, Low during each month in the FY 2022 - 23:**

| Month          | BSE      |          | Month          | NSE      |          |
|----------------|----------|----------|----------------|----------|----------|
|                | High (₹) | Low (₹)  |                | High (₹) | Low (₹)  |
| April 2022     | 1,161.50 | 992.35   | April 2022     | 1,162.00 | 992.20   |
| May 2022       | 1,052.20 | 947.20   | May 2022       | 1,051.95 | 947.10   |
| June 2022      | 1,037.05 | 951.60   | June 2022      | 1,038.75 | 950.85   |
| July 2022      | 1,243.20 | 1,014.85 | July 2022      | 1,244.20 | 1,014.00 |
| August 2022    | 1,288.35 | 1,105.80 | August 2022    | 1,289.40 | 1,103.80 |
| September 2022 | 1,282.70 | 1,125.15 | September 2022 | 1,283.45 | 1,150.00 |
| October 2022   | 1,351.90 | 1,172.60 | October 2022   | 1,351.95 | 1,170.00 |
| November 2022  | 1,419.70 | 1,305.10 | November 2022  | 1,420.00 | 1,306.15 |
| December 2022  | 1,551.05 | 1,353.25 | December 2022  | 1,552.00 | 1,350.05 |
| January 2023   | 1,519.35 | 1,356.05 | January 2023   | 1,518.00 | 1,358.40 |
| February 2023  | 1,664.90 | 1,405.25 | February 2023  | 1,666.45 | 1,405.20 |
| March 2023     | 1,714.90 | 1,564.40 | March 2023     | 1,706.95 | 1,564.00 |

Performance in comparison to broad-based indices such as BSE Sensex.

Chart A depicts the comparable movement of Company's Equity Shares against BSE Sensex, during the year ended March 31, 2023.

**Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) FY 2022-23:**

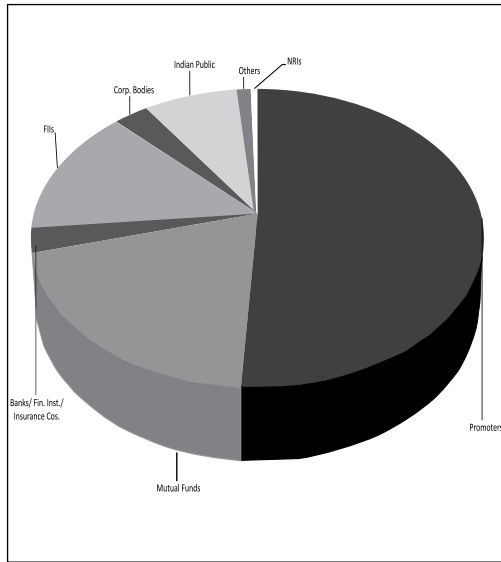


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|                              |  |
|------------------------------|--|
| Registrar and Transfer Agent | <p>The Company has appointed Link Intime India Private Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended to and processed at the office of the Registrar and Transfer Agent:</p>  |
|                              | <p>Link Intime India Private Limited<br/>Unit : Cummins India Limited<br/>C-101, 1<sup>st</sup> Floor, 247 Park,<br/>L.B.S. Marg, Vikhroli (West),<br/>Mumbai 400083.<br/>Phone No. (022) 49186270<br/>Fax No. (022) 49186060<br/>Contact Person : Mrs. Sujata Poojary<br/>E-mail: sujata.poojary@linkintime.co.in /<br/>rnt.helpdesk@linkintime.co.in<br/>Time:- 10.00 to 16.00 hours (Mon. to Fri. excl. public holidays)</p>  |
| Share Transfer System        | <p>In terms of Regulation 40(1) of SEBI Listing Regulations, as amended, securities can be transferred only in dematerialized form with effect from April 01, 2019, except in case of request received for transmission or transposition of securities. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Transfers of equity shares in electronic form are undertaken by depositories with no involvement of the Company. The Managing Director and certain Company Officials (including Chief Financial Officer and Company Secretary) are authorized by the Board severally, to approve transfers, which are noted at subsequent Board Meetings.</p> <p>During the year, the Company had obtained, on an annual basis, a certificate, from a Company Secretary in Practice, certifying that all certificates have been issued within thirty days of the date of lodgement of the transfer (for cases lodged prior to April 01, 2019), sub-division, consolidation and renewal as required under Regulation 40(9) of the SEBI Listing Regulations and filed a copy of the said certificate with the Stock Exchanges.</p> |

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**Distribution of shareholding as on March 31, 2023**

| Category   | No. of shares of ₹ 2/- each | % of shareholding |
|--|-----------------------------|-------------------|
| Promoters  | 141,372,683                 | 51                |
| Mutual Funds                                       | 54,510,097                  | 19.67             |
| Banks/ Financial Institutions/ Insurance Companies | 7,440,272                   | 2.66              |
| Foreign Institutional Investors (FIIs)             | 38,776,895                  | 14                |
| Corporate Bodies                                   | 8,503,700                   | 3.07              |
| Indian Public                                      | 21,672,347                  | 7.82              |
| NRIs   | 1,435,087                   | 0.52              |
| Others   | 3,488,919                   | 1.26              |
| <b>TOTAL</b>                                       | <b>277,200,000</b>          | <b>100.00</b>     |

**Distribution of shareholding within various categories (as on March 31, 2023)**

| Category (shares) | No. of shareholders | No. of Shares      | % of shareholders to total shareholders | % of shares to total shares |
|-------------------|---------------------|--------------------|---|-----------------------------|
| 1-1,000           | 1,22,205            | 7,620,994          | 96.6                                    | 2.75                        |
| 1,001-2,000       | 1,557               | 2,155,077          | 1.23                                    | 0.78                        |
| 2,001-4,000       | 1,082               | 3,040,452          | 0.86                                    | 1.1                         |
| 4,001-6,000       | 444                 | 2,136,973          | 0.36                                    | 0.77                        |
| 6,001-8,000       | 255                 | 1,758,032          | 0.2                                     | 0.63                        |
| 8,001-10,000      | 269                 | 2,459,829          | 0.21                                    | 0.89                        |
| 10,001-20,000     | 259                 | 3,711,230          | 0.2                                     | 1.34                        |
| 20,001 and above  | 434                 | 254,317,413        | 0.34                                    | 91.74                       |
| <b>Total</b>      | <b>126,505</b>      | <b>277,200,000</b> | <b>100.00</b>                           | <b>100.00</b>               |

Dematerialisation of shares and liquidity (as on March 31, 2023).

99.44% 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 Rs. 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Shareholders who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each.

|  |  |
|--|--|
| Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity | The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.  |
| Plant locations  | <ol style="list-style-type: none"> <li>1. Kothrud, Pune – 411 038, Maharashtra.</li> <li>2. Gat No. 311/1B, at Post Kasar Amboli, Taluka Mulshi Pirangut, District Pune – 412 111, Maharashtra.</li> <li>3. MIDC Phaltan, Village Survadi, Nandal, Taluka Phaltan, Satara – 415523, Maharashtra.</li> <li>4. Survey No. 461/2C, Puzhal Village, Saidapet Taluk, Madhavaram Taluk, Thiruvallur District, Chennai – 600 060, Tamilnadu.</li> </ol>   |
| Address for correspondence   | <ol style="list-style-type: none"> <li>1. Ms. Vinaya Joshi,<br/>Company Secretary &amp; Compliance Officer<br/>Cummins India Office Campus, Tower A, 5<sup>th</sup> Floor, Survey no. 21, Balewadi, Pune – 411 045, Maharashtra, India.<br/>Tel: +91 20 6706 7000, 3019 7000 Fax : +91 20 6706 7011<br/>E-mail : <a href="mailto:Cil.Investors@cummins.com">Cil.Investors@cummins.com</a></li> <li>2. Ms. Sujata Poojary<br/>Link Intime India Private Limited<br/>C-101, 1<sup>st</sup> Floor, 247 Park,<br/>L.B.S. Marg, Vikhroli (West), Mumbai 400083.<br/>Phone No. (022) 49186270<br/>Fax No. (022) 49186060<br/>Email: <a href="mailto:sujata.poojary@linkintime.co.in">sujata.poojary@linkintime.co.in</a></li> </ol> <p>Please refer details above for address / contact details etc.</p> |

## 8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Company has obtained a Certificate from M/s Pramod Shah & Associates, confirming compliance with conditions of the Code of Corporate Governance as stipulated in Regulation 34 read with Schedule V of the SEBI Listing Regulations and the same is appended as **Annexure '6'** to the Directors' Report.

## 9. CERTIFICATE FROM PRACTICING COMPANY SECRETARY:

The Company has received a certificate from M/s Pramod Shah & Associates confirming that none of the Directors on the Board of the Company have been debarred or disqualified by MCA or SEBI or any such statutory authority from being appointed / continuing as Director and the same is appended as **Annexure '7'** to the Directors' Report.

### **Declaration – Code of Conduct**

As per Regulation 26 of the SEBI Listing Regulations, all Board Members and Senior Management personnel of the Company have affirmed compliance with the applicable Code of Conduct for the Financial Year 2022-23.

For Cummins India Limited

Place : Pune  
Date : May 24, 2023

Ashwath Ram  
Managing Director  
DIN: 00149501

# Annexures to the Directors' Report

## Form No. MR-3

### Annexure 5 - SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2023

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**CUMMINS INDIA LIMITED**

Dear Sir/Madam,

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

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed with regulatory authorities and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended **31<sup>st</sup> March, 2023** (review 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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the year ended 31<sup>st</sup> March, 2023 according to the provisions of:

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

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

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

**We further report that:**

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

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

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

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

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

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

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

Pramod S. Shah & Associates  
(Practicing Company Secretaries)

Pramod S. Shah – Partner  
Pramod S. Shah & Associates  
Membership No: FCS 334  
C.P. No: 3804  
UDIN: F000334E000355799.

Place: Mumbai  
Date: May 24, 2023

## Annexures to the Directors' Report

### Annexure 5 - ANNUAL SECRETARIAL COMPLIANCE REPORT OF CUMMINS INDIA LIMITED FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

We have conducted the review of compliance of the applicable statutory provisions and the adherence to good corporate practices by Cummins India Limited (hereinafter referred as 'the listed entity'), having its Registered Office situated at Cummins India Office Campus, Tower A, 5<sup>th</sup> Floor, Survey No. 21, Balewadi, Pune - 411045, Maharashtra. Secretarial Review was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the listed entity's books, papers, minutes books, forms and returns filed and other records maintained by the listed entity and also the information provided by the listed entity, its officers, agents and authorized representatives during the conduct of Secretarial Review, we hereby report that in our opinion, the listed entity has, during the review period covering the financial year ended on March 31, 2023, complied with the statutory provisions listed hereunder and also that the listed entity has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

#### We have examined:

- (a) all the documents and records made available to us and explanation provided by the listed entity;
  - (b) the filings/ submissions made by the listed entity to the stock exchanges;
  - (c) website of the listed entity;
  - (d) any other document/ filing, as may be relevant, which has been relied upon to make this certification;
- for the year ended March 31, 2023 ("Review Period") in respect of compliance with the provisions of:
- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
  - (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

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

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (Not Applicable to the Company during Review Period);
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018  
(Not Applicable to the Company during Review Period);
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;  
(Not Applicable to the Company during Review Period);
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008  
(Not Applicable to the Company during Review Period);
- (g) Securities and Exchange Board of India (Issue and Listing of Non- Convertible and Redeemable Preference Shares) Regulations, 2013  
(Not Applicable to the Company during Review Period);
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009;
- (j) Securities and Exchange Board of India (Depository Participant) Regulations, 2018;
- (k) Any other regulations and circulars / guidelines issued thereunder; as may be applicable to the Listed Entity.

We hereby report that, during the Review Period, the compliance status of the listed entity is appended below;

| <u>Sr. no.</u> | <u>Particulars</u>  | <u>Compliance Status (Yes/No/NA)</u> | <u>Observations/Remarks By Practicing Company Secretary</u> |
|----------------|---|--------------------------------------|---|
| 1              | <b><u>Secretarial Standards:</u></b><br><br>The compliances of the listed entity are in accordance with the applicable Secretarial Standards (SS) issued by the Institute of Company Secretaries India (ICSI) | Yes                                  | -   |

| <u>Sr. no.</u> | <u>Particulars</u>   | <u>Compliance Status (Yes/No/NA)</u>   | <u>Observations/Remarks By Practicing Company Secretary</u> |
|----------------|--|--|---|
| 2              | <p><b><u>Adoption and timely updation of the Policies:</u></b></p> <p>All applicable policies under SEBI Regulations are adopted with the approval of Board of Directors of the listed entities</p> <p>All the policies are in conformity with SEBI Regulations and has been reviewed &amp; timely updated as per the regulations/circulars/ guidelines issued by SEBI</p>   | Yes  | -   |
| 3              | <p><b><u>Maintenance and disclosures on Website:</u></b></p> <p>The Listed entity is maintaining a functional website.</p> <p>Timely dissemination of the documents/ information under a separate section on the website.</p> <p>Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which re-directs to the relevant document(s)/ section of the website</p> | Yes  | -   |
| 4              | <p><b><u>Disqualification of Director:</u></b></p> <p>None of the Director of the Company are disqualified under Section 164 of Companies Act, 2013</p>  | Yes  | -   |
| 5              | <p><b><u>To examine details related to Subsidiaries of listed entities:</u></b></p> <p>(a) Identification of material subsidiary companies</p> <p>(b) Requirements with respect to disclosure of material as well as other subsidiaries</p>  | <p>a) There are no material Subsidiary.</p> <p>b) Cummins Sales &amp; Service Private Limited is the Wholly Owned Subsidiary</p> | -   |



| <u>Sr. no.</u> | <u>Particulars</u>  | <u>Compliance Status (Yes/No/NA)</u> | <u>Observations/Remarks By Practicing Company Secretary</u> |
|----------------|---|--------------------------------------|---|
| 6.             | <p><b><u>Preservation of Documents:</u></b></p> <p>The listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under SEBI LODR Regulations, 2015.</p>  | Yes                                  | -   |
| 7.             | <p><b><u>Performance Evaluation:</u></b></p> <p>The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year as prescribed in SEBI Regulations</p>  | Yes                                  | -   |
| 8.             | <p><b><u>Related Party Transactions:</u></b></p> <p>(a) The listed entity has obtained prior approval of Audit and Compliance Committee for all Related party transactions</p> <p>(b) In case no prior approval obtained, the listed entity shall provide detailed reasons along with confirmation whether the transactions were subsequently approved/ ratified/rejected by the Audit and Compliance Committee</p> | Yes                                  | -   |
| 9.             | <p><b><u>Disclosure of events or information:</u></b></p> <p>The listed entity has provided all the required disclosure(s) under Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015 within the time limits prescribed thereunder.</p>   | Yes                                  | -   |

| <u>Sr. no.</u> | <u>Particulars</u>   | <u>Compliance Status (Yes/No/NA)</u> | <u>Observations/Remarks By Practicing Company Secretary</u>   |
|----------------|--|--------------------------------------|---|
| 10.            | <b><u>Prohibition of Insider Trading:</u></b><br><br>The listed entity is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015  | Yes                                  | -   |
| 11.            | <b><u>Actions taken by SEBI or Stock Exchange(s), if any:</u></b><br><br>No Actions taken against the listed entity/ its promoters/ directors/ subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder | NA                                   | No Actions taken against the listed entity/ its promoters/ directors/ subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder |
| 12.            | <b><u>Additional Non-compliances, if any:</u></b><br><br>No additional non-compliance observed for all SEBI regulation/ circular/guidance note etc.  | NA                                   | No additional non-compliance observed for all SEBI regulation/ circular/guidance note etc.  |

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

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

| <u>SR NO</u> | <u>COMPLI- ANCE REQUIRE- MENTS (REGU- LATIONS / CIRCULARS GUIDE- LINES IN- CLUDING SPECIFIC CLAUSE)</u> | <u>REG- ULA- TIONS/ CIRCULAR</u> | <u>DEVI- ATIONS</u> | <u>AC- TION TAK- EN</u> | <u>TYPE OF ACTION (ADVI- SORY / CLARIFI- CATIONS / SHOW CAUSE NOTICE / WARN- ING, ETC)</u> | <u>DE- TAILS OF VIO- LATION</u> | <u>FINE AN- NOUNCED</u> | <u>OBSER- VATION/ RE- MARKS OF THE PRAC- TISING COM- PANY SECRE- TARY</u> | <u>MANAGE- MENT RE- SPONSE</u> | <u>RE- MARKS</u> |
|--------------|---|----------------------------------|---------------------|-------------------------|--|---------------------------------|-------------------------|---|--------------------------------|------------------|
| NIL          |   |                                  |                     |                         |  |                                 |                         |   |                                |                  |

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

| <u>SR NO</u>   | <u>COMPLIANCE REQUIREMENTS (REGULATIONS / CIRCULARS / GUIDELINES INCLUDING SPECIFIC CLAUSE)</u> | <u>REG-ULA-TIONS/ CIRCULAR</u> | <u>DEVIATIONS</u> | <u>AC-TION TAKEN</u> | <u>TYPE OF ACTION (ADVISORY / CLARIFICATIONS / SHOW CAUSE NOTICE / WARNING, ETC)</u> | <u>DE-TAILS OF VIOLA-TION</u> | <u>FINE AN-NOUNCED</u> | <u>OBSER-VATION/ RE-MARKS OF THE PRAC-TISING COM-PANY SECRE-TARY</u> | <u>MANAGE-MENT RE-SPONSE</u> | <u>RE-MARKS</u> |
|----------------|---|--------------------------------|-------------------|----------------------|--|-------------------------------|------------------------|--|------------------------------|-----------------|
| NOT APPLICABLE |   |                                |                   |                      |  |                               |                        |  |                              |                 |

**Assumptions & Limitation of scope and Review:**

1. Compliance of the applicable laws and ensuring the authenticity of documents and information furnished, are the responsibilities of the management of the listed entity.
2. Our responsibility is to certify based upon our examination of relevant documents and information. This is neither an audit nor an expression of opinion.
3. We have not verified the correctness and appropriateness of Financial Records and Books of Accounts of the listed entity.
4. This Report is solely for the intended purpose of compliance in terms of Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is neither an assurance as to the future viability of the listed entity nor of the efficacy or effectiveness with which the management has conducted the affairs of the listed entity.

Place: Mumbai  
Date: May 24, 2023

Pramod S. Shah & Associates  
Practicing Company Secretaries

Pramod S. Shah-Partner  
Pramod S. Shah & Associates  
FCS No.: 334  
C P No.: 3804  
UDIN: F000334E000355691

## Annexures to the Directors' Report

### **Annexure 6 - CERTIFICATE ON COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015 RELATING TO CORPORATE GOVERNANCE REQUIREMENTS BY CUMMINS INDIA LIMITED**

We have examined compliance by **Cummins India Limited** (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, relating to corporate governance requirements for the year ended 31<sup>st</sup> March, 2023.

In our opinion and to the best of our information and according to the explanations given to us and the representation by the Directors and the management, We 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. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance under the Listing Regulations. The examination is neither an audit nor an expression of opinion on the financial statements of the Company or the Corporate Governance Report of the Company.

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

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

Pramod S. Shah & Associates  
(Practicing Company Secretaries)

Pramod S. Shah – Partner  
Pramod S. Shah & Associates  
Membership No: FCS 334  
C.P. No: 3804  
UDIN:F000334E000355953

Place: Mumbai  
Date: May 24, 2023

## Annexures to the Directors' Report

### Annexure 7 - CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

To,  
**The Members,**  
**Cummins India Limited,**  
 Cummins India Office Campus, Tower A,  
 5<sup>th</sup> Floor, Survey No. 21, Balewadi,  
 Pune – 411045

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

In our opinion and to the best of our information and according to the verifications [including Directors Identification Number (DIN) status at the portal www.mca.gov.in] as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ended 31<sup>st</sup> March, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

| <u>Sr. No.</u> | <u>Name of the Directors</u> | <u>Directors Identification Number</u> | <u>Date of Appointment in the Company</u> |
|----------------|------------------------------|--|---|
| 1.             | Mr. Nasser Mukhtar Munjee    | 00010180                               | 29/03/2001                                |
| 2.             | Ms. Priya Shankar Dasgupta   | 00012552                               | 26/02/1998                                |
| 3.             | Mr. Rajeev Bakshi            | 00044621                               | 20/10/2000                                |
| 4.             | Ms. Rama Bijapurkar          | 00001835                               | 17/06/2020                                |
| 5.             | Mr. Ashwath Ram              | 00149501                               | 17/08/2019                                |
| 6.             | Mr. Steven Chapman           | 00496000                               | 01/10/2020                                |
| 7.             | Mr. Donald Jackson Gray      | 08261104                               | 30/10/2018                                |
| 8.             | Ms. Rekha                    | 08501990                               | 11/08/2022                                |
| 9.             | Ms. Jennifer Mary Bush       | 09777114                               | 05/11/2022                                |
| 10.            | Ms. Bonnie Jean Fetch        | 09791477                               | 25/11/2022                                |

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

Pramod S. Shah & Associates  
 (Practicing Company Secretaries)

Pramod S. Shah – Partner  
 Pramod S. Shah & Associates  
 Membership No: FCS 334  
 C.P. No: 3804  
 UDIN: F000334E000355821

Place: Mumbai  
 Date: May 24, 2023

# Annexures to the Directors' Report

## Annexure 8 – NOMINATION AND REMUNERATION POLICY

[Pursuant to Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The Nomination and Remuneration Policy ("Policy") of Cummins India Limited ("Cummins" or "Company") is formulated under the requirements of applicable laws, including the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The policy is intended to set out the criteria to pay equitable remuneration to Directors, Key Managerial Personnel (KMP), Senior Management (as defined below) and other employees of the Company and to harmonise the aspirations of human resources with the goals of the Company.

### 1. OBJECTIVES OF POLICY

The key objectives of the Policy are :

- 1.1. To guide the Board in relation to appointment and removal of Directors (Non -Executive, Executive, Independent), Key Managerial Personnel and Senior Management.
- 1.2. To recommend to the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.3. 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.
- 1.4. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.5. To facilitate diversity of Board of Directors.

### 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

**2.4.5.** such other officer, not more than one level below the Directors who is in wholetime employment, designated as Key Managerial Personnel by the Board; and

**2.4.6.** such other officer as may be prescribed.

**2.5. Senior Management** means Officers and personnel of the listed entity who are Members of its core management team, excluding Board of Directors and shall also comprise all members of management one level below the Chief Executive Officer or Managing Director or Whole-time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

### **3. ROLE OF COMMITTEE**

#### **3.1. Policy for appointment/ re-appointment and removal of Director, KMP and Senior Management**

##### **3.1.1. Appointment criteria and qualifications**

- a) The Committee shall 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 satisfactory for the concerned position.
- c) The Committee shall ensure all Board appointments/re-appointments are based on merit, in the context of appropriate skills, experience, independence and knowledge, for the Board as a whole to be effective.
- d) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years or such other age for the purpose of superannuation as per the internal policy of the Company. 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.
- e) The Company shall not appoint or continue the employment of any person as Non-Executive Director who has attained the age of seventy-five years. Provided that the term of the person holding this position may be extended beyond the age of seventy-five 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-year years.

### 3.1.2. Term / Tenure

#### a) Chairman/ Managing Director/Whole-time Director:

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

#### b) Independent Director:

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

### 3.1.3. 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.

### 3.1.4. 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.

## 3.2. Policy relating to the Remuneration for the Whole-time Director, KMP, Senior Management Personnel and Other Employees

### 3.2.1. General:

- a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be aligned with 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 if any 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 wherever required.
- d) The remuneration / compensation to other employees will be determined as per the Company HR policies and will be in line with Company's performance considering overall Indian market trends from time to time. The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Further, the remuneration/compensation shall be fixed pay or a mix of fixed and variable pay depending on role of the respective employee. Remuneration may also contain such other cash or non- cash perquisites or components or grants or such other benefits permissible under various regulatory requirements from time to time.
- e) 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.

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

#### **a) Overall Remuneration:**

The remuneration is divided into fixed pay, variable pay & mandatory / voluntary retirement benefits. The division is based on fixed pay and variable pay component as per the respective grade. Mandatory / voluntary retirement benefits are applicable to all.

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.

Over and above the fixed and variable component the Whole-time Director/ KMP and Senior Management Personnel may also be eligible for other cash or non-cash perquisites or grants or components or such other benefits as per company policies and as permissible under various regulatory requirements from time to time.

**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.

**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, 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.

**3.2.3. 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, if any 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. BOARD DIVERSITY**

Company recognises and embraces the importance of a diverse Board in its success. Company believes that a truly diverse board will leverage differences in thoughts, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will ensure Company retains its competitive advantage.

Accordingly, the Nomination and Remuneration Committee is responsible for reviewing and assessing the composition of the Board. The Committee shall:

- a) assess the appropriate mix of diversity, skills, experience, and expertise required on the Board and assess the extent to which the required skills are represented on the Board,
- b) make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board and

c) report to the Board, if any requirement, in relation to the diversity of the Board.

## **5. REVIEW/ AMENDMENT:**

The Committee is authorized to review, amend or modify this Policy, in whole or in part, as and when deemed necessary in line with the applicable laws, rules and regulations (“applicable laws”). Any amendment in the regulatory requirements shall be binding on the Company and shall prevail over this Policy even if not incorporated in the Policy. In any circumstance where the terms of the Policy differ from any applicable law for the time being in force, the provisions of such applicable law shall take precedence over the Policy.

Approved By: Board of Directors

Original Date of approval: August 01, 2014

Last Modified Date: February 08, 2023

Effective Date: February 08, 2023

# Annexures to the Directors' Report

## Annexure 9 – DIVIDEND DISTRIBUTION POLICY

### Introduction

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

### Dividend

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

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

The dividend for any financial year shall normally be paid:

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

### Factors affecting dividend declaration

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

- **internal factors**
  - profits earned during the year
  - distributable surplus available with the Company
  - Company's liquidity position, future cash flow requirements for operations and reserve for any contingencies
  - capital expenditure requirements for expansion and growth
  - history of dividends distributed by the Company
  - loan covenants, if any

- **external factors**
  - dividends distributed by other comparable companies
  - taxation policy and any amendments expected thereof
  - cost and availability of alternative sources of financing
  - state of economy and nature of industry
  - macroeconomic and business conditions in general
  - any other relevant factors that the Board may deem fit.

### **Utilisation of retained earnings**

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

### **Review & modification**

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

### **Disclaimer**

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

## Annexures to the Directors' Report

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

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

- a. As on March 31, 2023, 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 Managing Director of the Company:

(₹ In Crores)

|   | Sitting fees | Salary            | Comm-<br>ission | House<br>rent | Gas/<br>Elect./<br>Water | Medical | Other<br>Benefits | Total                     |
|---|--------------|-------------------|-----------------|---------------|--------------------------|---------|-------------------|---------------------------|
| <b>Mr. Ashwath Ram</b>                          |              |                   |                 |               |                          |         |                   |                           |
| 2022-23   | --           | 4.77 <sup>^</sup> | --              | --            | --                       | --      | --                | 4.77 <sup>^</sup>         |
| <b>% increase in remuneration during the FY</b> |              |                   |                 |               |                          |         |                   | <i>As per below note#</i> |

<sup>^</sup> This value includes value of stock options of Holding Company. Further, 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 Mr. Ashwath Ram is not ascertainable and, therefore, not included above.

<sup>#</sup> The percentage increase includes merit increase of 19.5% and also includes market correction computed basis actual increment on the guaranteed cash component effective July 01, 2022.

- c. Details of Sitting Fees and Commission to Non-Executive Independent Directors for the period April 01, 2022 to March 31, 2023:

(Amount in ₹)

| Name of the Director            | FY 2021-22   |                        |           | FY 2022-23   |                        |           | % in-crease in remuneration over 2022-23 |
|---------------------------------|--------------|------------------------|-----------|--------------|------------------------|-----------|--|
|                                 | Sitting fees | Annual Commis-<br>sion | Total     | Sitting fees | Annual Commis-<br>sion | Total     |  |
| Mr. Nasser Munjee               | 9,50,000     | 15,00,000              | 24,50,000 | 8,50,000     | 15,00,000              | 23,50,000 | -  |
| Mr. P. S. Dasgupta <sup>1</sup> | 9,00,000     | 15,00,000              | 24,00,000 | 9,00,000     | 15,00,000              | 24,00,000 | -  |
| Mr. Rajeev Bakshi               | 8,75,000     | 15,00,000              | 23,75,000 | 9,00,000     | 15,00,000              | 24,00,000 | -  |
| Ms. Rama Bijapurkar             | 7,50,000     | 15,00,000              | 22,50,000 | 8,00,000     | 15,00,000              | 23,00,000 | -  |
| Ms. Rekha <sup>2</sup>          | NA           | NA                     | NA        | 3,00,000     | 9,59,677               | 12,59,677 | -  |

- <sup>1</sup> Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effective close of business hours of May 24, 2023 on account of professional exigencies.
- <sup>2</sup> Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022.

d. Other details:

- The median remuneration of employees of the Company during the FY 2022-23 was ₹ 7,98,733/-
- The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2022-23:

| Name of Directors                   | Designation            | Ratio of remuneration to MRE* |
|-------------------------------------|------------------------|-------------------------------|
| Mr. Steven Chapman                  | Chairman of the Board  | -                             |
| Mr. Ashwath Ram                     | Managing Director      | 59.70                         |
| Mr. Nasser Munjee                   | Independent Director   | 2.94                          |
| Mr. P.S. Dasgupta <sup>1</sup>      | Independent Director   | 3.00                          |
| Mr. Rajeev Bakshi                   | Independent Director   | 3.00                          |
| Ms. Rama Bijapurkar                 | Independent Director   | 2.88                          |
| Ms. Rekha <sup>2</sup>              | Independent Director   | 1.58                          |
| Mr. Norbert Nusterer <sup>3</sup>   | Non-Executive Director | -                             |
| Mr. Donald Jackson                  | Non-Executive Director | -                             |
| Ms. Bonnie Jean Fetch <sup>4</sup>  | Non-Executive Director | -                             |
| Ms. Jennifer Mary Bush <sup>5</sup> | Non-Executive Director | -                             |

\* MRE – Median Remuneration of employees ₹ 7,98,733/- with ratio rounded-off to two decimals.

<sup>1</sup> Mr. P.S. Dasgupta resigned as Director (Non-Executive and Independent) of the Company effective close of business hours of May 24, 2023 on account of professional exigencies.

<sup>2</sup> Ms. Rekha was appointed by the Board as an Additional Director (Non-Executive and Independent) effective August 11, 2022 and regularized as a Director (Non-Executive and Independent) of the Company for her first term of five consecutive years by way of Postal Ballot ended on September 20, 2022, effective from August 11, 2022.

<sup>3</sup> Mr. Norbert Nusterer resigned as Director (Non-Executive and Non-Independent Director) of the Company effective August 26, 2022, to focus on family and personal interests, post his exit from Cummins Group.

<sup>4</sup> Ms. Bonnie Jean Fetch was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 25, 2022 and regularized as a Director (Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 25, 2022, liable to retire by rotation.

<sup>5</sup> Ms. Jennifer Mary Bush was appointed by the Board as an Additional Director (Non-Executive and Non-Independent) effective November 05, 2022 and regularized as a Director

(Non-Executive and Non-Independent) by way of Postal Ballot ended on December 27, 2022, effective November 05, 2022, liable to retire by rotation.

- Percentage increase in remuneration of Key Managerial Personnel (Chief Financial Officer and Company Secretary) in the Financial Year 2022-23:

(₹ In Crores)

| Name & Designation of other KMP            | Remuneration<br>2022-23 | % increase in remuneration over<br>2021-22 <sup>#</sup> |
|--|-------------------------|---|
| Mr. Ajay S. Patil, Chief Financial Officer | 2.91 <sup>^</sup>       | 13.50%  |
| Ms. Vinaya Joshi, Company Secretary        | 0.26                    | 10%   |

# The percentage increase in remuneration is computed based on actual increment on the guaranteed cash component effective July 01, 2022.

<sup>^</sup> This value includes stock options of Holding Company. Further, 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 Mr. Ajay S. Patil and Ms. Vinaya Joshi is not ascertainable and, therefore, not included above.

- In the Financial Year, there was an increase of 11.50 % in the median remuneration of employees and the Key Managerial Personnel excluding Managing Director. This was effective July 01, 2022.
- Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof including any exceptional circumstances for increase in the managerial remuneration.
  - The average percentage increase for Key Managerial Personnel: 14.33%
  - The average percentage increase of employees other than the managerial personnel: 11.50 %
  - The average percentage increase in the salaries is primarily on account of market movement based increase in salaries.
- There were 3,161 permanent employees on the rolls of Company as on March 31, 2023.
- The Profit before Exceptional Items and Tax for the Financial Year ended March 31, 2023 increased by 47% whereas the % increase in median remuneration of the employees as well as the Key Managerial Personnel (excluding Managing Director) was 11.50%.
- 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 11 – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time]

### 1. Brief outline on Corporate Social Responsibility (CSR) Policy of the Company:

The CSR initiatives of your Company are predominantly implemented through Cummins India Foundation ('the Foundation' or 'CIF'), a Public Charitable Trust registered under *inter-alia* the Bombay Public Trusts Act, 1950 (Now known as The Maharashtra Public Trusts Act, 1950) and the Income-Tax Act, 1961. CIF is also registered with Ministry of Corporate Affairs (MCA), Government of India as an implementing agency for undertaking CSR activities.

The CSR initiatives are aligned to the mission of 'serving and improving the communities in which we live'. The projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013 ('the Act').

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 strategic projects for instance Cummins Powers Women, Cleaner Air Better Life, Monsoon Resilient Maharashtra, and Phaltan Model Town under the CSR umbrella.

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

Additionally, your Company is committed to the active involvement and participation of its employees in its corporate social responsibility initiatives through the Company's 'Every Employee Every Community initiative' ('EEEC'), where each employee is encouraged to dedicate a minimum of four working hours towards any of the projects undertaken under three broad focus areas.

### CSR Policy and Projects:

The CSR Committee has formulated a CSR Policy which is also approved by the Board *inter-alia* indicating the CSR activities to be undertaken by your Company as per the Companies Act, 2013. The Committee reviews and recommends the amount of expenditure and CSR activities to be undertaken by your Company. The Committee also monitors the implementation of the CSR Policy of your Company from time to time. Details of the Policy of your Company are available at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

Details of various CSR initiatives undertaken by your Company are provided in this report and in the Business Responsibility Report of the Company for FY 2022-23 and are also available at <https://www.cummins.com/en/in/company/corporate-responsibility/global-impact/cummins-india-foundation>.

## 2. Composition of CSR Committee:

| Sr. No. | Name of Director    | Designation /Nature of Directorship              | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|---------------------|--|--|--|
| 1       | Mr. P.S. Dasgupta   | Chairman of the Committee (Independent Director) | 4  | 4  |
| 2       | Mr. Nasser Munjee   | Member (Independent Director)                    | 4  | 4  |
| 3       | Ms. Rama Bijapurkar | Member (Independent Director)                    | 4  | 4  |
| 4       | Mr. Ashwath Ram     | Member (Managing Director)                       | 4  | 4  |

Further details and terms of reference of the CSR Committee are given in the Corporate Governance Report, which forms a part of the Annual Report.

### 3. Weblink where composition of CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company:

<https://www.cummins.com/en/in/investors/india-corporate-governance>.

### 4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

During the year under review, the impact assessment of one of the projects 'Holistic Rural Development Programme' under the theme 'Equality of Opportunities' in Maharashtra, Madhya Pradesh and Jharkhand was undertaken by an independent agency, Samhita Social Ventures Private Limited engaged by the Company. Detailed Report can be accessed on the website at <https://www.cummins.com/en/in/investors/india-annual-reports>.

#### A brief summary of the aforesaid Impact Assessment is given herein below:

Your Company along with Cummins Group Companies in India (collectively referred as 'Cummins') was jointly running the 'Holistic Rural Development (HRD) Programme' (programme), which began in 2011 and has benefitted more than 50,000 people in rural areas across 26 villages in Maharashtra, Madhya Pradesh and Jharkhand through water conservation and agriculture, education and infrastructure building, women empowerment, healthcare access and social engineering. This report assesses the impact created in 13 out of 26 villages across the three states from the Financial Year 2011-2022.

#### Impact of Holistic Rural Development Programme:

1. An increase in water for domestic use up to 3.8 million litres;
2. Around 28,525 people were benefitted out of the water structures in the villages;
3. Renovated / new classroom and gender specific toilet facility at Zilla Parishad schools;
4. 13 schools have been provided with sophisticated equipment for e-learning under digital inclusion;
5. Every school has recorded a reduction in drop-out rate and increase in retention rate;
6. All 3 states have at least one Water ATM facility available;

7. 88% of female community in villages switched from cloth to sanitary pads during menstruation;
8. 154 women entrepreneurs were created out of poultry farming business;
9. Minimum of 100 trees have been planted in each of the 12 villages;
10. 24% of the community had received support from Cummins to access various government welfare schemes.

### Approach and Methodology:

Structured quantitative surveys were undertaken with 271 community members randomly sampled from the intervention villages to understand the impact that the programme has created. A comparison group of 136 community persons from non-intervention villages with similar characteristics as the programme villages was also conducted to facilitate a comparative analysis of data on programme indicators, and draw a causal link between the data and programme activities. Additionally, in-person qualitative interactions were carried out with secondary stakeholders such as village leaders, implementation teams, institutional heads, etc. to glean in-depth perspectives of the programme benefits.

### Support provided under the programme:

The programme support was provided to the village members under the 5 pillars of rural development identified by Cummins - Water management, Education, Income growth, Health sanitation and wellness, and Sustainable social engineering as mentioned below:

- Construction, renovation and upgradation activities were conducted under Water management and Education pillars;
- Development of new livelihood models was focused on under Income growth pillar;
- Health camps were conducted in each village, largely for Non-Communicable Diseases (NCDs) under the Health pillar;
- Sustainable social engineering included linking the community to government schemes, afforestation and convergence with government institutions for implementing the programme.

The programme had wide-ranging positive impact on the villages surveyed.

| Sr.<br>No.    | Particulars  | (Amount in ₹) |
|---------------|--|---------------|
| <b>5. (a)</b> | Average net profit of the company as per sub-section (5) of section 135                            | 7,786,922,426 |
| <b>(a)</b>    | Two percent of average net profit of the company as per sub-section (5) of section 135             | 155,738,449   |
| <b>(b)</b>    | Surplus arising out of the CSR projects or programmes or activities of the previous financial year | Nil           |
| <b>(c)</b>    | Amount required to be set off for the financial year, if any                                       | Nil           |
| <b>(d)</b>    | Total CSR obligation for the financial year [(b)+(c)-(d)]  | 155,738,449   |

**6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):**

₹ 133,956,007/-

**(b) Amount spent in Administrative Overheads:** ₹ 5,880,753/- (Amount was spent by CIF)

**(c) Amount spent on Impact Assessment, if applicable:** ₹ 429,000/-

**(d) Total amount spent for the Financial Year [(a) + (b) + (c)]:** ₹ 140,265,760/-

**(e) CSR amount spent or unspent for the Financial Year:**

| Total Amount spent for the Financial Year (in ₹) | Amount unspent (in ₹)   |                  |   |        |                  |
|--|---|------------------|---|--------|------------------|
|  | Total Amount transferred to Unspent CSR Account as per section 135(6) |                  | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) |        |                  |
|  | Amount  | Date of Transfer | Name of the Fund  | Amount | Date of Transfer |
| 140,265,760*                                     | 15,472,700  | April 19, 2023   | NA  | NA     | NA               |

*\*Note: Pursuant to Section 135 of the Companies Act, 2013 and Rules made thereunder, the Company had CSR obligation of ₹ 155,738,449/- for Financial Year 2022-23 which was fully contributed to CIF. After spent of ₹ 140,265,760/- on ongoing projects including administrative expenditure of ₹ 5,880,753/- and ₹ 429,000/- towards Impact Assessment, CIF had unspent amount of ₹ 15,472,700/- as on March 31, 2023, which had been transferred back by CIF to the Company. The said unspent amount has also been transferred by the Company to a separate bank account in the name of 'Cummins India Limited – Unspent CSR FY 2022-23' on April 19, 2023 as per Section 135(6) of the Companies Act, 2013 read with the MCA General Circular 14/2021 dated August 25, 2021.*

**(f) Excess amount for set off, if any:**

| Sr. No. | Particulars   | Amount (in ₹)  |
|---------|---|----------------|
| (i)     | Two percent of average net profit of the company as per section 135(5)                                      | 155,738,449    |
| (ii)    | Total amount spent for the Financial Year   | 140,265,760    |
| (iii)   | Excess amount spent for the Financial Year [(ii)-(i)]   |                |
| (iv)    | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | Not Applicable |
| (v)     | Amount available for set off in succeeding Financial Years [(iii)-(iv)]                                     |                |

**7. Details of Unspent CSR amount for the preceding three Financial Years:**

| 1       | 2                           | 3  | 4  | 5   | 6   | 7   | 8                  |
|---------|-----------------------------|--|--|---|---|---|--------------------|
| Sr. No. | Preceding Financial Year(s) | Amount transferred to Un-spent CSR Account under sub-section (6) of section 135 (in ₹) | Balance Amount in Un-spent CSR Account under sub-section (6) of section 135 (in ₹) | Amount Spent in the Financial Year (in ₹) | Amount transferred to a Fund as specified under Schedule VII as per second proviso to subsection (5) of section 135, if any | Amount remaining to be spent in succeeding Financial Years (in ₹) | Deficiency, if any |
|         |                             |  |  |   | Amount (in ₹)   | Date of Transfer  |                    |
| 1       | FY-1: 2021-22               | 39,239,847*  | 0  | 39,239,847*                               | NA  |   | 0                  |
| 2       | FY-2: 2020-21               | NIL  |  |   | Not Applicable  |   |                    |
| 3       | FY-3: 2019-20               | NIL  |  |   | Not Applicable  |   |                    |

*\*Note: CIF had unspent amount of ₹ 39,239,847/- as on March 31, 2022, which had been transferred back by CIF to the Company and the Company had opened a separate bank account in the name of Cummins India Limited – Unspent CSR FY 2021-22’ (‘CSR Unspent Account 21-22’) as on April 29, 2022. During the year depending on the project requirements, the Company had disbursed amount from CSR Unspent Account 21-22 to CIF. Further, CIF had spent this unspent amount of ₹ 39,239,847/- in Financial Year 2022-23 towards ongoing projects.*

**8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: Not Applicable****9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):**

During the year under review, the Company was required to spend ₹ 155,738,449/- in accordance with Section 135(1) of the Companies Act, 2013. Out of the same, the Company had spent ₹ 140,265,760/- on the ongoing CSR projects during the Financial Year through its implementing agency, Cummins India Foundation (‘CIF’). The unspent amount of ₹ 15,472,700/- was transferred to the unspent account as is mandated under the Act and is allocated to the ongoing CSR projects. These projects will continue to be implemented in Financial Year 2023-24 and onwards as per statutory provisions applicable in this behalf.

Further, during the year, CIF had also spent the entire amount ₹ 39,239,847/- from the Unspent CSR Account for the FY 2021-22 that had been opened by the Company. As confirmed by the Company, the said unspent account was closed in FY 2022-23.

Due to practical and on ground challenges in scaling up the projects, the aforementioned amount of ₹ 15,472,700/- was unspent and has been transferred to the Unspent account opened by the Company. The Company reiterates its commitment to discharge its CSR obligation and shall continue to implement meaningful CSR projects in the CSR areas in accordance with its CSR Policy.

## 10. Detailed CSR Initiatives:

Addressing the social, civic and environmental issues, your Company made significant contributions in Financial Year 2022-23 with projects on Education, Rural Development, Watershed Management, Afforestation, Solid Waste Management, Scholarship Program, Cummins Powers Women and Monsoon Resilient Maharashtra. Following are the details of some of these key projects:

### Higher Education

**Nurturing Brilliance** program provides financial and non-financial support to meritorious students from socio-economically challenged sections of the society by providing scholarships. The scholarships are offered to students who are pursuing professional degree and diploma (in Engineering) courses. The scholarship has enabled students to support their education. Students applying for the scholarships are screened through a rigorous selection process and only then scholarships are provided. The selection process comprises of screening applications, aptitude tests, and personal interviews. The program is an in-house program, executed by Cummins employees. The program offers mentorship support to the students throughout the period to prepare them for the professional career. Since the inception of the project in year 2006, total 1929 students were supported including 321 students supported by the Company during FY 22-23.

**Technical Education for Communities (TEC)** is a Cummins global initiative that aims at bridging the technical skills gap (between training provided by educational partner and local industry requirements) through local vocational education programs. It delivers a standardized education platform to help education partners develop market relevant curriculum, train teachers, provide career guidance and secure on-the-job training opportunities for students. Cummins TEC invites business, government and community organizations to invest in its dynamic approach to training skilled technicians (students). In FY 22-23, a total of 254 students were trained at multiple TEC sites. TEC India is also committed towards nurturing female students and enhance their representation in technical education at our TEC sites.

**Cummins College of Engineering for Women (CCEW)** was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha. In 2010, CCEW was launched in Nagpur, Maharashtra. The objective is to support CCEW to be a globally renowned institute for imparting quality education and to develop women leaders in engineering and technology. The support provided to CCEW is across the three pillars of infrastructure development, student development and faculty development. Cummins' senior executives are also deeply involved in this signature project, frequently interacting with the staff and students. Our collaboration with Cummins College of Engineering for Women, Pune, has come a long way with the 27<sup>th</sup> batch graduating in this FY. With support from Cummins, CCEW Pune has received NAAC 'A' accreditation and CCEW Nagpur has received NAAC 'B' accreditation. In FY 22-23, 1691 girls had benefitted from the support.

### Energy and Environment

**Organic Waste Management** – Building year-round initiatives from successful programs on festival waste processing - Our Nirmalya and Patravali programs over multiple years addressed the waste generated during two major festivals that took place every year in the state of Maharashtra. The Nirmalya project is a multi-dimensional, multi-stakeholder level project that involves months of planning, logistics and coordination during the annual Ganesh festival. In August 2021, even though citizens across India were emerging from strict lockdowns, it still was not safe for people to congregate in large numbers during festival times. Cummins helped Pune Municipal Corporation (PMC) to establish decentralized Nirmalya collection process - moving from immersion ghat to household /society level. More than 5 Lac citizens were made aware, 250 Tons of Nirmalya converted into organic compost,

more than 1 Lac Ganesh idols got immersed at home and more than 700 Students with their families participated in competition for celebrating eco-friendly Ganesh festival at home.

**Zero Waste Slum Project:** The project aims at strengthening the existing waste management system and make the communities zero waste communities. The approach of the project is based on pillars like, awareness regarding segregation of waste at source, collection of waste & scientific disposal of the waste and change in mind set to keep the surrounding clean & healthy. Post Covid-19 pandemic, the focus was shifted to re-establish the waste segregation & door to door collection. The lockdown impacted the door-to-door collection & waste segregation system. With continuous focus on monitoring & implementing health & safety measures for waste pickers with our intervention & through different initiatives, door to door coverage was maintained at 80% and 2 major chronic spots in the area have been eliminated. Cummins works with NGO partners with focus on community participation to take the responsibility to make & keep the community clean & healthy to live impacting 4066 residents from the slum.

**Afforestation:** Rapid urbanization has resulted into vastly depleting green cover for the city. With growing demands of residential and commercial spaces, the green localities are now being converted into concrete building, resulting into multiple hillocks around the city of Pune which have been serving as green lungs, are being deforested and encroached. The project aims at sustainable tree plantation and sustenance towards achieving the goal of increasing the green cover across all our manufacturing and office locations in the country. Cummins has acted as the catalyst for forming a cluster of NGOs with a common goal and helped share best practices on planting and maintaining trees. 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. Ensuring plantation of native trees and water management for their sustenance, Cummins has been working on 3 hills, 1 dam & 6 lake area for eco system development since 2011. In the year 2022, more than 11,000 trees were planted and sustained. All sites saw deep partnerships with subject matter experts, local community, Forest department, Organizations like the MIDC and the Indian Army. Along with planting and maintaining the trees, we also have continuously achieved a survival rate of 90% for all the 2,00,000 trees planted by us till date.

**Urban Watershed Management-** India experiences severe water stress where 54% of the country faces high to extremely high-water stress. The impacts of climate change are evident through erratic rainfall and heat island effect. One of the reasons for severe water stress is increasing urbanization which puts pressure on infrastructure, and available water resources- surface and groundwater both. This also affects the biodiversity. Therefore, Urban watershed management forms a crucial component of Cummins Energy and Environment Initiatives. All the projects utilize scientific approach wherein components of hydrogeology, local topography, local biodiversity and local needs and issues are considered to plan a long-term sustainability strategy for a project. The initiatives include but are not limited to increasing storage capacity, water conservation, prevention of water pollution and creating awareness and supporting biodiversity. In FY 22-23, 2 new lakes were created at Aundh and Dehu and ~2km of stretch was desilted at Khadakwasla. In FY 22-23, more than 450 Mn gallons of water has been conserved.

**Clean technology:** Globally we are experiencing warmer temperatures, changing weather patterns which is disturbing the usual pattern of the nature. There is a need for products and services which are 'clean' to reduce or optimize the use of natural resources, as well as reduce the negative effect on the planet. With the aim to building healthier, cleaner, resilient, and sustainable communities, Cummins supports tech-based solutions which are innovative, are towards protecting and enhancing the environment. We partner with incubation centres in India like Venture Center and Climate Collective Foundation to support early-stage start-ups in the space of energy and environment by providing

initial funding. This program was initiated in FY 20-21 and in FY 22-23 has supported 5 start-ups in the space of water pollution and wastewater treatment, circular economy, e-mobility, and hydrogen fuel.

## Equality of Opportunity

**Local Community Care** with its comprehensive approach towards serving the underprivileged and disabled, Cummins has partnered with organizations focused on disadvantaged sections of society like the ones serving the hearing impaired, visually impaired, orphans and old age-elderly. Activities are aligned to the playbook (standard reference book) and are focused on three primary areas of development: 1) Infrastructure Development & Health and Safety, 2) Conservation of resources and 3) Education, training & process improvement. In the year, Cummins supported 4 NGOs serving more than 474 underprivileged and disabled people across all plant locations in India. Cummins teams helped in improving the infrastructure and safety of the residents. Along with support to NGOs, more than 100 hearing impaired kids from needy families were given good quality hearing aids.

**Rural Development:** Cummins commitment towards **holistic rural development** has touched the lives of people in 13 villages in 2022. This program benefits more than 32,726 lives in rural areas. With the support of the village community, partnerships with the expert NGOs and government agencies we have now successfully replicated model village work at all plant locations in India. In Year 2022, Cummins continued support for holistic development of villages with focus in increasing income of families.

Cummins also continued support for **water conservation** which helped in conserving more than 275 Mn Gallons of water through Check dams, desilted of Natural water streams, ponds and percolation tanks. To provide access to clean and Safe Drinking water, Cummins installed 4 units of water purification plants and Water ATMs. Water ATMs being run and maintained by women Self Help Groups have provided additional income opportunity to 40 women in villages.

Cummins continued support for improving **school infrastructure** in villages. 7 schools in villages were supported for improving infrastructure i.e., construction of classrooms, toilets, clean drinking water, theme painting, benches, compound wall, gate etc. So far more than 18 schools in model villages are being upgraded with Cummins support serving more than 3,300 students every year.

Cummins launched an initiative in 2022 for addressing **malnourishment** amongst kids from 0 to 5 years of age. Around 3200+ children in 22 villages were screened with the help of government health officials. 355 children were found in the category of malnourishment. Cummins team worked with NGO and government health workers including primary health center, Asha and Anganwadi workers. With efforts made by Cummins, around 71 malnourished children out of 355 improved their health. Along with child health, Cummins and NGO team worked on creating awareness about women and child health.

**EmpowHer** is an initiative for financial inclusion and independence of women at model villages. Under this program, we launched the initiative “Udgam” at Phaltan Megasite which aims at creating awareness about sanitary hygiene, usage of sanitary napkins and enabling entrepreneurship by setting sanitary pads production machine to produce eco-friendly napkin at lower cost. Manufacturing and marketing of the product is done by women self-help group with the support of Anganwadi and Asha workers. This project has been replicated at Rajoda model village near Dewas in Madhya Pradesh and Nutandih Model village near Jamshedpur in Jharkhand. Udgam Centre at Megasite, Dewas and Jamshedpur supplies sanitary pads to Cummins plants. Cummins teams has been supporting and monitoring this project for continuous improvement in production quality, safety along with pre and post marketing linkages.



Through newer initiatives under EmpowHer, we are aiming to provide increased access to clean energy which in turn greatly increases access to opportunities to introduce newer livelihood and income generation options to women in villages. Around 40 new women self-help groups were formed and given entrepreneurship training on tailoring, papad and roti making, chick incubation center. This has helped more than 400 women.

## Strategic Projects

**Monsoon Resilient Maharashtra (MRM)** started with the vision to address the scarcity of water in Maharashtra, making communities less dependent on monsoon and resilient to the vagaries thereof. MRM is a unique model of watershed development which incorporates hydrogeological studies along with GIS mapping to identify high impact areas for treatment. To ensure sustainability of the project, MRM focuses on participation and capacity building of the community. To take the project to scale, collaborations with stakeholders is an essential component of the project. FY 2022-23 saw MRM expand to 9 more villages in Maan taluka covering a total of 49 villages in the taluka. The project has now organically grown from securing water to securing income for rural households. Various initiatives including waste land conversion, animal feed production unit, input production, goat rearing etc. were undertaken which helped to improve the earning capacity of the villagers. Further, more than 25,000 cum of silts were desilted and more than 5,000 trees were planted which have helped to improve water availability in the community. In the process we touched more than 7646 lives and helped around 3000+ women.

**Cleaner Air Better Life (CABL)** is a collaborative platform where industry, entrepreneurs, governments, and civic society can work together for addressing sources of air pollution. Multi-stakeholder engagements were undertaken through the year 2017-18 under the four task forces constituted by Cummins and NITI Aayog in June 2017 (under Cleaner Air Better Life Initiative). Accordingly, action plans have been designed under this initiative to address identified sources of air pollution with a mission to improve air quality and therefore contribute to better quality of life across urban and rural India. In FY 2022-23 we replicated the learning from Delhi NCR region to Indore metropolitan region. Airshed Management worked in Indore under three main pillars namely data and research, participatory planning and action and citizen engagement. We continued to expand our efforts in crop residue management in Punjab and Haryana impacting more than 10000 farmers.

**Cummins Powers Women-** In an effort to promote gender equality and empower girls and women around the world, Cummins Powers Women (CPW) was launched in 2018 on International Women's Day. The CPW program invests in non-profit organizations with proven outcomes focused on the four drivers of gender equality: educational attainment, legal rights, personal safety, and economic empowerment. The non-profit organisations help in reaching out to grassroots organisations and individuals working on Gender issues. The grassroot organisations and/or individuals are mentored through the leadership and advocacy accelerator where Cummins leadership team participates. This provides an opportunity for Cummins leadership team to use their business and leadership skills and volunteer. In the five years since the program started, more than 27 Mn women and girls have been positively impacted, with more than 253 advocacy grants given, catalyzing change in 47 laws and policies, globally. The program currently is present in 18 countries and has received an investment of \$ 23 Mn.

We are proud partners of the program in India and since 2019, two gender equity initiatives were launched with our global non-profit partner, Rise Up. 61 NGO leaders committed to empowering girls and women engaged in workshops, mentorship sessions, and one-on-one coaching to advance their goals on gender equity. Till date, Cummins India has supported 25 advocacy grants that helped effect change in the lives of 2.3 Mn girls and women in the areas of education, economic empowerment, and health. Continuing our commitment to gender equity, in FY 22-23 Cummins India and Rise Up

launched India's third leadership and advocacy accelerator recently. 22 participants from the Delhi – NCR region were selected through a competitive application and screening process. The program has benefitted 16,150 women.

**Phaltan Town Development** project was conceived with a vision to make Phaltan the best town to live and work in its category and size in India. The interventions at Phaltan are done under three broad categories to develop the town as 'Clean, Green and Smart' town. The initiatives under clean town focus on solid waste and sanitation facility improvements in the town, the work under green town focuses on creating green lungs and green spots within the town and the work under smart town focuses on smart infrastructure for the town and schools. Along with this, the focus is also on improving the public infrastructure of the town like roads, internal lanes, bus stops, markets, etc. All these initiatives have helped Phaltan improve Swachh Survekshan ranking to 29 from 264. In FY 22-23, 1175 tons of waste was diverted annually from going to the landfill. The street sweepings and waste collection service has reached to 8250 households due to integration of 40 informal sector workers. 2 STEM laboratories have been set up for the students in FY 22-23 benefitting about more than 3000 students. Till date more than 500 trees have been planted in the forest garden.

In the **Employee Led Grants (ELGs)** program, small grants are given to support grassroots NGOs introduced by employees of Cummins. The program was initiated in FY 21-22. The grants are given to organisations and projects aligned to Cummins' corporate responsibility focus areas of higher education, energy and environment, and equality of opportunity. The process of selection of organisation is very robust with involvement of cross-functional teams. In FY 22-23, 19 grants were conferred to organisations working on afforestation and biodiversity, water conservation, Skilling, education, etc.

#### **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 and amendments thereto, 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 2022-23.

For and on behalf of the Board of Directors,

|                                   |                            |                                  |   |
|-----------------------------------|----------------------------|----------------------------------|---|
|                                   | Steven Chapman<br>Chairman | Ashwath Ram<br>Managing Director | P.S. Dasgupta<br>Chairman of the<br>CSR Committee |
| Place: Pune<br>Date: May 24, 2023 | DIN: 00496000              | DIN: 00149501                    | DIN: 00012552                                     |

# Annexures to the Directors' Report

## Annexure 12 – BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORT FY 2022-23

### SECTION A: GENERAL DISCLOSURES

#### I. Details of the listed entity

1. Corporate Identity Number (CIN) of the Listed Entity: L29112PN1962PLC012276
2. Name of the Listed Entity: Cummins India Limited
3. Year of incorporation: 1962
4. Registered office address: Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi Pune, 411045, Maharashtra, India
5. Corporate address: Cummins India Office Campus, Tower A, 5th Floor, Survey No. 21, Balewadi Pune, 411045, Maharashtra, India
6. E-mail: cil.investors@cummins.com
7. Telephone: +91 20 67067000
8. Website: www.cumminsindia.com
9. Financial year for which reporting is being done: April 1, 2022 - March 31, 2023
10. Name of the Stock Exchange(s) where shares are listed:  
Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd.
11. Paid-up Capital: ₹ 55.44 Crore
12. Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report:  
Name: Ms. Vinaya Joshi  
Designation: Company Secretary  
Telephone: 020 6706 7000  
Email id: cil.investors@cummins.com
13. Reporting boundary: Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together): Standalone basis

#### II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

| S. No. | Description of Main Activity | Description of Business Activity   | % of Turnover of the entity |
|--------|------------------------------|--|-----------------------------|
| 1      | Manufacturing                | Electrical equipment, General purpose and Special purpose machinery and equipment, Transport equipment | 95%                         |

## 15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

| S. No. | Product/Service  | NIC Code | % of total Turnover contributed |
|--------|--|----------|---------------------------------|
| 1      | Internal combustion engine (not vehicle engine), manufacturing | 29112    | 55%                             |
| 2      | Manufacturing of parts and accessories (engines/turbines)      | 29113    | 22%                             |
| 3      | Generators/generating sets, manufacturing                      | 31101    | 18%                             |

## III. Operations :

## 16. Number of locations where plants and/or operations/offices of the entity are situated:

| Location      | Number of plants | Number of offices | Total |
|---------------|------------------|-------------------|-------|
| National      | 6*               | 23                | 29    |
| International | -                | -                 | -     |

\* includes parts distribution center

## 17. Markets served by the entity:

## a. Number of locations -

| Locations                        | Number                          |
|----------------------------------|---------------------------------|
| National (No. of States)         | 36 States and Union Territories |
| International (No. of Countries) | 66                              |

b. What is the contribution of exports as a percentage of the total turnover of the entity? 26.93%

## c. A brief on types of customers

Cummins India Limited ("Cummins" or "CIL" or "the Company" in this report) serves customers across all segments and to all types/categories viz., end users, Original Equipment Manufacturers (OEM), channel partners, dealers, distributors, retailers, etc. The Company works closely with a variety of industries including, utility, transportation and infrastructure customers, serving a range of end customers, including data centers, automotive, power transmission and distribution.

## IV. Employees

## 18. Details as at the end of Financial Year:

## a. Employees and workers (including differently abled):

| S. No            | Particulars                    | Total (A) | Male    |           | Female  |           |
|------------------|--------------------------------|-----------|---------|-----------|---------|-----------|
|                  |                                |           | No. (B) | % (B / A) | No. (C) | % (C / A) |
| <b>EMPLOYEES</b> |                                |           |         |           |         |           |
| 1.               | Permanent (D)                  | 1,282     | 933     | 72.8%     | 349     | 27.2%     |
| 2.               | Other than Permanent (E)       | 100       | 72      | 72%       | 28      | 28%       |
| 3.               | <b>Total employees (D + E)</b> | 1,382     | 1,005   | 72.7%     | 377     | 27.3%     |
| <b>WORKERS</b>   |                                |           |         |           |         |           |
| 4.               | Permanent (F)                  | 1,879     | 1,554   | 82.7%     | 325     | 17.3%     |
| 5.               | Other than Permanent (G)       | 2,079     | 1,910   | 91.9%     | 169     | 8.1%      |
| 6.               | <b>Total workers (F + G)</b>   | 3,958     | 3,464   | 87.5%     | 494     | 12.5%     |

## b. Differently abled Employees and workers:

| S. No                              | Particulars                                      | Total (A) | Male    |           | Female  |           |
|------------------------------------|--|-----------|---------|-----------|---------|-----------|
|                                    |  |           | No. (B) | % (B / A) | No. (C) | % (C / A) |
| <b>DIFFERENTLY ABLED EMPLOYEES</b> |  |           |         |           |         |           |
| 1.                                 | Permanent (D)                                    | -         | -       | 0%        | -       | 0%        |
| 2.                                 | Other than Permanent (E)                         | -         | -       | 0%        | -       | 0%        |
| 3.                                 | <b>Total differently abled employees (D + E)</b> | -         | -       | 0%        | -       | 0%        |
| <b>DIFFERENTLY ABLED WORKERS</b>   |  |           |         |           |         |           |
| 4.                                 | Permanent (F)                                    | 1         | 1       | 100%      | -       | 0%        |
| 5.                                 | Other than permanent (G)                         | 3         | 2       | 67%       | 1       | 33%       |
| 6.                                 | <b>Total differently abled workers (F + G)</b>   | 4         | 3       | 75%       | 1       | 25%       |

\* As differently abled is a personal information, this data is voluntary for employees to report to the Company. The above information is based on the disclosures available with the Company.

## 19. Participation/Inclusion/Representation of women

|                          | Total (A) | No. and percentage of Females |           |
|--------------------------|-----------|-------------------------------|-----------|
|                          |           | No. (B)                       | % (B / A) |
| Board of Directors       | 10        | 4                             | 40%       |
| Key Management Personnel | 3         | 1                             | 33%       |

## 20. Turnover rate for permanent employees and workers

(Disclose trends for the past 3 years)

|                   | FY 22-23<br>(Turnover rate % in<br>current FY) |        |       | FY 21-22<br>(Turnover rate % in<br>previous FY) |        |       | FY 20-21 (Turnover rate<br>% in the year prior to the<br>previous FY) |        |       |
|-------------------|--|--------|-------|---|--------|-------|---|--------|-------|
|                   | Male   | Female | Total | Male  | Female | Total | Male  | Female | Total |
|                   | Permanent Employees                            | 7%     | 14%   | 9%  | 5%     | 18%   | 8%  | 5%     | 9%    |
| Permanent Workers | 6%   | 9%     | 7%    | 4%  | 11%    | 6%    | 3%  | 6%     | 4%    |

V. Holding, Subsidiary and Associate Companies (including joint ventures)

## 21. (a) Names of holding / subsidiary / associate companies / joint ventures

| S. No | Name of the holding/ subsidiary/associate companies/joint ventures (A) | Indicate whether holding/ Subsidiary/ Associate/ Joint Venture         | % of shares held by listed entity | Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No) |
|-------|--|--|-----------------------------------|--|
| 1.    | Cummins Inc.   | Holding Company  | NA                                |  |
| 2.    | Cummins Sales & Service Private Limited                                | Wholly Owned Subsidiary  | 100%                              |  |
| 3.    | Cummins Research and Technology India Private Limited *                | Joint Venture  | 50%                               | No   |
| 4.    | Valvoline Cummins Private Limited                                      | Joint Venture  | 50%                               |  |
| 5.    | Cummins Generator Technologies India Private Limited                   | Associate Company with control of more than 20% of total share capital | 48.54%                            |  |

\* The Board of directors of Cummins Research and Technology India Private Limited ('CRTI') at its meeting held on March 21, 2016, had decided to cease operations of CRTI. Accordingly, it ceased its operations from April 1, 2016. The shareholders of CRTI, in their extra-ordinary general meeting held on April 1, 2022, passed a resolution to initiate voluntary winding-up of CRTI under the Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016. Accordingly, the control over and operations of CRTI have been handed over to a registered Insolvency Professional effective from April 1, 2022, in accordance with the applicable statutory provisions.

VI. CSR Details

22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No): Yes  
(ii) Turnover (in ₹) 7,612.32 Cr.  
(iii) Net worth (in ₹) 5,367.98 Cr.

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct -

| Stakeholder group from whom complaint is received                            | Grievance Redressal Mechanism in Place (Yes/No) | FY Current Financial Year                                    |  |  | FY Previous Financial Year |  |  |
|--|---|--|--|--|----------------------------|--|--|
|  |   | (If Yes, then provide web-link for grievance redress policy) | Number of complaints filed during the year | Number of complaints pending resolution at close of the year | Re-marks                   | Number of complaints filed during the year | Number of complaints pending resolution at close of the year |
| Communities  | Yes   | -  | -  | -  | -                          | -  |  |
| Investors (other than shareholders)  |   |  |  | Not Applicable   |                            |  |  |
| Shareholders   | Yes   | -  | -  | -  | -                          | -  |  |
| Employees and workers  | Yes   | -  | -  | -  | -                          | -  |  |
| Customers  | Yes   | -  | -  | -  | -                          | -  |  |
| Value chain partners   | Yes   | -  | -  | -  | -                          | -  |  |
| Other – Anonymous reporters or others who do not fall under above categories | Yes   | -  | -  | -  | -                          | -  |  |

## 24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format

| S. No. | Material issue identified                  | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/ opportunity  | In case of risk, approach to adapt or mitigate   | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|--------|--|--|--|--|--|
| 1      | Climate action – product GHG emissions     | R  | The Company is in the business of manufacturing and selling mainly fossil fuel-based products. Climate change and associated emission requirements are a strategic risk, which, if not managed appropriately, can affect the Company's operations and profitability. | The Company is committed to reducing its GHG emissions through innovative products that will reduce the emission and its carbon footprint. In addition, the Company is also working on reducing emissions in its facilities. | Negative   |
| 2      | Product innovation and emission compliance | O  | Access to innovative technologies and products that have a lower carbon footprint and comply with all applicable emission norms.   | NA   | Positive   |
| 3      | Human capital management                   | O  | The Company has a highly skilled, talented workforce with subject matter expertise coupled with world class infrastructure for engineering, testing and manufacturing which will enable the Company to innovate for the success of its customers.                    | NA   | Positive   |
| 4      | Sustainable water supplies                 | O  | The Company continues to remain focused on natural resources like water and is net water neutral.  | NA   | Positive   |



## SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

| Disclosure Questions   | P 1  | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|--|--|-----|-----|-----|-----|-----|-----|-----|-----|
| <b>Policy and management processes</b>   |  |     |     |     |     |     |     |     |     |
| 1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No) | Y  | Y*  | Y   | Y   | Y*  | Y   | Y   | Y   | Y*  |
| b. Has the policy been approved by the Board? (Yes/No)   | Y  | N   | Y   | Y   | Y   | Y   | N   | Y   | Y   |
| c. Web Link of the Policies, if available  | P1 –<br>Vigil Mechanism Policy :<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a><br>Ethics Mechanism<br><a href="https://secure.ethicspoint.com/domain/media/en/gui/13176/index.html">https://secure.ethicspoint.com/domain/media/en/gui/13176/index.html</a><br>Anti-bribery Policy<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a><br>P1 & P2-<br>Code of Business Conduct<br><a href="https://www.cummins.com/sites/default/files/2020-05/Code%20of%20Business%20Conduct.pdf">https://www.cummins.com/sites/default/files/2020-05/Code%20of%20Business%20Conduct.pdf</a><br>P2 –<br>Supplier Code of Conduct<br><a href="https://public.cummins.com/sites/CSP/SiteCollectionDocuments/Supplier%20Code%20of%20Conduct/Supplier_Code_of_Conduct.pdf">https://public.cummins.com/sites/CSP/SiteCollectionDocuments/Supplier%20Code%20of%20Conduct/Supplier_Code_of_Conduct.pdf</a><br>P3 & P5 – Human Rights Policy :<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a><br>P4, P6 & P8 –<br>Corporate Social Responsibility Policy :<br><a href="https://www.cummins.com/sites/default/files/india/Legal/csr-policy-updated.pdf">https://www.cummins.com/sites/default/files/india/Legal/csr-policy-updated.pdf</a><br>P6 :<br>HSE Policy :<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a><br>P9 :<br>Data Privacy Policy:<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a><br>Corporate Product Safety Policy :<br><a href="https://www.cummins.com/en/in/investors/india-corporate-governance">https://www.cummins.com/en/in/investors/india-corporate-governance</a> |     |     |     |     |     |     |     |     |
| 2. Whether the entity has translated the policy into procedures. (Yes / No)                                    | Y  | Y   | Y   | Y   | Y   | Y   | Y   | Y   | Y   |

| Disclosure Questions  | P  | P | P | P | P | P | P | P | P |
|---|--|---|---|---|---|---|---|---|---|
|   | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 3. Do the enlisted policies extend to your value chain partners? (Yes/No)   | Y  | Y | Y | N | Y | N | N | N | Y |
| 4. Name of the national and international codes/certifications/labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.  | ISO 14001:2015 for Environment Management System<br>ISO 45001:2018 for Occupational Health and Safety<br>ISO 50001:2018 for Energy Management System<br>ISO 9001:2015 for Quality Management System  |   |   |   |   |   |   |   |   |
| 5. Specific commitments, goals and targets set by the entity with defined timelines, if any.  | <p>P2 –<br/>Reuse or responsibly recycle 100% of packaging plastics and eliminate single-use plastics in dining facilities, at employee events and as amenities given to employees by 2030.</p> <p>P3 –<br/>Achieve Gender Diversity of 50% across all employee categories by 2040</p> <p>P6 –<br/>1. Generate 25% less waste in facilities and operations as a percent of revenue by 2030<br/>2. Reduce absolute Greenhouse gas (GHG) emissions from facilities and operations by 50% by 2030</p> <p>P8 –<br/>1. Achieve 50% representation from candidates in aspirational districts through the education assistance programme by FY 2025-26<br/>2. Double the coverage of the community outreach program in aspirational districts by FY 2023-24</p> |   |   |   |   |   |   |   |   |
| 6. Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.   | The Company is on track to achieve these goals.  |   |   |   |   |   |   |   |   |
| <b>Governance, leadership and oversight</b>   |  |   |   |   |   |   |   |   |   |
| 7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure) –<br>“At Cummins, we believe that operating ethically and sustainably is not only the right thing to do, but also a competitive advantage. Our PLANET 2050 sustainability strategy is guided by our mission of making people’s lives better by powering a more prosperous world. Destination Zero is the strategy to reach carbon neutrality. For more than six decades, our core values of INTEGRITY, and DIVERSITY & INCLUSION continue to play an integral role in delivering sustainable solutions, driving better financial performance, and stimulating innovation at Cummins India. Our aspirational goal of achieving 50% women representation is not just an ideal but a moral and ethical imperative. Today, the Cummins brand in India is synonymous with TRUST built on the integrity – embodied by our people and highly valued by our customers. Our global commitment to decarbonization, combined with our solid and enviable India legacy, places us in a unique position of strength to lead India’s transition to zero emissions by 2070. With a focus on action, we are advancing our journey of powering a cleaner and greener India.” |  |   |   |   |   |   |   |   |   |
| 8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility (BR) policy (ies).  | Mr. Ashwath Ram, Managing Director (MD) and oversighted by the Audit and Compliance Committee.   |   |   |   |   |   |   |   |   |
| 9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.   | Audit and Compliance Committee   |   |   |   |   |   |   |   |   |

|                             |          |          |          |          |          |          |          |          |          |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Disclosure Questions</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> |
|                             | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> |

10. Details of Review of NGRBCs by the Company:

| Subject for Review   | Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee |   |   |   |   |   |   |   |   | Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify) |   |   |   |   |   |   |   |   |  |  |
|--|--|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|--|--|
|  | P  | P | P | P | P | P | P | P | P | P  | P | P | P | P | P | P | P | P |  |  |
|  | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |  |  |
| Performance against above policies and follow up action  |  |   |   |   |   |   |   |   |   |  |   |   |   |   |   |   |   |   | Review undertaken by 'Any other Committee' (internal review groups formed by the management) | Need based review or review driven by statutory requirements/ amendments depending on the nature of the policy |
| Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances |  |   |   |   |   |   |   |   |   |  |   |   |   |   |   |   |   |   | Review undertaken by 'Any other Committee' (internal review groups formed by the management) | Need based review or quarterly review depending on the nature of the policy                                    |

|   |          |          |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency. | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> |
|   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> |
|   | <b>N</b> | <b>N</b> | <b>N</b> | <b>N</b> | <b>N</b> | <b>Y</b> | <b>N</b> | <b>N</b> | <b>N</b> |

Yes. The Company's facilities are evaluated by SGS India Private Limited periodically for ISO certification.

\* 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 specific to CIL, are brought to the CIL Board of Directors and approved, while some others are more procedural in nature and implemented directly.

12. If answer to question (1) above is "No" i.e. not all Principles are covered by a policy, reasons to be stated:

|   |          |          |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Questions</b>  | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> | <b>P</b> |
|   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> |
| The entity does not consider the Principles material to its business (Yes/No)   |          |          |          |          |          |          |          |          |          |
| The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No) |          |          |          |          |          |          |          |          |          |
| The entity does not have the financial or/human and technical resources available for the task (Yes/No)                         |          |          |          |          |          |          |          |          |          |
| It is planned to be done in the next financial year (Yes/No)  |          |          |          |          |          |          |          |          |          |
| Any other reason (please specify)   |          |          |          |          |          |          |          |          |          |

Not applicable

## SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as “Essential” and “Leadership”. While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

### **PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.**

Ethical behavior at the Company is driven by the Code of Business Conduct, which guides employees on a wide range of matters, from how to treat colleagues at work to preventing sexual harassment, avoiding conflicts of interest, upholding human rights, anti-bribery, and much more. New employees are introduced to the code during onboarding and are regularly assigned related training courses over the course of their time at the Company.

#### **Essential Indicators**

- Percentage coverage by training and awareness programmes on any of the Principles during the financial year:

| <b>Segment</b>                    | <b>Total number of training and awareness programmes held</b> | <b>Topics / principles covered under the training and its impact</b>  | <b>%age of persons in respective category covered by the awareness programmes</b> |
|-----------------------------------|---|---|---|
| Board of Directors                | 2   | Sessions have been conducted to create awareness about all the principles. Specific policies and other matters are discussed at the Board or respective committee meetings on a periodic basis. | 100%  |
| Key Managerial Personnel          | 6   | <ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Treatment of Each Other</li> <li>Anti-bribery and Prohibited Payments Policy</li> </ul>   | 100%  |
| Employees other than BoD and KMPs | 6   | <ul style="list-style-type: none"> <li>Data Privacy &amp; Information Classification and Protection</li> <li>Prevention of Sexual Harassment</li> <li>Doing Business Ethically</li> </ul>       | 100%  |
| Workers                           | 6   | <ul style="list-style-type: none"> <li>Conflicts of Interest</li> </ul>   | 100%  |

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

| Monetary *      |                 |                                     |                 |                   |  |
|-----------------|-----------------|-------------------------------------|-----------------|-------------------|--|
|                 | NGRBC Principle | Name of the regulatory/ enforcement | Amount (In INR) | Brief of the Case | Has an appeal been preferred? (Yes/No) |
| Penalty/ Fine   |                 |                                     |                 |                   |  |
| Settlement      |                 |                                     | None            |                   |  |
| Compounding fee |                 |                                     |                 |                   |  |
| Monetary *      |                 |                                     |                 |                   |  |
|                 | NGRBC Principle | Name of the regulatory/ enforcement | Amount (In INR) | Brief of the Case | Has an appeal been preferred? (Yes/No) |
| Imprisonment    |                 |                                     |                 |                   |  |
| Punishment      |                 |                                     | None            |                   |  |

\* Disclosure is made on the basis of the materiality policy as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the Company's website.

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

| Case Details | Name of the regulatory/ enforcement agencies/ judicial institutions |
|--------------|---|
|              | Not Applicable  |

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

Yes.

The Anti-Bribery and Prohibited Payments Policy adopted by the Company is applicable to all its employees and third-party agents acting on behalf of the Company. The policy focuses on prohibition of all bribery in the course of doing business, compliance with applicable laws etc. The policy is available under <https://www.cummins.com/en/in/investors/india-corporate-governance>.

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

|           | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|-----------|--|---|
| Directors |  |   |
| KMPs      |  |   |
| Employees |  | None                                    |
| Workers   |  |   |

## 6. Details of complaints with regard to conflict of interest:

|   | FY 2022-23<br>(Current Financial Year) |         | FY 2021-22<br>(Previous Financial Year) |         |
|---|--|---------|---|---------|
|   | Number                                 | Remarks | Number                                  | Remarks |
| <b>Number of complaints received in relation to issues of Conflict of Interest of the Directors</b> | None                                   | NA      | None                                    | NA      |
| <b>Number of complaints received in relation to issues of Conflict of Interest of the KMPs</b>      |  |         |   |         |

## 7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Not applicable

### Leadership Indicators

## 1. Awareness programmes conducted for value chain partners on any of the Principles during the financial year:

| Total number of awareness programmes | Topics/Principles covered under the training   | % age of value chain partners covered (by value of business done with such partners) under the awareness programmes |
|--------------------------------------|--|---|
| 1 (Suppliers)                        | Ethics, health and safety, integrity, sustainability, governance, environment, social responsibility | Suppliers covering 64% of total domestic spend of FY 2022-23  |
| 1 (Dealers)                          | Ethics and compliance – online training  | Representatives of 100% dealers   |

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? **(Yes/No)** If Yes, provide details of the same.

Yes.

The Board of Directors of the Company have a separate 'Code of Conduct for the Board of Directors' The code, in line with the applicable laws, requires the directors to provide annual declarations about their interest in compliance with applicable regulations in addition to voluntary declarations about interim changes in their interests, if any. These disclosures are noted by the Board in subsequent meeting(s).

## PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe

The Company is committed to reducing its carbon footprint and doing more to use less of the world's natural resources. The three focus areas are: reducing Greenhouse gas (GHG) and air emissions; using natural resources in the most sustainable way possible; helping communities address their major environmental challenges.

### Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

|       | Current financial year | Previous financial year | Details of improvements in environmental and social impacts  |
|-------|------------------------|-------------------------|--|
| R&D   | 34%                    | 5%                      | Revenue expenditure on developing and testing emission compliant products, on fuel efficiency improvement and alternate material usage and testing facilities etc. |
| Capex | 32%                    | 57%                     | Capex spend includes investments made in projects for energy efficient processes, enhancing product development facility for current and new technologies, etc.    |

The Company, through its R&D and capex investments, is focused on moving towards a cleaner, greener planet by reducing its carbon footprint, both through the products it makes and how it makes them.

2.
  - a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)  
 Yes.  
 The Company has procedures in place for sustainable sourcing.
  - b. If yes, what percentage of inputs were sourced sustainably?  
 62% of the total domestic spend is through sustainable sourcing.
3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.  
 The Company has a remanufacturing facility at Phaltan. The complete remanufacturing process has five key steps viz. 1. Disassembly, 2. Cleaning, 3. Inspection, 4. Salvage/ Reuse, 5. Assembly and Test.
4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

-  
 Yes.

EPR is applicable to the Company in the capacity as “Brand Owner”. The Company complies with the Plastic waste collection plan submitted to Pollution Control Board and regularly submits Annual returns as per the relevant provisions of the regulations.

### Leadership Indicators

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

| NIC Code | Name of Product | % of total Turnover contributed | Boundary for which the Life Cycle Perspective / Assessment was conducted | Whether conducted by independent external agency | Results communicated in public domain (Yes/ No) If yes, provide the web-link. |
|----------|-----------------|---------------------------------|--|--|---|
|          |                 |                                 |  |  |   |

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

| Name of the product/ services | Description of the risk/ concern | Action Taken |
|-------------------------------|----------------------------------|--------------|
|                               |                                  |              |

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

| Indicate input material | Recycled or re-used input material to total material |                                       |
|-------------------------|--|---------------------------------------|
|                         | FY 2022-23<br>Current financial year                 | FY 2021-22<br>Previous financial year |
|                         |  |                                       |

4. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format:

|                                | FY 2022-23<br>Current financial year |          |                 | FY 2021-22<br>Previous financial year |          |                 |
|--------------------------------|--------------------------------------|----------|-----------------|---------------------------------------|----------|-----------------|
|                                | Re-used                              | Recycled | Safely Disposed | Re-used                               | Recycled | Safely Disposed |
| Plastics (including packaging) |                                      |          |                 |                                       |          |                 |
| E-waste                        |                                      |          |                 |                                       |          |                 |
| Hazardous waste                |                                      |          |                 |                                       |          |                 |
| Other waste                    |                                      |          |                 |                                       |          |                 |



5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

| Indicate product category | Reclaimed products and their packaging materials as % of total products sold in respective categories |
|---------------------------|---|
| -                         |   |

**PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains**

The Company pursues its commitment towards employee well-being by creating a diverse and inclusive work environment; engaging employees and their families in improving wellness; extending the company’s talent management philosophies in performance management, compensation management, competency building and access to development opportunities for all employees through education assistance programs.

Following are some of the initiatives undertaken by the Company to ensure the well-being of its employees:

- Periodic health check-ups and counselling by professional and trained medical team
- Independent trained professionals are available through a confidential service provider to help them deal with mental health and other life challenges
- Life insurance benefits covering employees
- Health insurance benefits covering employees and their family members
- Maternity and paternity benefits
- Various Employee Resource Groups (ERG) focusing on the various dimensions of diversity namely: Gender, Generation, Culture, Person with Disability (PwD), and LGBTQ+
- Creche facilities
- Occupational health and safety management system

**Essential Indicators**

1. a. Details of measures for the well-being of employees:

| Category                              | % of employees covered by |                  |         |                    |         |                    |         |                    |         |                     |         |
|---------------------------------------|---------------------------|------------------|---------|--------------------|---------|--------------------|---------|--------------------|---------|---------------------|---------|
|                                       | Total (A)                 | Health Insurance |         | Accident Insurance |         | Maternity Benefits |         | Paternity benefits |         | Day Care Facilities |         |
|                                       |                           | Number (B)       | % (B/A) | Number (C)         | % (C/A) | Number (D)         | % (D/A) | Number (E)         | % (E/A) | Number (F)          | % (F/A) |
| <b>Permanent Employees</b>            |                           |                  |         |                    |         |                    |         |                    |         |                     |         |
| Male                                  | 933                       | 933              | 100%    | 933                | 100%    | NA                 | 0%      | 933                | 100%    | 933                 | 100%    |
| Female                                | 349                       | 349              | 100%    | 349                | 100%    | 349                | 100%    | NA                 | 0%      | 349                 | 100%    |
| Total                                 | 1,282                     | 1,282            | 100%    | 1,282              | 100%    | 349                | 100%    | 933                | 100%    | 1,282               | 100%    |
| <b>Other than Permanent employees</b> |                           |                  |         |                    |         |                    |         |                    |         |                     |         |
| Male                                  | 72                        | -                | 0%      | 72                 | 100%    | NA                 | 0%      | -                  | 0%      | -                   | 0%      |
| Female                                | 28                        | -                | 0%      | 28                 | 100%    | 28                 | 100%    | NA                 | 0%      | -                   | 0%      |
| Total                                 | 100                       | -                | 0%      | 100                | 100%    | 28                 | 100%    | -                  | 0%      | -                   | 0%      |

## b. Details of measures for the well-being of workers:

| Category                              | % of workers covered by |                  |            |                    |            |                    |            |                    |            |                     |            |
|---------------------------------------|-------------------------|------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|---------------------|------------|
|                                       | Total                   | Health Insurance |            | Accident Insurance |            | Maternity Benefits |            | Paternity benefits |            | Day Care Facilities |            |
|                                       | (A)                     | Number<br>(B)    | %<br>(B/A) | Number<br>(C)      | %<br>(C/A) | Number<br>(D)      | %<br>(D/A) | Number<br>(E)      | %<br>(E/A) | Number<br>(F)       | %<br>(F/A) |
| <b>Permanent Employees</b>            |                         |                  |            |                    |            |                    |            |                    |            |                     |            |
| Male                                  | 1,554                   | 1,554            | 100%       | 1,554              | 100%       | NA                 | 0%         | 1,554              | 100%       | 1,554               | 100%       |
| Female                                | 325                     | 325              | 100%       | 325                | 100%       | 325                | 100%       | NA                 | 0%         | 325                 | 100%       |
| Total                                 | 1,879                   | 1,879            | 100%       | 1,879              | 100%       | 325                | 100%       | 1,554              | 100%       | 1,879               | 100%       |
| <b>Other than Permanent employees</b> |                         |                  |            |                    |            |                    |            |                    |            |                     |            |
| Male                                  | 1,910                   | 1,910            | 100%       | 1,910              | 100%       | NA                 | 0%         | -                  | 0%         | -                   | 0%         |
| Female                                | 169                     | 169              | 100%       | 169                | 100%       | 169                | 100%       | NA                 | 0%         | -                   | 0%         |
| Total                                 | 2,079                   | 2,079            | 100%       | 2,079              | 100%       | 169                | 100%       | -                  | 0%         | -                   | 0%         |

## 2. Details of retirement benefits, for Current FY and Previous Financial Year.

The Company's employees and workers are covered for retiral benefits as per eligibility defined under the applicable laws. The company also creates awareness of schemes such as National Pension Scheme (NPS) which the employees can avail.

| Benefits*                      | FY 2022-23<br>Current financial Year               |  |  | FY 2021-22<br>Previous financial Year              |  |  |
|--------------------------------|--|--|--|--|--|--|
|                                | No. of employees covered as a % of total employees | No. of workers covered as a % of total workers | Deducted and deposited with the authority (Y/N/NA) | No. of employees covered as a % of total employees | No. of workers covered as a % of total workers | Deducted and deposited with the authority (Y/N/NA) |
|                                | Provident Fund                                     | 100%   | 100%   | Yes  | 100%   | 100%   |
| Gratuity                       | 100%   | 100%   | Yes  | 100%   | 100%   | Yes  |
| Employee State Insurance (ESI) | 100%   | 100%   | Yes  | 100%   | 100%   | Yes  |
| Superannuation                 | 100%   | 89%  | Yes  | 100%   | 88%  | Yes  |

## 3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes.

The Company continues to take steps including modernisation of its older facilities to improve accessibility to its facilities for differently abled employees and workers.

## 4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes.

The Equal Opportunity policy is available to the internal stakeholders on the intranet.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

| Gender | Permanent employees |                | Permanent workers   |                |
|--------|---------------------|----------------|---------------------|----------------|
|        | Return to work rate | Retention rate | Return to work rate | Retention rate |
| Male   | 100%                | 88%            | 100%                | 98%            |
| Female | 100%                | 100%           | 100%                | 96%            |
| Total  | 100%                | 93%            | 100%                | 97%            |

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If yes, give details of the mechanism in brief.

|                                | Yes/No<br>(If Yes, then give details of the mechanism in brief)   |
|--------------------------------|---|
| Permanent Workers              | Yes.<br><br>All workers/ employees permanent/ other than permanent of the Company can reach out to their Direct Managers and HR Business Partners as their primary contact to redress their grievances as specified in the policy of the Company.   |
| Other than Permanent Workers   | The Company has communication and other infrastructure, and policies through which the employees and workers can voice their concerns. Protected disclosures can be made by a whistle-blower through an email or dedicated telephone line or letter to the Managing Director of the Company or Letter to the Chairman of Audit Committee or via the Ethics helpline/ webpage, details of which are available on the website of the Company. |
| Permanent Employees            | The Company has a 'Vigil Mechanism Policy', as per applicable laws, along with the Non-retaliation Policy, which inter-alia provide adequate safeguards to whistle-blowers against retaliation.   |
| Other than Permanent Employees |   |

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

| Category                  | FY 2022-23<br>Current financial Year                |  |         | FY 2021-22<br>Previous financial Year               |  |         |
|---------------------------|---|--|---------|---|--|---------|
|                           | Total employees/ workers in respective Category (A) | No. employees/ workers in respective Category, who are part of association(s) or Union (B) | % (B/A) | Total employees/ workers in respective Category (C) | No. employees/ workers in respective Category, who are part of association(s) or Union (D) | % (D/C) |
| Total Permanent Employees | 1,282   | -  | 0%      | 1,238   | -  | 0%      |
| - Male                    | 933   | -  | 0%      | 907   | -  | 0%      |
| - Female                  | 349   | -  | 0%      | 331   | -  | 0%      |
| Total Permanent Workers   | 1,879   | 559  | 30%     | 1,929   | 601  | 31%     |
| - Male                    | 1,554   | 559  | 36%     | 1,588   | 601  | 38%     |
| - Female                  | 325   | -  | 0%      | 341   | -  | 0%      |

## 8. Details of training given to employees and workers:

| Category         | FY 2022-23<br>Current financial Year |                                  |            |                         |            | FY 2021-22<br>Previous financial Year |                                  |            |                         |            |
|------------------|--------------------------------------|----------------------------------|------------|-------------------------|------------|---------------------------------------|----------------------------------|------------|-------------------------|------------|
|                  | Total<br>(A)                         | On Health And<br>safety Measures |            | On Skill<br>Upgradation |            | Total<br>(D)                          | On Health And<br>safety Measures |            | On Skill<br>Upgradation |            |
|                  |                                      | No.<br>(B)                       | %<br>(B/A) | No.<br>(C)              | %<br>(C/A) |                                       | No.<br>(E)                       | %<br>(E/D) | No.<br>(F)              | %<br>(F/D) |
| <b>Employees</b> |                                      |                                  |            |                         |            |                                       |                                  |            |                         |            |
| Male             | 13,367                               | 2,679                            | 20%        | 10,688                  | 80%        | 22,976                                | 8,053                            | 35%        | 14,923                  | 65%        |
| Female           | 4,944                                | 991                              | 20%        | 3,953                   | 80%        | 8,498                                 | 2,979                            | 35%        | 5,519                   | 65%        |
| Total            | 18,311                               | 3,670                            | 20%        | 14,641                  | 80%        | 31,474                                | 11,032                           | 35%        | 20,442                  | 65%        |
| <b>Workers</b>   |                                      |                                  |            |                         |            |                                       |                                  |            |                         |            |
| Male             | 44,758                               | 38,182                           | 85%        | 6,576                   | 15%        | 17,223                                | 5,584                            | 32%        | 11,639                  | 68%        |
| Female           | 6,104                                | 5,207                            | 85%        | 897                     | 15%        | 3,528                                 | 1,144                            | 32%        | 2,384                   | 68%        |
| Total            | 50,862                               | 43,389                           | 85%        | 7,473                   | 15%        | 20,751                                | 6,728                            | 32%        | 14,023                  | 68%        |

The trainings on health and safety measures and skill upgradation are gender agnostic and available to both male and female employees/ workers.

## 9. Details of performance and career development reviews of employees and worker:

| Category         | FY 22-23<br>Current financial Year |         |         | FY 21-22<br>Previous financial Year |         |         |
|------------------|------------------------------------|---------|---------|-------------------------------------|---------|---------|
|                  | Total (A)                          | No. (B) | % (B/A) | Total (C)                           | No. (D) | % (D/C) |
| <b>Employees</b> |                                    |         |         |                                     |         |         |
| Male             | 933                                | 933     | 100%    | 907                                 | 907     | 100%    |
| Female           | 349                                | 349     | 100%    | 331                                 | 331     | 100%    |
| Total            | 1,282                              | 1,282   | 100%    | 1,238                               | 1,238   | 100%    |
| <b>Workers</b>   |                                    |         |         |                                     |         |         |
| Male             | 1,554                              | 1,554   | 100%    | 1,588                               | 1,588   | 100%    |
| Female           | 325                                | 325     | 100%    | 341                                 | 341     | 100%    |
| Total            | 1,879                              | 1,879   | 100%    | 1,929                               | 1,929   | 100%    |

## 10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system? –

Yes.

The Company has implemented an enterprise-wide occupational health and safety management system (HSEMS) that conforms to ISO (International Standards Organization) 45001.

- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity? –

All the Company's facilities have implemented a systematic process for identifying work related hazards and assessing their risks for routine and non-routine activities through the Hazard Identification and Risk Assessment Process (HIRA) that is in-line with the ISO 45001:

2018 requirements, “Job Safety Assessments”, HSE internal audit, “Find it, Fix it”, “Active Caring and Visual Literacy” are some of the initiatives that are deployed in the Company. HIRA provides an analytical tool to all facilities to assess their critical and unreasonable risks. The intent is to use these processes proactively to improve Health & Safety for all employees and others who visit the Company’s facilities.

- c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N) -

Yes.

The Company’s facilities have processes such as team-based work system (TBWS) forum, layered process audits, safety suggestions, ergonomics early reporting program, safety observation tours, etc. through which employees and workers can report work related hazards to remove / reduce the risks. Also, as per requirements of provision of the Factories Act, 1948, safety committees are formed at all applicable manufacturing locations, which take note of all the improvement opportunities coming from the employee representatives.

- d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No) –

Yes.

The Company offer a range of medical and healthcare services at it’s facilities including:

1. first aid boxes
2. trained first aid facilitators
3. counselling by independent professionals onmental health and other life challenges
4. medical insurance cover
5. qualified medical doctors at some company facilities

11. Details of safety related incidents, in the following format:

| Safety Incident/Number   | Category  | FY 2022-23<br>Current Financial<br>Year | FY 2021-22<br>Previous Financial<br>Year |
|--|-----------|---|--|
| Lost Time Injury Frequency Rate (LTIFR)<br>(per one million-person hours worked) | Employees | 0                                       | 0  |
|  | Workers   | 0.54                                    | 0  |
| Total recordable work-related injuries   | Employees | 0                                       | 0  |
|  | Workers   | 10                                      | 5  |
| No. of fatalities  | Employees | 0                                       | 0  |
|  | Workers   | 0                                       | 0  |
| High consequence work-related injury or ill-<br>health (excluding fatalities)    | Employees | 0                                       | 0  |
|  | Workers   | 0                                       | 0  |

12. Describe the measures taken by the entity to ensure a safe and healthy work place.

The Company has developed an enterprise-wide HSE management system in line with ISO 14001 and ISO 45001 standard requirements. This HSE management system and plan follows plan-do-check-act (PDCA) cycle. Details of each phase are as follows-

- Plan - All facilities have HSE Policies that drive compliance with legal and other requirements. Dedicated tools like HIRA and Environmental Aspect and Impact Assessment (EAIA) are used to facilitate the same.
- Do - Facility specific operating procedures have been created and enforced.
- Check - Continuous self-assessment enables corrective and preventive actions (CAPA) with the help of IT tools and processes.
- Act – All facilities have a management review procedure to drive improvement plans.

13. Number of Complaints on the following made by employees and workers:

|                    | FY 2022-23<br>(Current Financial Year) |                                       |   | FY 2021-22<br>(Previous Financial Year) |                                       |   |
|--------------------|--|---------------------------------------|---|---|---------------------------------------|---|
|                    | Filed during the year                  | Pending resolution at the end of year | Remarks   | Filed during the year                   | Pending resolution at the end of year | Remarks   |
| Working Conditions | 5                                      | -                                     | All complaints filed during the year have been resolved | 11                                      | -                                     | All complaints filed during the year have been resolved |
| Health & Safety    | 46                                     | -                                     |   | 29                                      | -                                     |   |

14. Assessments for the year:

|                             | % of your plants and offices that were assessed<br>(by entity or statutory authorities or third parties) |
|-----------------------------|--|
| Health and safety practices | 100%   |
| Working Conditions          | 100%   |

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

No significant risks or concerns were identified during the assessments of health & safety practices and working conditions during the year.

### Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).

Yes.

The Company extends Life Insurance or equivalent compensatory package in the unfortunate event of death of an employee or worker.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company emphasizes the importance of compliance through interactions with its value chain partners. Supplier Code of Conduct requires the vendors to know and follow all applicable laws

and have awareness of any legal or regulatory changes that may impact their operations.

The Company has an annual process of seeking confirmation of compliance with requirements related to statutory dues from its suppliers.

3. Provide the number of employees / workers having suffered high consequence work- related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been / are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

|           | Total number of affected employees/<br>workers |  | No. of employees/workers that are<br>rehabilitated and placed in suitable<br>employment or whose family<br>members have been placed in suitable<br>employment |  |
|-----------|--|--|---|--|
|           | FY 2022-23<br>(Current Financial<br>Year)      | FY 2021 - 22<br>(Previous Financial<br>Year) | FY 2022-23<br>(Current Financial<br>Year)   | FY 2021 - 22<br>(Previous Financial<br>Year) |
| Employees | 0  | 0  | 0   | 0  |
| Workers   | 0  | 0  | 0   | 0  |

4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? **(Yes/ No)**

Yes.

In cases of termination of employment due to business related reasons or Voluntary Retirement Plan (VRP), the Company provides outplacement services support, mental wellness support and monetary compensation to the impacted individuals as per internal policies and plans designed for the respective events.

5. Details on assessment of value chain partners:

|                             | % of value chain partners (by value of business done with such partners)<br>that were assessed |
|-----------------------------|--|
| Health and safety practices | Suppliers - 58% of domestic direct spend   |
| Working conditions          | Suppliers- 58% of domestic direct spend  |

These assessments are conducted to cover 100% of suppliers over a period of three years.

6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

No significant risks or concerns were identified from the assessments conducted.

#### **PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders**

##### **Essential Indicators**

1. Describe the processes for identifying key stakeholder groups of the entity.

The key stakeholders are identified based on consultative discussions between the functional and business heads along with the directors of the Company.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

| <b>Stakeholder Group</b>                   | <b>Whether identified as Vulnerable &amp; Marginalized Group (Yes/No)</b> | <b>Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisements, Community meetings, Notice board, Website,) other</b>  | <b>Frequency of Engagement (Annually, Half yearly/ Quarterly/ other- Please specify)</b>   | <b>Purpose and scope of engagement including key topics and concerns raised during such engagement</b>  |
|--|---|--|--|---|
| Investors (shareholders) / Analysts        | No  | <ul style="list-style-type: none"> <li>• Press releases and media interactions</li> <li>• Emails, SMS, newspaper publications</li> <li>• AGM / EGM General meetings, meeting notices</li> <li>• Stock exchange filings</li> <li>• Analyst calls</li> <li>• Updates on the Company's website</li> </ul> | <ul style="list-style-type: none"> <li>• Annually through annual report</li> <li>• Quarterly through financial results, analyst call; exchange notifications;</li> <li>• Continuous engagement: Investors page on website</li> </ul> | <ul style="list-style-type: none"> <li>• To explain the financial results and/ or other updates</li> <li>• To answer queries of investors/ analysts on operations of the Company</li> <li>• To understand shareholder expectations</li> </ul>   |
| Employees and Workers (and their families) | No  | <ul style="list-style-type: none"> <li>• Emails</li> <li>• Notice boards</li> <li>• 1:1 meetings, plant meetings, townhalls</li> <li>• Project and operations reviews</li> <li>• Family days</li> <li>• Internal website</li> <li>• Social media webpages</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Event based / Continuous engagement</li> </ul>  | <ul style="list-style-type: none"> <li>• Providing operational and strategic updates</li> <li>• Career management</li> <li>• Learning opportunities</li> <li>• Building a safety culture and inculcating safe work practices among employees</li> <li>• Improving diversity and inclusion; employee engagement</li> </ul> |
| Suppliers (including consultants)          | No  | <ul style="list-style-type: none"> <li>• Individual meetings, conferences</li> <li>• Emails, telephone/ conference calls</li> <li>• Supplier visits</li> </ul>   | <ul style="list-style-type: none"> <li>• Event based / Continuous engagement</li> </ul>  | <ul style="list-style-type: none"> <li>• Alignment on values, strategy and operational priorities</li> <li>• Resolution of operational issues</li> </ul>  |



| Stakeholder Group                             | Whether identified as Vulnerable & Marginalized Group (Yes/No) | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisements, Community meetings, Notice board, Website,) other  | Frequency of Engagement (Annually, Half yearly/ Quarterly/ other- Please specify)   | Purpose and scope of engagement including key topics and concerns raised during such engagement  |
|---|--|---|---|--|
| Customers                                     | No   | <ul style="list-style-type: none"> <li>• Meetings and conferences</li> <li>• Project related discussions, project management reviews</li> <li>• Customer visits</li> <li>• Sponsored events</li> <li>• Mailers; newsletters; brochures</li> <li>• Social media webpages</li> <li>• Surveys</li> </ul>               | <ul style="list-style-type: none"> <li>• Event based / Continuous engagement</li> <li>• Periodic customer satisfaction surveys</li> </ul> | <ul style="list-style-type: none"> <li>• Understanding business challenges</li> <li>• Identifying improvement opportunities for the Company</li> </ul>   |
| Communities (around the Company's facilities) | Yes  | <ul style="list-style-type: none"> <li>• Field visits and meetings</li> <li>• Emails</li> </ul>   | <ul style="list-style-type: none"> <li>• Event based / Continuous engagement</li> </ul>   | <ul style="list-style-type: none"> <li>• Corporate Social Responsibility activities</li> <li>• Grievance redressal</li> <li>• Social need identification for community welfare</li> </ul>  |
| Government bodies (Center, State, Local)      | No   | <ul style="list-style-type: none"> <li>• Request For Information/Request For Proposal/ presentations</li> <li>• Project review meetings</li> <li>• Surveys</li> <li>• Consultative sessions</li> <li>• Field visits</li> <li>• Conferences and seminars</li> <li>• Press releases and media interactions</li> </ul> | <ul style="list-style-type: none"> <li>• Event based / Continuous engagement</li> </ul>   | <ul style="list-style-type: none"> <li>• Understand areas for sustainable development</li> <li>• Communicate the Company's performance and strategy</li> <li>• Share and contribute to thought leadership and insights into public and business concerns</li> <li>• Discuss the Company's response to business/ community issues as a corporate citizen</li> </ul> |

## Leadership Indicators

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

Engagement and consultation with stakeholders on various topics is delegated by the Board and governed as per the operating policies of the Company. Any material feedback from such consultations is provided to the Board on a periodic basis through Board Meetings or Committee Meetings.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes.

Stakeholder engagement covers key material issues driven by strategic objectives through various modes of engagement. For example, circulars/ notifications on emission norms and related product development.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

The Company as part of its corporate responsibility agenda, drives projects to benefit various sections of the community. Schools were upgraded by providing toilets, classrooms, clean drinking water, benches, theme painting, playgrounds, compound walls etc. to uplift the educational infrastructure and provide quality education. Additionally, the Company also actively works towards empowering marginalized girls/women to become leaders in their community, reduce school drop-out rate for girls through funding and installation of feminine hygiene facilities etc.

The Company continued its support for the holistic development of villages with focus on increasing incomes of families by organizing programs by subject matter experts on organic and community farming. Efforts in water shed areas by way of check dams, ponds, desilting, contour trenches, soak pits etc., have ensured the availability of water for drinking and irrigation throughout the year.

## PRINCIPLE 5 Businesses should respect and promote human rights

The Company supports human rights and has a zero-tolerance policy on bonded, child or forced labor. It endeavors to provide equal opportunity to its employees while discouraging discrimination, harassment and retaliation. Online and classroom trainings on relevant topics related to Human Rights are conducted for all employees and workers.

## Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

| Category               | FY 2022-23<br>Current Financial Year |                                       |             | FY 2021-22<br>Previous Financial Year |                                      |             |
|------------------------|--------------------------------------|---------------------------------------|-------------|---------------------------------------|--------------------------------------|-------------|
|                        | Total (A)                            | No. Of employees / worker covered (B) | % (B / A)   | Total (C)                             | No. Of employee / worker covered (D) | % (D / C)   |
|                        | <b>Employees</b>                     |                                       |             |                                       |                                      |             |
| Permanent              | 1,282                                | 1,282                                 | 100%        | 1,238                                 | 1,238                                | 100%        |
| Other than permanent   | 100                                  | 100                                   | 100%        | 87                                    | 87                                   | 100%        |
| <b>Total Employees</b> | <b>1,382</b>                         | <b>1,382</b>                          | <b>100%</b> | <b>1,325</b>                          | <b>1,325</b>                         | <b>100%</b> |
| <b>Workers</b>         |                                      |                                       |             |                                       |                                      |             |
| Permanent              | 1,879                                | 1,879                                 | 100%        | 1,929                                 | 1,929                                | 100%        |
| Other than permanent   | 2,079                                | 2,079                                 | 100%        | 1,394                                 | 1,394                                | 100%        |
| <b>Total Workers</b>   | <b>3,958</b>                         | <b>3,958</b>                          | <b>100%</b> | <b>3,323</b>                          | <b>3,323</b>                         | <b>100%</b> |

2. Details of minimum wages paid to employees and workers, in the following format:

| Category                     | FY 2022-23<br>Current Financial Year |                       |           |                        |           | FY 2021-22<br>Previous Financial Year |                       |           |                        |           |
|------------------------------|--------------------------------------|-----------------------|-----------|------------------------|-----------|---------------------------------------|-----------------------|-----------|------------------------|-----------|
|                              | Total (A)                            | Equal to Minimum Wage |           | More than Minimum Wage |           | Total (D)                             | Equal to Minimum Wage |           | More than Minimum Wage |           |
|                              |                                      | No. (B)               | % (B / A) | No. (C)                | % (C / A) |                                       | No. (E)               | % (E / D) | No. (F)                | % (F / D) |
| <b>Employees</b>             |                                      |                       |           |                        |           |                                       |                       |           |                        |           |
| <b>Permanent</b>             | 1,282                                | 0                     | 0         | 1,282                  | 100%      | 1,238                                 | 0                     | 0         | 1,238                  | 100%      |
| Male                         | 933                                  | 0                     | 0         | 933                    | 100%      | 907                                   | 0                     | 0         | 907                    | 100%      |
| Female                       | 349                                  | 0                     | 0         | 349                    | 100%      | 331                                   | 0                     | 0         | 331                    | 100%      |
| <b>Other than Permanent*</b> | 100                                  | 0                     | 0         | 100                    | 100%      | 87                                    | 0                     | 0         | 87                     | 100%      |
| Male                         | 72                                   | 0                     | 0         | 72                     | 100%      | 74                                    | 0                     | 0         | 74                     | 100%      |
| Female                       | 28                                   | 0                     | 0         | 28                     | 100%      | 13                                    | 0                     | 0         | 13                     | 100%      |
| <b>Workers</b>               |                                      |                       |           |                        |           |                                       |                       |           |                        |           |
| <b>Permanent</b>             | 1,879                                | 0                     | 0         | 1,879                  | 100%      | 1,929                                 | 0                     | 0         | 1,929                  | 100%      |
| Male                         | 1,554                                | 0                     | 0         | 1,554                  | 100%      | 1,588                                 | 0                     | 0         | 1,588                  | 100%      |
| Female                       | 325                                  | 0                     | 0         | 325                    | 100%      | 341                                   | 0                     | 0         | 341                    | 100%      |
| <b>Other than Permanent*</b> | 2,079                                | 1,725                 | 83%       | 354                    | 17%       | 1,394                                 | 1,263                 | 91%       | 131                    | 9%        |
| Male                         | 1,910                                | 1,586                 | 83%       | 324                    | 17%       | 1,288                                 | 1,169                 | 91%       | 119                    | 9%        |
| Female                       | 169                                  | 139                   | 82%       | 30                     | 18%       | 106                                   | 94                    | 89%       | 12                     | 11%       |

## 3. Details of remuneration/salary/wages, in the following format:

|                                  | Male   |   | Female |   |
|----------------------------------|--------|---|--------|---|
|                                  | Number | Median remuneration/ salary/ wages of respective category | Number | Median remuneration/ salary/ wages of respective category |
| Board of Directors (BoD)         | 6      | 2,375,000   | 4      | 629,839 <sup>#</sup>                                      |
| Key Managerial Personnel         | 2      | 33,670,953  | 1      | 3,189,560   |
| Employees other than BoD and KMP | 931    | 2,754,446   | 348    | 2,095,745   |
| Workers                          | 1,554  | 785,835   | 325    | 567,076   |

# The median remuneration of BoD is not an annualised amount.

**Notes:**

- The remuneration of Non-Executive Directors is Nil.
  - Remuneration details of BoD and KMPs are published as part of **Annexure 10** of Directors Report.
4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? **(Yes/No)**

Yes.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

Any grievance related to human rights can be filed through a formal grievance redressal mechanism.

At the Company, employees have several options to report ethics or human rights related issues. Besides being able to reach out to direct managers or HR, employees have the option to anonymously report issues through four separate channels:

- Regularly monitored voice mail box
- Online at [ethics.cummins.com](https://ethics.cummins.com)
- Toll-free number
- QR Code

6. Number of Complaints on the following made by employees and workers:

|                                   | FY 2022-23             |                                       |         | FY 2021-22              |                                       |         |
|-----------------------------------|------------------------|---------------------------------------|---------|-------------------------|---------------------------------------|---------|
|                                   | Current Financial Year |                                       |         | Previous Financial Year |                                       |         |
|                                   | Filed during the year  | Pending resolution at the end of year | Remarks | Filed during the year   | Pending resolution at the end of year | Remarks |
| Sexual Harassment                 | 1                      | -                                     |         | -                       | -                                     |         |
| Discrimination at workplace       | -                      | -                                     |         | 1                       | -                                     |         |
| Child Labour                      | -                      | -                                     |         | -                       | -                                     |         |
| Forced Labour/ Involuntary Labour | -                      | -                                     |         | -                       | -                                     |         |
| Wages                             | -                      | -                                     |         | -                       | -                                     |         |
| Other Human rights related issues | -                      | -                                     |         | -                       | -                                     |         |

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

The Company has a non-retaliation policy which prohibits all forms of retaliation against employees who raise concerns or who report violations of the Code of Business Conduct, Company policies including Treatment of Each Other at Work or the law.

8. Do human rights requirements form part of your business agreements and contracts? **Yes / No**

Yes.

9. Assessments for the year:

|                             | % of your plants and offices that were assessed (by entity or statutory authorities or third parties) |
|-----------------------------|---|
| Child labour                | 100%  |
| Forced/involuntary labour   | 100%  |
| Sexual harassment           | 100%  |
| Discrimination at workplace | 100%  |
| Wages                       | 100%  |
| Others – please specify     | Nil   |

The Company internally monitors compliance for all applicable laws and policies pertaining to Human Rights issues.

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

No significant risks/concerns were identified through the assessments.

### Leadership Indicator

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.

No significant concerns have been identified which necessitated introduction of new processes / modification of existing processes during FY 2022-23.

2. Details of the scope and coverage of any Human rights due-diligence conducted.

No separate human rights due-diligence was conducted besides the internal assessments during FY 2022-23.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Yes.

The Company continues to take steps including modernisation of its older facilities to improve accessibility to its facilities for differently abled visitors.

4. Details on assessment of value chain partners:

|                                  | <b>% of value chain partners (by value of business done with such partners) that were assessed</b> |
|----------------------------------|--|
| Sexual Harassment                | Nil  |
| Discrimination at workplace      | Nil  |
| Child Labour                     | Sourcing- 58% of domestic direct Spend   |
| Forced Labour/Involuntary Labour | Sourcing- 58% of domestic direct Spend   |
| Wages                            | Nil  |
| Others – please specify          | None   |

These assessments are conducted to cover 100% of suppliers over a period of three years.

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

No significant risks/concerns were identified for those areas which were assessed during the year through various assessments.

## **PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment**

### **Essential Indicators**

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

| <b>Parameter</b>  | <b>FY 2022-23<br/>(Current Financial Year)</b> | <b>FY 2021-22<br/>(Previous Financial Year)</b> |
|---|--|---|
| Total electricity consumption (A) GJ  | 92,467   | 79,805  |
| Total fuel consumption (B) GJ   | 47,217   | 40,269  |
| Energy consumption through other sources ©  | 2,821  | 2,768   |
| <b>Total energy consumption (A+B+C)</b>   | <b>142,504</b>                                 | <b>122,841</b>                                  |
| Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) | 0.0000019                                      | 0.0000020                                       |

| Parameter  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|--|---|
| Energy intensity ( <i>optional</i> ) – the relevant metric may be selected by the entity |  |   |
| a. Intensity per manhours worked   | 0.01                                   | 0.01                                    |
| b. Intensity per Facility Size MMBTU / [sq. ft]  | 0.47                                   | 0.40                                    |
| c. Intensity MMBTU per Head count  | 28.7                                   | 26.9                                    |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

The PAT scheme of the Government of India is not applicable to the Company.

3. Provide details of the following disclosures related to water, in the following format:

| Parameter  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|--|---|
| <b>Water withdrawal by source (in kilolitres)</b>  |  |   |
| (i) Surface water  | 0                                      | 0                                       |
| (ii) Groundwater   | 82,851                                 | 66,144                                  |
| (iii) Third party water  | 58,757                                 | 43,451                                  |
| (iv) Seawater / desalinated water  | 0                                      | 0                                       |
| (v) Others   | 4,031                                  | 3,446                                   |
| <b>Total volume of water withdrawal (in kilolitres)<br/>(i + ii + iii + iv + v)</b>          | 145,639                                | 113,041                                 |
| <b>Total volume of water consumption (in kilolitres)</b>                                     | 145,639                                | 113,041                                 |
| <b>Water intensity per rupee of turnover (Water consumed / turnover)</b>                     | 0.0000019                              | 0.0000019                               |
| <b>Water intensity (<i>optional</i>) – the relevant metric may be selected by the entity</b> |  |   |
| a. Intensity KL per manhours worked  | 0.01                                   | 0.01                                    |
| b. Intensity KL per Facility Size  | 0.48                                   | 0.37                                    |
| C. Intensity KL per Head count   | 29.34                                  | 24.79                                   |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes.

The company has installed wastewater treatment systems across all its eligible facilities resulting in Zero Liquid Discharge. All sewage generated in the Company's facilities is treated in the in-house sewage treatment plants and the recycled water is used for garden irrigation, Heating Ventilation and Air Conditioning (HVAC) and toilet flushing purposes etc.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

| Parameter                           | Please specify unit | FY 2022-23<br>(Current Financial Year) | FY-2021-22<br>(Previous Financial Year) |
|-------------------------------------|---------------------|--|---|
| NOx                                 | Kg                  | 89,756                                 | 76,580                                  |
| Sox                                 | Kg                  | 2,062                                  | 1,759                                   |
| Particulate matter (PM)             | Kg                  | 6,300                                  | 5,374                                   |
| Persistent organic pollutants (POP) | NA                  | NA                                     | NA                                      |
| Volatile organic compounds (VOC)    | Kg                  | 12,746                                 | 11,058                                  |
| Hazardous air pollutants (HAP)      | NA                  | NA                                     | NA                                      |
| Others – please Specify             | NA                  | NA                                     | NA                                      |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & it's intensity, in the following format:

| Parameter  | Unit  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|---|--|---|
| <b>Total Scope 1 emissions</b> (Break-up of the GHG into CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, <b>SF<sub>6</sub></b> , <b>NF<sub>3</sub></b> , if available) | Metric tonnes of CO <sub>2</sub> Equivalent | 4,945                                  | 4,586                                   |
| <b>Total Scope 2 emissions</b> (Break-up of the GHG into CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, <b>SF<sub>6</sub></b> , <b>NF<sub>3</sub></b> , if available) | Metric tonnes of CO <sub>2</sub> Equivalent | 14,118                                 | 13,681                                  |
| Total  |   | 19,063                                 | 18,267                                  |
| <b>Total Scope 1 and Scope 2 emissions per rupee of turnover</b>   |   | 0.00000025                             | 0.00000030                              |
| <b>Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity</b>   |   |  |   |
| a. Intensity per manhours worked   |   | 0.0016                                 | 0.0018                                  |
| b. Intensity per Facility Size   |   | 0.0625                                 | 0.0599                                  |
| C. Intensity per Head count  |   | 3.84                                   | 4.01                                    |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency –

No.



7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Yes.

Green House Gas reduction initiatives undertaken by the Company include:

- Develop energy monitoring and dashboard strategy
- Replacement of legacy manufacturing equipment with energy efficient equipment
- Use solar power for respective sites' power requirement

The key initiatives include energy efficient Heating Ventilation and Air Conditioning (HVAC) and lighting, waste reduction/ recycling/reuse and water consumption reduction. The Company creates awareness amongst its employees to identify projects related to reducing Green House Gas emission.

8. Provide details related to waste management by the entity, in the following format:

| Parameter  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|--|---|
| <b>Total Waste generated (in metric tonnes)</b>  |  |   |
| Plastic waste (A)  | 128                                    | 108                                     |
| E-waste (B)  | 4.18                                   | 1.4                                     |
| Bio-medical waste (C)  | 0.03                                   | 0.03                                    |
| Construction and demolition waste (D)  | 0                                      | 0                                       |
| Battery waste (E)  | 0.08                                   | 5.08                                    |
| Radioactive waste (F)  | 0                                      | 0                                       |
| Other Hazardous waste. Please specify, if any. (G)<br>(waste oil, Solvent, Paint sludge etc.)  | 403                                    | 281                                     |
| Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector) (metal )   | 4,368                                  | 3,901                                   |
| <b>Total (A+B + C + D + E + F + G+ H)</b>  | <b>4,904</b>                           | <b>4,297</b>                            |
| <b>For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)</b> |  |   |
| <b>Category of waste</b>   |  |   |
| (i) Recycled   | 4,902                                  | 4,270                                   |
| (ii) Re-used   | 0                                      | 0                                       |
| (iii) Other recovery operations  | 2                                      | 12                                      |
| <b>Total</b>   | <b>4,904</b>                           | <b>4,282</b>                            |
| <b>For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)</b>                              |  |   |
| <b>Category of waste</b>   |  |   |
| (i) Incineration   | 0                                      | 14.85                                   |
| (ii) Landfilling   | 0                                      | 0                                       |
| (iii) Other disposal operations  | 0                                      | 0                                       |
| <b>Total</b>   | <b>0</b>                               | <b>14.85</b>                            |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

The Company follows the principles of the waste management hierarchy of reduce, reuse, recycle and recovery. For reducing the Company's waste, it emphasizes having a cross-functional approach through manufacturing process redesign, improved waste segregation, increased employee engagement and proactive supplier partnerships. The Company also continues to make capital investments in equipment that facilitate waste reduction and increases its ability to recycle. Also, product substitutions have had a significant impact on the company's reduction of hazardous waste generation.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

| S. No.  | Location of operations/offices | Type of operations | Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any. |
|---|--------------------------------|--------------------|---|
| The Company has no facilities in ecologically sensitive areas |                                |                    |   |

11. Details of environmental impact assessments (EIA) of projects undertaken by the entity based on applicable laws, in the current financial year:

| Name and brief details of project                   | EIA Notification No. | Date | Whether conducted by independent external agency (Yes / No) | Results communicated in public domain (Yes / No) | Relevant Web link |
|---|----------------------|------|---|--|-------------------|
| No EIA required for any of the Company's facilities |                      |      |   |  |                   |

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

Yes.

| S. No. | Specify the law / regulation/ guidelines which was not complied with | Provide details of the non-compliance | Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts | Corrective action taken, if any |
|--------|--|---------------------------------------|---|---------------------------------|
| -      |  |                                       |   |                                 |

## Leadership Indicator

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

| Parameter   | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|---|--|---|
| <b>From renewable sources</b>                                   |  |   |
| Total electricity consumption (A) in GJ                         | 19,105                                 | 11,193                                  |
| Total fuel consumption (B)                                      | -                                      | -                                       |
| Energy consumption through other sources (C)                    | -                                      | -                                       |
| <b>Total energy consumed from renewable sources (A+B+C)</b>     | 19,105                                 | 11,193                                  |
| <b>From non-renewable sources</b>                               |  |   |
| Total electricity consumption (D) GJ                            | 73,361                                 | 68,611                                  |
| Total fuel consumption (E) GJ                                   | 47,217                                 | 40,269                                  |
| Energy consumption through other sources (F) GJ                 | 2,821                                  | 2,768                                   |
| <b>Total energy consumed from non-renewable sources (D+E+F)</b> | 123,399                                | 111,648                                 |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

2. Provide the following details related to water discharged:

The company has installed highly efficient wastewater treatment systems across all its eligible facilities resulting in zero wastewater discharge.

| Parameter  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|--|---|
| <b>Water discharge by destination and level of treatment (in kilolitres)</b> |  |   |
| (i) To Surface water   | -                                      | -                                       |
| - No treatment   | -                                      | -                                       |
| - With treatment – please specify level of Treatment                         | -                                      | -                                       |
| (ii) To Groundwater  | -                                      | -                                       |
| - No treatment   | -                                      | -                                       |
| - With treatment – please specify level of Treatment                         | -                                      | -                                       |
| (iii) To Seawater  |  |   |
| - No treatment   | -                                      | -                                       |
| - With treatment – please specify level of Treatment                         | -                                      | -                                       |
| (iv) Sent to third-parties   | -                                      | -                                       |
| - No treatment   | -                                      | -                                       |
| - With treatment – please specify level of treatment                         | -                                      | -                                       |
| (v) Others   | -                                      | -                                       |
| - No treatment   | -                                      | -                                       |
| - With treatment – please specify level of treatment                         | -                                      | -                                       |
| <b>Total water discharged (in kilolitres)</b>                                | -                                      | -                                       |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

3. Water withdrawal, consumption and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

- (i) Name of the area
- (ii) Nature of operations
- (iii) Water withdrawal, consumption and discharge in the following format:

The Company does not have any of its facilities located in areas of water stress.

| Parameter  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|--|--|---|
| <b>Water withdrawal by source (in kilolitres)</b>                              |  |   |
| (i) Surface water  | Not Applicable                         |   |
| (ii) Groundwater   |  |   |
| (iii) Third party water  |  |   |
| (iv) Seawater / desalinated water  |  |   |
| (v) Others   |  |   |
| Total volume of water withdrawal (in kilolitres)                               |  |   |
| Total volume of water consumption (in kilolitres)                              |  |   |
| Water intensity per rupee of turnover (Water consumed / turnover)              |  |   |
| Water intensity (optional) – the relevant metric may be selected by the Entity |  |   |
| <b>Water discharge by destination and level of treatment (in kilolitres)</b>   |  |   |
| (i) Into Surface water   | Not Applicable                         |   |
| - No treatment   |  |   |
| - With treatment – please specify level of treatment                           |  |   |
| (ii) Into Groundwater  |  |   |
| - No treatment   |  |   |
| - With treatment – please specify level of treatment                           |  |   |
| (iii) Into Seawater  |  |   |
| - No treatment   |  |   |
| - With treatment – please specify level of treatment                           |  |   |
| (iv) Sent to third-parties   |  |   |
| - No treatment   |  |   |
| - With treatment – please specify level of treatment                           |  |   |
| (v) Others   |  |   |
| - No treatment   |  |   |
| - With treatment – please specify level of treatment                           |  |   |
| <b>Total water discharged (in kilolitres)</b>                                  |  |   |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company does not have any of its facilities located in areas of water stress and hence independent assessments are not carried out.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

| Parameter   | Unit  | FY 2022-23<br>(Current Financial Year) | FY 2021-22<br>(Previous Financial Year) |
|---|---|--|---|
| <b>Total Scope 3 emissions</b><br>(Break-up of the GHG into CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , if available) | Metric tonnes of CO <sub>2</sub> Equivalent |  |   |
| <b>Total Scope 3 emissions per rupee of turnover</b>  |   |  | Not Applicable                          |
| <b>Total Scope 3 emission intensity</b> (optional) – the relevant metric may be selected by the entity  |   |  |   |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct and indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

The Company has no facilities in ecologically sensitive areas.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

| Sr. No | Initiative undertaken   | Details of the initiative (Web-link, if any, may be provided along-with summary) | Outcome of the initiative |
|--------|---|--|---------------------------|
|        | The company continues to take initiatives to create products with better fuel efficiency etc. | -  | -                         |

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

Yes. The Company has a holistic business governance structure and Business Continuity Management (BCM) derived basis global standards of business resilience and ISO 22301:2012 Societal Security - Business Continuity Management Systems. BCM is focused on continually improving the resilience of the Company ensuring seamless continuity of business. BCM identifies potential risks to the Company as well as the impacts to business operations. This provides a framework for building organizational resilience with the capability to provide effective response and recovery plans which safeguard the interests of the Company, its stakeholders, reputation, brand and value-creating activities. The Company continuously works on embedding business resilience in the Company's practices and increasing site preparedness to establish efficacy of responses and achieve effective recovery.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?

Not Available

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

Not Available

**PRINCIPLE 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent**

**Essential Indicators**

1. A. Number of affiliations with trade and industry chambers/ associations.

The Company is a member of 5 trade and industry chamber/ associations.

- B. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

| S. No. | Name of the trade and industry chambers/ associations            | Reach of trade and industry chambers/ associations (State/National) |
|--------|--|---|
| 1      | Confederation of Indian Industry (CII)                           | National  |
| 2      | Society of Indian Automobile Manufacturers (SIAM)                | National  |
| 3      | US-India Strategic Partnership Forum (USISPF)                    | National  |
| 4      | Automotive Research Association of India (ARAI)                  | National  |
| 5      | Maratha Chambers of Commerce, Industries and Agriculture (MCCIA) | National  |

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities.

| Name of Authority                                  | Brief of the case | Corrective action taken |
|--|-------------------|-------------------------|
| No adverse order has been received by the Company. |                   |                         |

**Leadership Indicators**

1. Details of public policy positions advocated by the entity:

| S. No | Public Policy Advocated | Method Resorted for such advocacy | Whether information available in public domain | Frequency of review by Board (Annually/ Half yearly/Quarterly/ others please specify) | Web link, if available |
|-------|-------------------------|-----------------------------------|--|---|------------------------|
|       |                         |                                   | -  |   |                        |

**PRINCIPLE 8 Businesses should promote inclusive growth and equitable development****Essential Indicators**

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

The Company has not acquired any land during the year that requires Social Impact Assessment under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 and its subsequent amendments..

| <b>Name and brief details of project</b> | <b>SIA notification no.</b> | <b>Date of notification</b> | <b>Whether conducted by independent external agency (yes/no)</b> | <b>Results communicated in public domain (yes/no)</b> | <b>Relevant web link</b> |
|--|-----------------------------|-----------------------------|--|---|--------------------------|
| Not applicable                           |                             |                             |  |   |                          |

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

| <b>S. No.</b>  | <b>Name of Project for which R &amp; R is ongoing</b> | <b>State</b> | <b>District</b> | <b>No. of Project Affected Families (PAFs)</b> | <b>% of PAFs covered by R &amp; R</b> | <b>Amounts paid to PAFs in the FY (In INR)</b> |
|----------------|---|--------------|-----------------|--|---------------------------------------|--|
| Not applicable |   |              |                 |  |                                       |  |

3. Describe the mechanisms to receive and redress grievances of the community.

At each of the Company's facilities, community members can reach out to designated persons to register their grievances or submit their grievances on a designated email id.

Corporate Social Responsibility (CSR) team (through Cummins India Foundation - implementing agency) and its NGO partners work together on various community projects and act as the focal point for the community to submit and redress grievances related to such projects. Key concerns, if any, are reviewed with the CSR Committee and the Board and guidance/ feedback provided by them is actioned.

The Company also has an ethics helpline providing a reporting platform for internal and external stakeholders including communities where issues related to ethics and compliance, or any other kind can be reported anonymously.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

|  | <b>FY 2022-23<br/>Current Financial Year</b> | <b>FY 2021-22<br/>Previous Financial Year</b> |
|--|--|---|
| Directly sourced from MSMEs/ small producers                         | 26%  | 24%   |
| Sourced directly from within the district and neighbouring districts | 37%  | 43%   |

## Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

| Details of negative social impact identified | Corrective action taken |
|--|-------------------------|
| -  | -                       |

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

| S. No | State | Aspirational District | Amount spent (in INR) |
|-------|-------|-----------------------|-----------------------|
| NIL   |       |                       |                       |

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No)

No.

The Company is impartial in its supplier selection and procurement processes.

- (b) From which marginalized /vulnerable groups do you procure?

The Company is impartial in its supplier selection and procurement processes.

- (c) What percentage of total procurement (by value) does it constitute?

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

| S. No | Intellectual Property based on traditional knowledge | Owned / Acquired (Yes/No) | Benefit shared (Yes/No) | Basis of calculating benefit share |
|-------|--|---------------------------|-------------------------|------------------------------------|
| -     |  |                           |                         |                                    |

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved:

| Name of Authority   | Brief of the case | Corrective action taken |
|---|-------------------|-------------------------|
| No adverse orders received by the Company during the year |                   |                         |

6. Details of beneficiaries of CSR Projects:

The Company carries out its CSR activities through Cummins India Foundation. The Company focuses on three priority areas: Higher Education, Energy and Environment and Equality of Opportunity while also undertaking other strategic projects. Following table depicts the proportion of beneficiaries from various CSR projects and belonging to the vulnerable and marginalized groups.



| S. no    | CSR Project   | No. of persons benefitted from CSR Projects. | % of beneficiaries from vulnerable and marginalized groups |
|----------|---|--|--|
| <b>A</b> | <b>Higher Education</b>   |  |  |
| 1        | Nurturing Brilliance  | 321  | 67%  |
| 2        | Technical Education for Communities   | 254  | 11%  |
| 3        | Cummins College of Engineering for Women  | 1,691  | 100%   |
| <b>B</b> | <b>Energy and Environment</b>   |  |  |
| 1        | Monsoon Resilient Maharashtra   | 7,646  | 88%  |
| 2        | Water Neutrality Projects   | 3,200  | 16%  |
| 3        | Solid Waste Management  | 167,673                                      | 2%   |
| 4        | Cleaner Air Better Life   | 11,230                                       | 0%   |
| <b>C</b> | <b>Equality of Opportunity</b>  |  |  |
| 1        | Cummins Model village program under Rural Development - 26 Villages across Cummins locations in India | 25,945                                       | 90%  |
| 2        | Cummins Support to NGOs under Local Community Care  | 474  | 83%  |
| 3        | Phaltan Model Town  | 28,085                                       | 51%  |
| 4        | Cummins Powers Women  | 16,150                                       | 100%   |

## PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner

### Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The Company has multiple mechanisms for customers to raise complaints or provide feedback, which include a Customer Relationship Management mobile application, 24x7 toll free number, emails, and periodic meetings with customers. Issues are resolved systematically with the objective of ensuring customer satisfaction. Customers can also provide real-time feedback on the quality of resolution.

Meetings between dealers, sales and service heads and regular touchpoints with Generator Original Equipment Manufacturer (GOEM) teams are conducted to assess concerns on a monthly basis, where customer complaints are discussed and plan of action is prepared for resolution of such complaints.

Net Promoter Survey (NPS) is a metric used in customer experience programs. Surveys are conducted randomly with the end user customer (engine or equipment owners) and actions are undertaken to improve customer satisfaction.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about

|   | As a percentage to total turnover   |
|---|---|
| Environmental and social parameters relevant to the product | 100%. The manuals accompanying the products include necessary disclosures like safety guidelines, warnings while operating the engine/ generator, emission certification, etc. It includes the process for recycling/ disassembly and the need to comply with all applicable regulatory requirements. |
| Safe and responsible usage                                  |   |
| Recycling and / or safe disposal                            |   |

3. Number of consumer complaints in respect of the following:

|                                       | FY2022-23<br>(Current Financial Year) |                                       | Remarks    | FY 2021-22<br>(Previous Financial Year) |                                       | Remarks    |
|---------------------------------------|---------------------------------------|---------------------------------------|------------|---|---------------------------------------|------------|
|                                       | Received during the year              | Pending resolution at the end of year |            | Received during the year                | Pending resolution at end of the year |            |
| Data Privacy                          | -                                     | -                                     | Not        | -                                       | -                                     | Not        |
| Advertising                           | -                                     | -                                     | Applicable | -                                       | -                                     | Applicable |
| Cyber- Security                       | -                                     | -                                     |            | -                                       | -                                     |            |
| Delivery Of Essential Services        | -                                     | -                                     |            | -                                       | -                                     |            |
| Restrictive Trade Practices           | -                                     | -                                     |            | -                                       | -                                     |            |
| Unfair Trade Practices                | -                                     | -                                     |            | -                                       | -                                     |            |
| Others – Product & service complaints | 1,610                                 | 133                                   |            | 1,353                                   | 157                                   |            |

4. Details of instances of product recalls on account of safety issues:

|                   | Number | Reason for recall               |
|-------------------|--------|---------------------------------|
| Voluntary recalls | -      | No instances of product recall. |
| Forced recalls    | -      |                                 |

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/ No) If available, provide a web-link of the policy.

Yes.

The Policies related to cyber security and data privacy is available to the internal stakeholders on the intranet.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

The Company has not identified any incidents leading to regulatory issues / penalties from a cyber security and data privacy of customers during the year.

## Leadership Indicators

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

The information related to the products sold and services rendered by the Company are available on the Company website at - <https://www.cummins.com/en/in/company/cummins-in-india>

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

All requisite information and/ or instructions on safe and responsible usage of products and/or services are contained in Operations & Maintenance manual. In addition, trainings/ sessions are conducted periodically for customers for educating them on the safe usage of products.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

The Company has not been classified as an essential service provider under the Essential Services Act.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)



No. The Company does not display product information on the product over and above what is mandated as per local laws.

Yes. The Company conducts periodic customer satisfaction surveys for major products and services.

5. Provide the following information relating to data breaches:

- a. Number of instances of data breaches along-with impact
- b. Percentage of data breaches involving personally identifiable information of customers

There were no incidents of data breach for the Company during FY 2022-23.



**STANDALONE  
FINANCIAL STATEMENTS  
ALONG WITH AUDIT REPORT  
FOR FY 2022-23**

# Independent Auditor's Report

## To the Members of Cummins India Limited Report on the Audit of the Standalone Financial Statements

### Opinion

1. We have audited the accompanying standalone financial statements of Cummins India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("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, 2023, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key audit matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

##### Assessment of warranty provision

(Refer to Note 39 (i) to the standalone financial statements)

The Company provides warranty on sale of engines to customers and recognizes provision in respect of the costs expected to fulfil the warranty obligation over the period/term of the warranty.

#### How our audit addressed the key audit matter

We have performed following procedures:

- Understood, evaluated, and tested the design and operating effectiveness of the controls over estimation of warranty costs and related accruals.

### Key audit matter

In accordance with the requirements of Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets, the provision towards warranty obligation is estimated by the Company, primarily considering factors such as historical trend, average historical failure rate, estimation of expected pattern of future claims and estimated replacement cost. In the case of voluntary extended warranty services offered pursuant to campaigns, management's experts are involved in the estimation of the failure rate during the period of campaign.

The estimation of warranty costs involves significant management judgements and estimates as described above, and the amount is significant to the financial statements. Accordingly, this has been considered as key audit matter.

### How our audit addressed the key audit matter

- Obtained an understanding of the warranty terms offered by the Company on sale of products.
- Assessed management's estimation process by performing a historical trend analysis for warranty cost accruals made in prior years.
- Evaluated the method used by management in making the accounting estimates by verifying source data for various input factors such as historical trend, average historical failure rate, estimation of expected pattern of future claims and estimated replacement cost and enquiring with management's experts.
- Verified the computation of provision for warranty costs including testing of completeness, arithmetical accuracy and validity of the data used in the warranty calculations.
- Verified the computation for determining the present value in the case of warranty for periods exceeding one year.
- Verified the adequacy of the disclosures in the financial statements.

Based on the above audit procedures performed, we did not find any material exceptions with regard to the management assessment of provision for warranty costs and the related disclosures thereof.

### Other Information

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

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the Standalone Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the Standalone Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
9. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
  12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

13. As required by the Companies (Auditor's Report) Order, 2020 ("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 B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
14. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on March 31, 2023, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.
- (g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 36 to the standalone financial statements.
  - ii. The Company was not required to recognise a provision as at March 31, 2023 under the applicable law or accounting standards, as it does not have any material foreseeable losses on long-term contract. The Company did not have any derivative contracts as at March 31, 2023.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year.
  - iv. (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - (b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
  - (c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v. The dividend declared and paid during the year by the Company is in compliance with Section 123 of the Act.

15. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for the feature of recording of audit trail (edit log) facility in the accounting software used by the Company for maintenance of books of account and related matters, is applicable for the Company only with effect from financial year beginning April 1, 2023, the reporting under clause (g) of Rule 11 is currently not applicable.
16. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

UDIN: 23048125BGWQTY2657

Hong Kong

May 24, 2023

## Annexure A to Independent Auditor's Report

Referred to in paragraph 14 (f) of the Independent Auditor's Report of even date to the members of Cummins India Limited on the standalone financial statements for the year ended March 31, 2023

### Report on the Internal Financial Controls with reference to Standalone Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to standalone financial statements of Cummins India Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditor's Responsibility

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

## Meaning of Internal Financial Controls with reference to Standalone Financial Statements

6. A company's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to standalone 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 standalone 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 standalone financial statements.

## Inherent Limitations of Internal Financial Controls with reference to Standalone Financial Statements

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

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

## For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/E-300009

## Jeetendra Mirchandani

Partner

Membership Number: 48125

UDIN: 23048125BGWQTY2657

Hong Kong

May 24, 2023

## Annexure B to Independent Auditors' Report

**Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Cummins India Limited on the standalone financial statements as of and for the year ended March 31, 2023**

- i. (a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of Property, Plant and Equipment.  
  
(B) The Company is maintaining proper records showing full particulars of Intangible Assets.
- (b) The Property, Plant and Equipment are physically verified by the Management according to a phased programme designed to cover all the items over a period of 2 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, no physical verification was carried out by the Management during the year. Accordingly, the discrepancies, if any, could not be ascertained and therefore, we are unable to comment on whether the discrepancies, if any, have been properly dealt with in the books of account.
- (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), as disclosed in Notes 2.1 to 3 to the standalone financial statements, are held in the name of the Company.
- (d) The Company has chosen cost model for its Property, Plant and Equipment (including Right of Use assets) and intangible assets. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment (including Right of Use assets) or intangible assets does not arise.
- (e) Based on the information and explanations furnished to us, no proceedings have been initiated on or are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its standalone financial statements does not arise.
- ii. (a) The physical verification of inventory excluding stocks with third parties has been conducted at reasonable intervals by the Management during the year and, in our opinion, the coverage and procedure of such verification by Management is appropriate. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not 10% or more in aggregate for each class of inventory.
- (b) During the year, the Company has been sanctioned working capital limits in excess of Rs. 5 crores, in aggregate, from banks on the basis of security of current assets. The Company has filed quarterly returns or statements with such banks, which are in agreement with the unaudited books of account.
- iii. (a) The Company has made investments in thirteen mutual fund schemes. (Also refer Note 9 to the standalone financial statements).

- (b) In respect of the aforesaid investments, the terms and conditions under which such investments were made are not prejudicial to the Company's interest.
  - (c) The Company has not granted secured/ unsecured loans/ advances in nature of loans. Therefore, the reporting under clause 3(iii)(c) of the Order are not applicable to the Company.
  - (d) The Company has not granted secured/ unsecured loans/ advances in nature of loans. Therefore, the reporting under clause 3(iii)(d) of the Order are not applicable to the Company.
  - (e) There were no loans/ advances in nature of loans which fell due during the year and were renewed/extended. Further, no fresh loans were granted to same parties to settle the existing overdue loans/advances in nature of loan.
  - (f) There were no loans/advances in nature of loans which were granted during the year, including to promoters/related parties.
- iv. The Company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under Sections 185 and 186. Therefore, the reporting under clause 3(iv) of the Order are not applicable to the Company.
  - v. The Company has not accepted any deposits or amounts which are deemed to be deposits referred in Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Further, the provisions of sub-section (1) of Section 73 are not applicable to the Company as it is a non-banking financial company registered with RBI, engaged in the business of giving loans.
  - vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
  - vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including goods and services tax, provident fund, employees' state insurance, profession tax, labour welfare fund, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, and other material statutory dues, as applicable, with the appropriate authorities. Also, refer note 36 to the standalone financial statements regarding management's assessment on certain matters relating to provident fund.
  - (b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues of provident fund, employees' state insurance, professional tax, labour welfare fund which have not been deposited on account of any dispute. The particulars of other statutory dues referred to in sub-clause (a) as at balance sheet date which have not been deposited on account of a dispute, are as follows:

| Name of the Statute   | Nature of dues   | Amount (Rs. in Cr) #                           | Period to which the amount relates | Forum where the dispute is pending            |
|---|--|--|------------------------------------|---|
| Income Tax Act, 1961  | Demand on account of corporate tax disallowances   | 6.81   | 2006-07                            | High Court                                    |
| Income Tax Act, 1961  | Demand on account of transfer pricing adjustments  | 10.29  | 2015-16                            | High Court                                    |
| Income Tax Act, 1961  | Demand on account of transfer pricing adjustments  | 4.27   | 2016-17                            | High Court                                    |
| Income Tax Act, 1961  | Demand on account of transfer pricing adjustments and corporate tax disallowances  | 4.14   | 2017-18                            | High Court                                    |
| Income Tax Act, 1961  | Demand on account of transfer pricing adjustments and corporate tax disallowances  | 151.84   | 2018-19                            | ITAT  |
| 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   | 1.83   | 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 | 5.02   | 2006-07 to 2008-09                 | Maharashtra Sales Tax Tribunal, Pune          |
| 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 | (Net of amount paid under protest of Rs. 0.50) |                                    |   |
| The West Bengal VAT Act, 2003   | Levy of VAT under certain transactions.  | 0.05   | 2005-06                            | Joint Commissioner (Appeals) at Asansol.      |
| Jharkhand Value Added Tax Act, 2005   | Demand on account of sales suppression and difference between road permit value and actual stock transfer value  | 0.11   | 2010-11                            | Joint Commissioner (Appeals) at Ranchi        |
| The Madhya Pradesh VAT Act, 2002  | Demand on account of disallowances   | 2.21   | 2015-16                            | Assistant Commercial Tax Officer at Singrauli |

| Name of the Statute   | Nature of dues   | Amount (Rs. in Cr) #                           | Period to which the amount relates | Forum where the dispute is pending                |
|---|--|--|------------------------------------|---|
| The Central Sales Tax Act, 1956   | Demand on account of disallowances   | 0.13   | 2015-16                            | Assistant Commercial Tax Officer at Singrauli     |
| The Entry Tax Act, 1976   | Demand on account of disallowances   | 0.35   | 2015-16                            | Assistant Commercial Tax Officer at Singrauli     |
| Tamil Nadu Value Added Tax Act, 2006  | Disallowance of input tax credit on clearance to SEZ unit  | Nil  | 2009-10 to 2014-15                 | Sales Tax Appellate Tribunal, Chennai             |
| Tamil Nadu Value Added Tax Act, 2006  | Disallowance of input tax credit on clearance to SEZ unit  | (Net of amount paid under protest of Rs. 1.60) |                                    |   |
| The Central Sales Tax Act, 1956/<br>Bombay Sales Tax Act, 1959 (B.S.T.)/<br>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 | 4.35   | 2017-18                            | Joint Commissioner of Sales Tax, Appeal - 1, Pune |
| The Central Sales Tax Act, 1956/<br>Bombay Sales Tax Act, 1959 (B.S.T.)/<br>Maharashtra Value Added Tax Act, 2002 | Disallowances of sales tax declaration forms, disallowances of set off and interest thereon, taxation of sales turnover under B.S.T. Act, disallowance of claim of VAT set-off and inter-state sale u/s 3(a) of C.S.T. Act, 1956 | Nil  | 2004-05                            | Joint Commissioner of Sales Tax, Appeal - 1, Pune |
| The Central Sales Tax Act, 1956/<br>Bombay Sales Tax Act, 1959 (B.S.T.)/<br>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 | (Net of amount paid under protest of Rs. 0.50) |                                    |   |
| Finance Act, 1994   | Disallowance of CENVAT credit on input services  | 2.00   | FY 2010-11 to FY 2015-16           | CESTAT  |
| Finance Act, 1994   | Demand for short / non-payment of Service Tax (Demand for service tax on sales commission)   | 1.28   | FY 2014-15                         | CESTAT  |
| Customs Act, 1962   | Rejection of duty drawback claim.  | 12.96  | FY 2005-06 to FY 2009-10           | Commissioner Appeals                              |

# Excluding interest and penalty



- viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.
- ix. (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.
- (c) According to the records of the Company examined by us and the information and explanations given to us, the Company has not obtained any term loans.
- (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiary, associate or joint ventures.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiary, joint ventures or associate company.
- x. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares or fully or partially or optionally convertible debentures during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.
- xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the reporting under clause 3(xi) (b) of the Order is not applicable to the Company.
- (c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the

information and explanations given to us, the Company has received whistle-blower complaints during the year, which have been considered by us for any bearing on our audit and reporting under this clause.

- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard 24 "Related Party Disclosures" specified under Section 133 of the Act. Also refer note 41 to the standalone financial statements for the 'Related Party Disclosure'.
- xiv. (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.  
  
(b) The reports of the Internal Auditor for the period under audit have been considered by us.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.
- xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting under clause 3(xvi)(a) of the Order is not applicable to the Company.  
  
(b) The Company has not conducted non-banking financial / housing finance activities during the year. Accordingly, the reporting under clause 3(xvi)(b) of the Order is not applicable to the Company.  
  
(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.  
  
(d) Based on the information and explanations provided by the management of the Company, the Group does not have any CICs, which are part of the Group. We have not, however, separately evaluated whether the information provided by the management is accurate and complete. Accordingly, the reporting under clause 3(xvi)(d) of the Order is not applicable to the Company.
- xvii. The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year
- xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause (xviii) is not applicable.
- xix. According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 45 to the financial statements), ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this

is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.

- xx. (a) In respect of other than ongoing projects, as at balance sheet date, the Company does not have any amount remaining unspent under Section 135(5) of the Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable.
- (b) The Company has transferred the amount of Corporate Social Responsibility remaining unspent under sub-section (5) of Section 135 of the Act pursuant to ongoing projects to a special account in compliance with the provision of sub-section (6) of Section 135 of the Act.
- xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

UDIN: 23048125BGWQTY2657

Place: Hong Kong

May 24, 2023

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# BALANCE SHEET AS AT MARCH 31, 2023

₹ Crore

| Particulars  | Notes | As at           |                 |
|--|-------|-----------------|-----------------|
|  |       | March 31, 2023  | March 31, 2022  |
| <b>ASSETS</b>  |       |                 |                 |
| <b>Non-current assets</b>  |       |                 |                 |
| Property, plant and equipment  | 2.1   | 1,132.04        | 1,153.62        |
| Capital work-in-progress (including investment property in progress)       | 2.3   | 41.29           | 60.37           |
| Right-of-use assets  | 37    | 33.15           | 29.97           |
| Investment properties  | 3     | 1,019.04        | 979.03          |
| Intangible assets  | 2.2   | 37.77           | 41.78           |
| Intangible assets under development  | 2.3   | -               | 0.41            |
| Financial assets   |       |                 |                 |
| Investments in a subsidiary, joint ventures and an associate               | 4     | 37.24           | 37.35           |
| Other non-current financial assets   | 5     | 11.74           | 9.90            |
| Income tax assets (net)  | 6     | 35.53           | 38.50           |
| Other non-current assets   | 7     | 96.02           | 63.35           |
|  |       | <b>2,443.82</b> | <b>2,414.28</b> |
| <b>Current assets</b>  |       |                 |                 |
| Inventories  | 8     | 886.15          | 728.79          |
| Financial assets   |       |                 |                 |
| Investments  | 9     | 1,047.92        | 577.54          |
| Trade receivables  | 10    | 1,592.73        | 1,247.28        |
| Cash and cash equivalents  | 11    | 391.27          | 177.42          |
| Other bank balances  | 12    | 989.54          | 1,249.32        |
| Other current financial assets   | 13    | 42.20           | 254.71          |
| Other current assets   | 14    | 117.27          | 153.70          |
| Assets classified as held for sale   | 15    | 1.14            | 2.07            |
|  |       | <b>5,068.22</b> | <b>4,390.83</b> |
| <b>TOTAL</b>   |       | <b>7,512.04</b> | <b>6,805.11</b> |
| <b>EQUITY AND LIABILITIES</b>  |       |                 |                 |
| <b>Equity</b>  |       |                 |                 |
| Equity share capital   | 16    | 55.44           | 55.44           |
| Other equity   |       |                 |                 |
| Retained earnings  | 17    | 4,150.00        | 3,639.91        |
| Other reserves   | 17    | 1,162.54        | 1,157.31        |
|  |       | <b>5,367.98</b> | <b>4,852.66</b> |
| <b>Non-current liabilities</b>   |       |                 |                 |
| Financial liabilities  |       |                 |                 |
| Lease liabilities  | 37    | 17.32           | 15.13           |
| Other non-current financial liabilities                                    | 18    | 40.79           | 24.65           |
| Provisions   | 19    | 101.60          | 79.93           |
| Deferred tax liabilities (net)   | 20    | 105.70          | 97.07           |
| Other non-current liabilities  | 21    | 3.27            | 3.22            |
|  |       | <b>268.68</b>   | <b>220.00</b>   |
| <b>Current liabilities</b>   |       |                 |                 |
| Financial liabilities  |       |                 |                 |
| Borrowings   | 22    | 350.04          | 393.31          |
| Trade payables   |       |                 |                 |
| Total outstanding dues of micro and small enterprises                      | 23    | 69.14           | 42.30           |
| Total outstanding dues of creditors other than micro and small enterprises | 23    | 1,081.20        | 955.00          |
| Lease liabilities  | 37    | 5.25            | 3.92            |
| Other current financial liabilities  | 24    | 96.15           | 82.81           |
| Other current liabilities  | 25    | 136.56          | 109.20          |
| Provisions   | 19    | 137.04          | 145.91          |
|  |       | <b>1,875.38</b> | <b>1,732.45</b> |
| <b>TOTAL</b>   |       | <b>7,512.04</b> | <b>6,805.11</b> |

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

As per our report of even date

**For Price Waterhouse & Co Chartered Accountants LLP**

ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**

Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501

**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023

₹ Crore

| Particulars   | Notes    | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|----------|------------------------------|------------------------------|
| Revenue from operations   | 26       | 7,744.43                     | 6,140.40                     |
| Other income  | 27       | 419.99                       | 287.50                       |
| <b>Total income</b>   |          | <b>8,164.42</b>              | <b>6,427.90</b>              |
| <b>Expenses:</b>  |          |                              |                              |
| Cost of materials consumed  | 28.1     | 4,599.51                     | 3,594.62                     |
| Purchases of traded goods   |          | 749.35                       | 548.38                       |
| Change in inventories of finished goods, work-in-progress and traded goods                                | 28.2     | (117.93)                     | (36.21)                      |
| Employee benefits expense   | 29       | 629.83                       | 595.62                       |
| Finance costs   | 30       | 15.78                        | 11.50                        |
| Depreciation and amortisation expense   | 2, 3, 37 | 140.45                       | 134.02                       |
| Other expenses  | 31       | 641.06                       | 552.88                       |
| <b>Total expenses</b>   |          | <b>6,658.05</b>              | <b>5,400.81</b>              |
| <b>Profit before exceptional items and tax</b>  |          | <b>1,506.37</b>              | <b>1,027.09</b>              |
| Exceptional items (expense) / income  | 47, 48   | (14.30)                      | 132.36                       |
| <b>Profit before tax</b>  |          | <b>1,492.07</b>              | <b>1,159.45</b>              |
| <b>Tax expense</b>  |          |                              |                              |
| Current tax   | 20       | 353.60                       | 261.02                       |
| Deferred tax  | 20       | 7.29                         | 14.76                        |
| Tax for earlier years   |          | 1.36                         | (2.98)                       |
| <b>Total tax expense</b>  |          | <b>362.25</b>                | <b>272.80</b>                |
| <b>Profit after tax</b>   |          | <b>1,129.82</b>              | <b>886.65</b>                |
| <b>Other Comprehensive Income (OCI)</b>   |          |                              |                              |
| <i>Items not to be reclassified to profit or loss in subsequent periods</i>                               |          |                              |                              |
| Remeasurement (loss) / gain on defined benefit plans  |          | 5.44                         | (0.08)                       |
| Income tax effect   |          | (1.37)                       | 0.02                         |
| Net other comprehensive (expense) / income not to be reclassified to profit or loss in subsequent periods |          | 4.07                         | (0.06)                       |
| <i>Items to be reclassified to profit or loss in subsequent periods</i>                                   |          |                              |                              |
| Changes in the fair value of financial instruments  |          | (0.13)                       | -                            |
| Income tax effect   |          | 0.03                         | -                            |
| Net other comprehensive (expense) / income to be reclassified to profit or loss in subsequent periods     |          | (0.10)                       | -                            |
| <b>Other comprehensive (expense) / income for the year, net of tax</b>                                    |          | <b>3.97</b>                  | <b>(0.06)</b>                |
| <b>Total comprehensive income for the year, net of tax</b>  |          | <b>1,133.79</b>              | <b>886.59</b>                |
| <b>Earnings per equity share:</b>   |          |                              |                              |
| Basic and diluted earnings per share (₹)  | 32       | 40.76                        | 31.99                        |
| (Nominal value per share ₹ 2)   |          |                              |                              |

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**  
ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**  
Membership Number: 48125

**Place: Hong Kong**  
**Date: May 24, 2023**

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501

**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

**Place: Pune**  
**Date: May 24, 2023**

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q

# STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2023

₹ Crore

| Particulars  | Year ended<br>March 31, 2023 | Year Ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>I. Cash generated from operating activities</b>                     |                              |                              |
| Profit before tax  | 1,492.07                     | 1,159.45                     |
| <b>a) Adjustments to reconcile profit before tax to net cash flows</b> |                              |                              |
| Depreciation and amortisation expense                                  | 140.45                       | 134.02                       |
| Finance costs  | 15.78                        | 11.50                        |
| Interest income  | (73.62)                      | (58.56)                      |
| Dividend income  | (112.07)                     | (44.56)                      |
| Loss/(gain) on assets sold, discarded, etc.                            | (2.48)                       | (6.08)                       |
| (Gain)/loss on redemption /sale of investments (net)                   | (43.89)                      | (17.58)                      |
| Equity contribution from Holding company                               | 5.23                         | 2.82                         |
| Unrealised foreign exchange fluctuation (net)                          | (14.07)                      | (12.24)                      |
| Mark to market ('MTM') of financial instruments                        | 0.02                         | (0.50)                       |
| Provision for doubtful debts (net)                                     | 0.42                         | (6.17)                       |
| Exceptional items  | 14.30                        | (132.36)                     |
|  | <b>(69.93)</b>               | <b>(129.71)</b>              |
| <b>b) Working capital adjustments</b>                                  |                              |                              |
| Trade receivables  | (344.37)                     | (162.52)                     |
| Inventories  | (157.36)                     | (170.95)                     |
| Current and non-current financial assets                               | 7.01                         | 12.36                        |
| Other current and non-current assets                                   | 30.94                        | (7.54)                       |
| Trade payables   | 147.82                       | 263.65                       |
| Current and non-current financial liabilities                          | 14.58                        | (32.57)                      |
| Other current and non-current liabilities                              | 27.41                        | 27.46                        |
| Current and non-current provisions                                     | 14.91                        | 1.76                         |
|  | <b>(259.06)</b>              | <b>(68.35)</b>               |
| <b>Total adjustments (a+b)</b>   | <b>(328.99)</b>              | <b>(198.06)</b>              |
| <b>Cash generated from operating activities</b>                        | <b>1,163.08</b>              | <b>961.39</b>                |
| Tax paid (net of refunds and interest thereon)                         | (351.99)                     | (254.33)                     |
| <b>Net cash generated from operating activities</b>                    | <b>811.09</b>                | <b>707.06</b>                |
| <b>II. Cash flows (used in) / from investing activities</b>            |                              |                              |
| Purchase of property, plant and equipment and investment property      | (161.68)                     | (151.87)                     |
| Proceeds from sale of property, plant and equipment                    | 7.31                         | 174.67                       |
| Intangible assets under development                                    | 0.41                         | 47.71                        |
| Interest received  | 73.62                        | 58.40                        |
| Dividend received on investments in associate and joint ventures       | 112.07                       | 44.56                        |

₹ Crore

| Particulars  | Year ended<br>March 31, 2023 | Year Ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| Investments  |                              |                              |
| Sale/(Purchase) of short term investments (net)                        | (426.38)                     | (228.24)                     |
| Term deposits with banks   | 464.02                       | (531.45)                     |
| <b>Net cash (used in) / from investing activities</b>                  | <b>69.37</b>                 | <b>(586.22)</b>              |
| <b>III. Cash flows (used in) / from financing activities</b>           |                              |                              |
| Proceeds from borrowings / repayment (net)                             | (43.27)                      | 377.67                       |
| Finance costs  | (12.58)                      | (7.37)                       |
| Payment of principal portion of lease liabilities                      | (4.86)                       | (4.18)                       |
| Dividend paid (including tax on dividend)                              | (623.70)                     | (443.52)                     |
| <b>Net cash (used in) / from financing activities</b>                  | <b>(684.41)</b>              | <b>(77.40)</b>               |
| <b>IV. Net change in cash and cash equivalents (I+II+III)</b>          | <b>196.05</b>                | <b>43.44</b>                 |
| <b>V. Net foreign exchange difference</b>                              | <b>17.80</b>                 | <b>12.46</b>                 |
| <b>VI. Cash and cash equivalents at the beginning of the year</b>      | <b>177.42</b>                | <b>121.52</b>                |
| <b>VII. Cash and cash equivalents at the end of the year (IV+V+VI)</b> | <b>391.27</b>                | <b>177.42</b>                |
| <b>Components of cash and cash equivalents</b>                         |                              |                              |
| Cash on hand   | 0.01                         | 0.01                         |
| Bank Balances  |                              |                              |
| In current accounts  | 161.23                       | 177.41                       |
| Deposits with banks (original maturity less than 3 months)             | 230.03                       | -                            |
| <b>Total cash and cash equivalents (Refer note 11)</b>                 | <b>391.27</b>                | <b>177.42</b>                |

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**

ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**

Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501

**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q



# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2023

## A) Equity share capital

| Particulars  | ₹ Crore      |
|--|--------------|
| <b>As at April 1, 2021</b>   | <b>55.44</b> |
| Changes in equity share capital during the year ended March 31, 2022 | -            |
| <b>As at March 31, 2022</b>  | <b>55.44</b> |
| Changes in equity share capital during the year ended March 31, 2023 | -            |
| <b>As at March 31, 2023</b>  | <b>55.44</b> |

## B) Other equity

| Particulars                                    | Retained earnings<br>(Refer note 17) | Other reserves                     |   |   | Total           |
|--|--------------------------------------|------------------------------------|---|---|-----------------|
|  |                                      | General reserve<br>(Refer note 17) | Capital redemption reserve<br>(Refer note 17) | Equity contribution from Cummins Inc. - Share based payments *<br>(Refer note 17) |                 |
| <b>Balance as at April 1, 2021</b>             | <b>3,196.84</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>11.77</b>  | <b>4,351.33</b> |
| Add: Profit for the year                       | 886.65                               | -                                  | -   | -   | 886.65          |
| Add: Equity contribution during the year       | -                                    | -                                  | -   | 2.82  | 2.82            |
| Other comprehensive income                     | (0.06)                               | -                                  | -   | -   | (0.06)          |
| <b>Total comprehensive income for the year</b> | <b>886.59</b>                        | <b>-</b>                           | <b>-</b>                                      | <b>2.82</b>   | <b>889.41</b>   |
| Less: Dividends paid                           |                                      |                                    |   |   |                 |
| - Interim dividend                             | 221.76                               | -                                  | -   | -   | 221.76          |
| - Final dividend for FY 2020-2021              | 221.76                               | -                                  | -   | -   | 221.76          |
| <b>Balance as at March 31, 2022</b>            | <b>3,639.91</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>14.59</b>  | <b>4,797.22</b> |
| Add: Profit for the year                       | 1,129.82                             | -                                  | -   | -   | 1,129.82        |
| Add: Equity contribution during the year       | -                                    | -                                  | -   | 5.23  | 5.23            |
| Other comprehensive income                     | 3.97                                 | -                                  | -   | -   | 3.97            |
| <b>Total comprehensive income for the year</b> | <b>1,133.79</b>                      | <b>-</b>                           | <b>-</b>                                      | <b>5.23</b>   | <b>1,139.02</b> |
| Less: Dividends paid                           |                                      |                                    |   |   |                 |
| - Interim dividend                             | 332.64                               | -                                  | -   | -   | 332.64          |
| - Final dividend for FY 2021-2022              | 291.06                               | -                                  | -   | -   | 291.06          |
| <b>Balance as at March 31, 2023</b>            | <b>4,150.00</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>19.82</b>  | <b>5,312.54</b> |

\* Scheme managed and administered by the Holding Company.

As per our report of even date

**For Price Waterhouse & Co Chartered Accountants LLP**  
ICAI Firm Registration Number : 304026E/E-300009

**Jeetendra Mirchandani**  
Partner  
Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

**For and on behalf of the Board**

**Ashwath Ram**  
Managing Director  
DIN: 00149501

**Vinaya Joshi**  
Company Secretary  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
Director  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
Chief Financial Officer  
PAN: AAJPP9246Q

# Notes to standalone financial statements for the year ended March 31, 2023

## 1 Summary of significant accounting policies

### a) Corporate information:

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

The standalone financial statements for the year ended March 31, 2023 were authorised for issue in accordance with the resolution of the directors on May 24, 2023.

### b) Basis of preparation:

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

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

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

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### c) Fair value measurements

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

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

## Notes to standalone financial statements for the year ended March 31, 2023

- 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.

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.

Other fair value related disclosures are given in the relevant notes:

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

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

Investment properties (Refer note 3 and 44)

## Notes to standalone financial statements for the year ended March 31, 2023

### 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 (if any). All significant costs relating to the acquisition and installation of property plant and equipment/ investment properties are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Profit and Loss during the financial period in which they are incurred. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciate them separately based on their specific useful lives.

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

| <b>Assets</b>                             | <b>Useful life</b> |
|---|--------------------|
| Roads                                     | 10 years           |
| Office building and investment properties | Upto 60 years      |
| Factory building                          | 30 years           |
| Plant and machinery                       | 3 to 15 years      |
| Furniture and fittings                    | 5 to 10 years      |
| Vehicles                                  | 8 to 9 years       |

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

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

Leasehold improvements are amortised on straight line basis over the period of lease.

Transfers are made to investment properties only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

### e) Intangible assets

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

## Notes to standalone financial statements for the year ended March 31, 2023

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. The amortisation period for an intangible asset with finite useful life is reviewed atleast at the end of each reporting period.

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 the financial statements. Such assets, once classified as held for sale, are not depreciated or amortised. Any expected loss is recognised immediately in the Statement of Profit and Loss.

### g) Inventories

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

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

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

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

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

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

### h) Foreign currency transactions

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

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

## Notes to standalone financial statements for the year ended March 31, 2023

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

### i) Revenue recognition

#### i) Revenue from sale of products

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

#### ii) Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

#### iii) Warranty obligations

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

#### iv) Sale of services - installation services

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

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative standalone selling prices of the products and installation services.

The Company recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

# Notes to standalone financial statements for the year ended March 31, 2023

Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

## v) Sale of services - service contracts

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

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

## vi) Contract assets

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

## vii) Contract liabilities

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

## viii) Trade receivables

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

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

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

# Notes to standalone financial statements for the year ended March 31, 2023

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

## j) Leases

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

### Company as a lessee

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

### Right-of-use assets

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

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

### Lease Liabilities

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

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



# Notes to standalone financial statements for the year ended March 31, 2023

## Short-term leases and leases of low-value assets

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

## Company as a lessor

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

## k) Employee benefits

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

### 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, 2023

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.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current Service costs, past-Service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

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

### B) Other employee benefit (unfunded)

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

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

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

### I) Research and development costs

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

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

## Notes to standalone financial statements for the year ended March 31, 2023

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

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

### m) Income tax

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

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases in the financial statements. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

### n) Provisions and contingent liabilities

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

## Notes to standalone financial statements for the year ended March 31, 2023

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

### **o) Impairment of non financial assets**

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

### **p) Cash and cash equivalents**

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

### **q) Segment reporting**

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

### **r) Government grants**

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

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

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

# Notes to standalone financial statements for the year ended March 31, 2023

## 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. Trade receivables that do not contain a significant financing component are measured at transaction price. For all subsequent measurements financial assets are classified in following categories:

#### A) Debt instruments

- i) Debt instruments at amortised cost: Debt instrument is measured 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 (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. 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): 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. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).
- 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 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 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 Company may transfer the cumulative gain or loss within equity.

# Notes to standalone financial statements for the year ended March 31, 2023

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 amortised costs e.g. loans, deposits, trade receivables, lease receivable and bank balances.

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

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

As a practical expedient, the Company uses a provision matrix, based on the age of the receivables classified into various age buckets, to determine impairment loss allowance on portfolio of its trade receivables. The matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The 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.

# Notes to standalone financial statements for the year ended March 31, 2023

## Financial Liabilities

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

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

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

## Notes to standalone financial statements for the year ended March 31, 2023

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 through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

### Reclassification of financial instruments

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

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

### u) Earning per Share (EPS)

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

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



## Notes to standalone financial statements for the year ended March 31, 2023

| 2.1 Property, plant and equipment (PPE) |                     |               |                |                        |                               |                     |              |               |                        |                      |                 | ₹ Crore              |
|---|---------------------|---------------|----------------|------------------------|-------------------------------|---------------------|--------------|---------------|------------------------|----------------------|-----------------|----------------------|
| Particulars                             | Gross block         |               |                |                        | Depreciation and Amortisation |                     |              |               | Net block              |                      | ₹ Crore         |                      |
|   | As at April 1, 2022 | Additions     | Adjustment **  | Deductions / Write-off | As at March 31, 2023          | As at April 1, 2022 | For the year | Adjustment ** | Deductions / Write-off | As at March 31, 2023 |                 | As at March 31, 2023 |
| Freehold land @                         | 36.12               | 0.04          | (6.44)         | -                      | 29.72                         | -                   | -            | -             | -                      | -                    | 29.72           |                      |
| Leasehold Improvements                  | 6.07                | 4.92          | -              | -                      | 10.99                         | 0.61                | 0.10         | -             | -                      | 0.71                 | 10.28           |                      |
| Roads                                   | 30.60               | 1.12          | -              | -                      | 31.72                         | 21.48               | 1.55         | -             | -                      | 23.03                | 8.69            |                      |
| Buildings #                             | 848.65              | 27.68         | (87.51)        | 0.55                   | 788.27                        | 161.01              | 17.74        | (11.14)       | 0.43                   | 167.18               | 621.09          |                      |
| Plant and machinery #                   | 1,061.36            | 113.74        | 27.34          | 62.48                  | 1,139.96                      | 667.11              | 59.65        | 25.51         | 58.21                  | 694.06               | 445.90          |                      |
| Furniture and fittings #                | 50.96               | 0.20          | 0.68           | 2.18                   | 49.66                         | 31.38               | 4.43         | 0.32          | 1.78                   | 34.35                | 15.31           |                      |
| Vehicles                                | 4.63                | -             | 0.12           | 0.21                   | 4.54                          | 3.18                | 0.39         | 0.11          | 0.19                   | 3.49                 | 1.05            |                      |
|   | <b>2,038.39</b>     | <b>147.70</b> | <b>(65.81)</b> | <b>65.42</b>           | <b>2,054.86</b>               | <b>884.77</b>       | <b>83.86</b> | <b>14.80</b>  | <b>60.61</b>           | <b>922.82</b>        | <b>1,132.04</b> |                      |
| 2.2 Intangible assets                   |                     |               |                |                        |                               |                     |              |               |                        |                      |                 | ₹ Crore              |
| Particulars                             | Gross block         |               |                |                        | Depreciation and Amortisation |                     |              |               | Net block              |                      | ₹ Crore         |                      |
|   | As at April 1, 2022 | Additions     | Adjustment **  | Deductions / Write-off | As at March 31, 2023          | As at April 1, 2022 | For the year | Adjustment ** | Deductions / Write-off | As at March 31, 2023 |                 | As at March 31, 2023 |
| Software                                | 6.72                | 3.43          | 0.08           | 0.08                   | 10.15                         | 6.30                | 2.25         | 0.06          | 0.06                   | 8.55                 | 1.60            |                      |
| Technical know-how                      | 20.60               | -             | -              | -                      | 20.60                         | 20.60               | -            | -             | -                      | 20.60                | -               |                      |
| Development Cost                        | 48.25               | -             | -              | -                      | 48.25                         | 6.89                | 5.19         | -             | -                      | 12.08                | 36.17           |                      |
|   | <b>75.57</b>        | <b>3.43</b>   | <b>0.08</b>    | <b>0.08</b>            | <b>79.00</b>                  | <b>33.79</b>        | <b>7.44</b>  | <b>0.06</b>   | <b>0.06</b>            | <b>41.23</b>         | <b>37.77</b>    |                      |

## Notes to standalone financial statements for the year ended March 31, 2023

### 2.3 Capital work-in-progress and intangible assets under development

| Particulars                         | As at April 1, 2022 |                   |                       | Additions   |                   |                       | Total           |               |                   | Capitalisation        |                      |              | As at March 31, 2023 |
|-------------------------------------|---------------------|-------------------|-----------------------|-------------|-------------------|-----------------------|-----------------|---------------|-------------------|-----------------------|----------------------|--------------|----------------------|
|                                     | PPE                 | Intangible assets | Investment properties | PPE         | Intangible assets | Investment properties | Total Additions | PPE           | Intangible assets | Investment properties | Total Capitalisation |              |                      |
| Capital work-in-progress            | 128.16              | -                 | 1.82                  | -           | -                 | 1.82                  | 129.98          | 147.70        | -                 | 1.36                  | 149.06               | 41.29        |                      |
| Intangible assets under development | -                   | 3.02              | -                     | 3.02        | -                 | -                     | 3.02            | -             | 3.43              | -                     | 3.43                 | -            |                      |
|                                     | <b>60.78</b>        | <b>128.16</b>     | <b>1.82</b>           | <b>3.02</b> | <b>1.82</b>       | <b>1.82</b>           | <b>133.00</b>   | <b>147.70</b> | <b>3.43</b>       | <b>1.36</b>           | <b>152.49</b>        | <b>41.29</b> |                      |

### 2.4 Capital work-in-progress (including investment property in progress) aging schedule \*

| Projects in progress | Amount in CWIP for a period of |             |             |                   | Total        |
|----------------------|--------------------------------|-------------|-------------|-------------------|--------------|
|                      | Less than 1 year               | 1-2 years   | 2-3 years   | More than 3 years |              |
| Tangible assets      | 33.59                          | 5.46        | 1.42        | 0.82              | 41.29        |
| Intangible assets    | -                              | -           | -           | -                 | -            |
|                      | <b>33.59</b>                   | <b>5.46</b> | <b>1.42</b> | <b>0.82</b>       | <b>41.29</b> |

\*Capital work-in-progress includes projects amounting to ₹ 2.77 Crore whose completion is overdue on account of procedural delays and will be completed in the next 1 year.

#### NOTES:

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

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

\*\* includes reclassification from assets held for sale and to investment properties (Refer note 3)

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

| 2.1 Property, plant and equipment (PPE) |                     |               |                |                        |                               |                     |              |                |                        |                      |                 | ₹ Crore              |
|---|---------------------|---------------|----------------|------------------------|-------------------------------|---------------------|--------------|----------------|------------------------|----------------------|-----------------|----------------------|
| Particulars                             | Gross block         |               |                |                        | Depreciation and Amortisation |                     |              |                | Net block              |                      | ₹ Crore         |                      |
|   | As at April 1, 2021 | Additions     | Adjustment *** | Deductions / Write-off | As at March 31, 2022          | As at April 1, 2021 | For the year | Adjustment *** | Deductions / Write-off | As at March 31, 2022 |                 | As at March 31, 2022 |
| Freehold land @                         | 36.12               | -             | -              | -                      | 36.12                         | -                   | -            | -              | -                      | -                    | 36.12           |                      |
| Leasehold Improvements                  | 6.07                | -             | -              | -                      | 6.07                          | 0.55                | 0.06         | -              | -                      | 0.61                 | 5.46            |                      |
| Roads                                   | 29.93               | 0.67          | -              | -                      | 30.60                         | 20.22               | 1.26         | -              | -                      | 21.48                | 9.12            |                      |
| Buildings #                             | 839.89              | 9.10          | 0.13           | 0.47                   | 848.65                        | 142.30              | 19.01        | 0.13           | 0.43                   | 161.01               | 687.64          |                      |
| Plant and machinery #                   | 1,009.84            | 95.48         | 44.56          | 88.52                  | 1,061.36                      | 648.60              | 54.21        | 19.95          | 55.65                  | 667.11               | 394.25          |                      |
| Furniture and fittings #                | 51.58               | 0.11          | 0.05           | 0.78                   | 50.96                         | 27.30               | 4.52         | 0.05           | 0.49                   | 31.38                | 19.58           |                      |
| Vehicles                                | 4.58                | 0.19          | (0.14)         | -                      | 4.63                          | 2.86                | 0.46         | (0.14)         | -                      | 3.18                 | 1.45            |                      |
|   | <b>1,978.01</b>     | <b>105.55</b> | <b>44.60</b>   | <b>89.77</b>           | <b>2,038.39</b>               | <b>841.83</b>       | <b>79.52</b> | <b>19.99</b>   | <b>56.57</b>           | <b>884.77</b>        | <b>1,153.62</b> |                      |
| 2.2 Intangible assets                   |                     |               |                |                        |                               |                     |              |                |                        |                      |                 | ₹ Crore              |
| Particulars                             | Gross block         |               |                |                        | Depreciation and Amortisation |                     |              |                | Net block              |                      | ₹ Crore         |                      |
|   | As at April 1, 2021 | Additions     | Adjustment *** | Deductions / Write-off | As at March 31, 2022          | As at April 1, 2021 | For the year | Adjustment *** | Deductions / Write-off | As at March 31, 2022 |                 | As at March 31, 2022 |
| Software                                | 6.62                | 0.10          | 4.70           | 4.70                   | 6.72                          | 5.95                | 0.33         | 1.69           | 1.67                   | 6.30                 | 0.42            |                      |
| Technical know-how                      | 20.60               | -             | -              | -                      | 20.60                         | 20.60               | -            | -              | -                      | 20.60                | -               |                      |
| Development Cost                        | -                   | 48.25         | -              | -                      | 48.25                         | -                   | 6.89         | -              | -                      | 6.89                 | 41.36           |                      |
|   | <b>27.22</b>        | <b>48.35</b>  | <b>4.70</b>    | <b>4.70</b>            | <b>75.57</b>                  | <b>26.55</b>        | <b>7.22</b>  | <b>1.69</b>    | <b>1.67</b>            | <b>33.79</b>         | <b>41.78</b>    |                      |

## Notes to standalone financial statements for the year ended March 31, 2023

### 2.3 Capital work-in-progress and intangible assets under development

| Particulars                         | As at April 1, 2021 |                   |                       | Additions    |                   |                       | Total        |                   |                       | As at March 31, 2022 |
|-------------------------------------|---------------------|-------------------|-----------------------|--------------|-------------------|-----------------------|--------------|-------------------|-----------------------|----------------------|
|                                     | PPE                 | Intangible assets | Investment properties | PPE          | Intangible assets | Investment properties | Total        | Intangible assets | Investment properties |                      |
| Capital work-in-progress            | 79.40               | 88.15             | -                     | 88.15        | -                 | 0.05                  | 88.20        | -                 | 1.68                  | 107.23               |
| Intangible assets under development | 48.12               | -                 | 0.64                  | 0.64         | -                 | -                     | 0.64         | 48.35             | -                     | 48.35                |
|                                     | <b>127.52</b>       | <b>88.15</b>      | <b>0.64</b>           | <b>88.15</b> | <b>0.64</b>       | <b>0.05</b>           | <b>88.84</b> | <b>48.35</b>      | <b>1.68</b>           | <b>155.58</b>        |

### 2.4 Capital work-in-progress (including investment property in progress) aging schedule \*

| Projects in progress | Amount in CWIP for a period of |             |             |                   | Total        |
|----------------------|--------------------------------|-------------|-------------|-------------------|--------------|
|                      | Less than 1 year               | 1-2 years   | 2-3 years   | More than 3 years |              |
| Tangible assets      | 43.76                          | 7.93        | 7.65        | 1.03              | 60.37        |
| Intangible assets    | 0.41                           | -           | -           | -                 | 0.41         |
|                      | <b>44.17</b>                   | <b>7.93</b> | <b>7.65</b> | <b>1.03</b>       | <b>60.78</b> |

\*Capital work-in-progress includes a project amounting to ₹ 9.02 Crore which is overdue on account of certain disruptions caused by COVID-19 and will be completed in the next 1-2 years.

#### NOTES:

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

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

\*\*\* includes reclassification to assets held for sale

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

# Notes to standalone financial statements for the year ended March 31, 2023

## 3 Investment properties

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Gross</b>   |                           |                           |
| Opening balance                                      | 1,165.77                  | 1,164.09                  |
| Additions  | 1.36                      | 1.68                      |
| Deductions   | 0.93                      | -                         |
| Re-classification from property, plant and equipment | 93.99                     | -                         |
| <b>Closing balance</b>                               | <b>1,260.19</b>           | <b>1,165.77</b>           |
| <b>Accumulated Depreciation</b>                      |                           |                           |
| Opening balance                                      | 186.74                    | 144.17                    |
| Depreciation   | 43.54                     | 42.57                     |
| Deductions   | 0.28                      | -                         |
| Re-classification from property, plant and equipment | 11.15                     | -                         |
| <b>Closing balance</b>                               | <b>241.15</b>             | <b>186.74</b>             |
| <b>Net</b>   | <b>1,019.04</b>           | <b>979.03</b>             |

## Information regarding income and expenditure of investment properties

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Rental income derived from investment properties   | 127.67                    | 110.48                    |
| Direct operating expenses (including repairs and maintenance) generating rental income     | 10.57                     | 11.79                     |
| <b>Profit arising from investment properties before depreciation and indirect expenses</b> | <b>117.10</b>             | <b>98.69</b>              |
| Less: Depreciation   | 43.54                     | 42.57                     |
| <b>Profit arising from investment properties before indirect expenses</b>                  | <b>73.56</b>              | <b>56.12</b>              |

The investment properties consist of office premises and plants. As at March 31, 2023 the fair value of the properties is ₹ 1,453.73 Crore (As at March 31, 2022: ₹ 1,293.29 Crore). These fair values are based on valuations performed by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant and equipment as applicable.

## Notes to standalone financial statements for the year ended March 31, 2023

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 44.

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

| Valuation technique                                       | Significant unobservable inputs            | Range (weighted average)<br>March 31, 2023           | Range (weighted average)<br>March 31, 2022           |
|---|--|--|--|
| Income approach<br>(Discounted Cash flow<br>(DCF) method) | Estimated rental value per sq ft per month | ₹ 31.50 - ₹ 131.46                                   | ₹ 31.50 - ₹ 126.88                                   |
|   | Rent growth p.a.                           | 3% - 15% every 3 years or based on market assessment | 3% - 15% every 3 years or based on market assessment |
|   | Discount rate                              | 10.92% to 11.92%                                     | 10.50% to 11.68%                                     |

As per the DCF method, fair value is defined as the present value of future cash flows that can be withdrawn from the Company. To estimate the cash flows available, projected cash flows of the Company are considered for certain future years (explicit forecast period). Based on the projected cash flows, the free cash flows from subject properties are estimated. The Company has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject properties will continue to generate cash. In DCF method, therefore, perpetuity value/capitalized value/terminal value is also considered to arrive at the value of the subject properties.

## Notes to standalone financial statements for the year ended March 31, 2023

### 4 Non-current investments

| As at                      |                            | Face value<br>per unit<br>₹ | As at  |                              |
|----------------------------|----------------------------|-----------------------------|--|------------------------------|
| March 31,<br>2023<br>Units | March 31,<br>2022<br>Units |                             | March 31,<br>2023<br>₹ Crore   | March 31,<br>2022<br>₹ Crore |
|                            |                            |                             | <b>Investment in subsidiary,<br/>joint-ventures and an<br/>associate</b>                                   |                              |
|                            |                            |                             | <b>Unquoted equity<br/>instruments</b><br>(at cost)  |                              |
|                            |                            |                             | <b>Investment in subsidiary</b><br>(fully paid up)   |                              |
| 12,000,000                 | 12,000,000                 | 10                          | Cummins Sales & Service<br>Private Limited (% Holding:<br>100%) (Incorporated in India)                    | 12.00      12.00             |
|                            |                            |                             | <b>Investments in joint<br/>ventures</b> (fully paid up)   |                              |
| 9,500,000                  | 9,500,000                  | 10                          | Valvoline Cummins Private<br>Limited (% Holding: 50%)<br>(Incorporated in India)                           | 8.04      8.04               |
| -                          | 114,600                    | 10                          | Cummins Research and<br>Technology India Private<br>Limited (% Holding: 50%)<br>(Incorporated in India) #  | -      0.11                  |
|                            |                            |                             | <b>Investment in associate</b><br>(fully paid up)  |                              |
| 779,997                    | 779,997                    | 10                          | Cummins Generator<br>Technologies India Private<br>Limited (% Holding : 48.54%)<br>(Incorporated in India) | 17.20      17.20             |
|                            |                            |                             | <b>Total</b>   | <b>37.24      37.35</b>      |

# The Board of directors of Cummins Research and Technology India Private Limited ('CRTI') at its meeting held on March 21, 2016, had decided to cease operations of CRTI. Accordingly, it ceased its operations from April 1, 2016. The shareholders of CRTI, in their extra-ordinary general meeting held on April 1, 2022, passed a resolution to initiate voluntary winding-up of CRTI under Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016. The liquidator, appointed by the shareholders at the extra-ordinary general meeting, completed all the procedures pertaining to the voluntary winding-up, and has submitted the dissolution application with the Mumbai Bench of The National Company Law Tribunal (NCLT) on May 20, 2023.

## Notes to standalone financial statements for the year ended March 31, 2023

### 5 Other non-current financial assets (carried at amortised cost)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Unsecured, considered good</b>            |                           |                           |
| Security deposits                            | 11.55                     | 9.90                      |
| Employee benefit plan assets (Refer note 40) | 0.19                      | -                         |
| <b>Total</b>                                 | <b>11.74</b>              | <b>9.90</b>               |

### 6 Income tax assets (net)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Advance income tax (net of provision for taxation) | 35.53                     | 38.50                     |
| <b>Total</b>                                       | <b>35.53</b>              | <b>38.50</b>              |

### 7 Other non-current assets

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Unsecured, considered good</b>              |                           |                           |
| Capital advances                               | 50.75                     | 23.57                     |
| Balances with statutory/government authorities | 43.91                     | 37.92                     |
| Others *                                       | 1.36                      | 1.86                      |
| <b>Total</b>                                   | <b>96.02</b>              | <b>63.35</b>              |

\* Others include prepaid expenses

### 8 Inventories

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Raw materials and components (includes goods in transit)                  | 454.31                    | 416.43                    |
| Work-in-progress (includes goods lying with third parties)                | 206.64                    | 128.67                    |
| Finished goods (includes goods in transit and lying with third parties) * | 202.99                    | 161.31                    |
| Traded goods (includes goods in transit)                                  | 8.26                      | 9.98                      |
| Stores and spares   | 5.64                      | 7.50                      |
| Loose tools   | 8.31                      | 4.90                      |
| <b>Total</b>  | <b>886.15</b>             | <b>728.79</b>             |

\* During the year ended March 31, 2023 ₹ 0.71 Crore (March 31, 2022: ₹ (0.29) Crore) was recognised as an expense / (reversal) for inventories carried at net realisable value.



## Notes to standalone financial statements for the year ended March 31, 2023

### 9 Current investments

| As at                   |                         | Face value per unit ₹ |   | As at                     |                           |
|-------------------------|-------------------------|-----------------------|---|---------------------------|---------------------------|
| March 31, 2023<br>Units | March 31, 2022<br>Units |                       |   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
|                         |                         |                       | <b>Current portion of long term investments</b>   |                           |                           |
| -                       | 50,000,000              | 1                     | <b>Quoted Government of India Bonds (at amortised cost)</b><br>8.35% Government of India 2022                     | -                         | 5.17                      |
|                         |                         |                       | <b>Aggregate value of quoted investments</b>  | -                         | <b>5.17</b>               |
|                         |                         |                       | <b>Current investments</b><br><b>Unquoted mutual funds</b><br><b>valued at fair value through profit and loss</b> |                           |                           |
| -                       | 403,154                 | 1,000                 | Axis Liquid Fund - Direct Growth  | -                         | 95.31                     |
| -                       | 683,834                 | 100                   | Aditya Birla Sun Life Money Manager Fund - Growth-Regular Plan  | -                         | 20.26                     |
| -                       | 1,479,542               | 100                   | Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan   | -                         | 50.37                     |
| -                       | 24,268                  | 1,000                 | HDFC Liquid Fund - Direct Plan - Growth   | -                         | 10.16                     |
| 149,467                 | -                       | 1,000                 | HDFC Liquid Fund - Regular Plan - Growth  | 65.53                     | -                         |
| 43,501                  | 43,501                  | 1,000                 | HDFC Money Market Fund - Direct Plan - Growth Option  | 21.41                     | 20.25                     |
| 665,554                 | 665,554                 | 100                   | ICICI Money Market Fund - Growth Regular  | 21.37                     | 20.25                     |
| 2,576,902               | 2,060,165               | 100                   | ICICI Prudential liquid Fund - Direct Plan - Growth   | 85.86                     | 64.95                     |
| 222,188                 | 233,460                 | 1,000                 | Kotak Liquid Direct Plan Growth   | 101.06                    | 100.46                    |
| 238,720                 | 57,797                  | 1,000                 | Nippon India Liquid Fund - Direct Growth Plan Growth Option   | 131.46                    | 30.10                     |
| 314,680                 | 225,302                 | 1,000                 | SBI Liquid Fund - Direct Plan - Growth  | 110.87                    | 75.10                     |
| -                       | 30,194                  | 1,000                 | Tata Liquid Fund - Regular Plan - Growth  | -                         | 10.06                     |
| 412,977                 | 215,302                 | 1,000                 | UTI Liquid Cash Plan - Regular - Growth Plan  | 152.37                    | 75.10                     |
|                         |                         |                       | <b>Value of unquoted mutual funds</b>   | <b>689.93</b>             | <b>572.37</b>             |

## Notes to standalone financial statements for the year ended March 31, 2023

| As at   |                         | Face value per unit<br>₹ | As at   |                           |               |
|---|-------------------------|--------------------------|---|---------------------------|---------------|
| March 31, 2023<br>Units   | March 31, 2022<br>Units |                          | March 31, 2023<br>₹ Crore                       | March 31, 2022<br>₹ Crore |               |
| <b>Unquoted Certificate of Deposit valued at fair value through OCI</b> |                         |                          |   |                           |               |
| 3,000   | -                       | 500,000                  | 7.50% HDFC Bank Limited                         | 144.15                    | -             |
| 3,000   | -                       | 500,000                  | 7.60% ICICI Bank Limited                        | 142.58                    | -             |
| 1,500   | -                       | 500,000                  | 7.58% HDFC Bank Limited                         | 71.26                     | -             |
|   |                         |                          | <b>Value of unquoted certificate of deposit</b> | <b>357.99</b>             | <b>-</b>      |
|   |                         |                          | <b>Aggregate value of unquoted investments</b>  | <b>1,047.92</b>           | <b>572.37</b> |
|   |                         |                          | <b>Total</b>                                    | <b>1,047.92</b>           | <b>577.54</b> |

### 10 Trade receivables (carried at amortised cost)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Trade receivables  | 1,194.78                  | 899.68                    |
| Receivables from related parties (Refer note 41)                   | 397.95                    | 347.60                    |
| <b>Total</b>   | <b>1,592.73</b>           | <b>1,247.28</b>           |
| <b>Break up for security details</b>                               |                           |                           |
| Secured, considered good   | 378.19                    | 287.99                    |
| Unsecured, considered good   | 1,214.54                  | 959.29                    |
| Trade receivable which have significant increase in credit risk    | -                         | -                         |
| Trade receivable - credit impaired                                 | 6.69                      | 7.49                      |
|  | <b>1,599.42</b>           | <b>1,254.77</b>           |
| <b>Impairment allowance (allowance for bad and doubtful debts)</b> |                           |                           |
| Unsecured, considered good   | -                         | -                         |
| Provision for impairment   | -                         | -                         |
| Trade receivable - credit impaired                                 | (6.69)                    | (7.49)                    |
|  | <b>(6.69)</b>             | <b>(7.49)</b>             |
| <b>Total</b>   | <b>1,592.73</b>           | <b>1,247.28</b>           |

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 ₹ 16.49 Crore (March 31, 2022: ₹ 13.42 Crore). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.

For terms and conditions and transactions with related parties refer note 41.

# Notes to standalone financial statements for the year ended March 31, 2023

## Trade receivables aging schedule

₹ Crore

| Particulars  | As at                 | Outstanding for following periods from due date of payment |                 |                    |                   |              |             |                   | Total           |
|--|-----------------------|--|-----------------|--------------------|-------------------|--------------|-------------|-------------------|-----------------|
|  |                       | Unbilled   | Not due         | Less than 6 months | 6 months - 1 year | 1-2 years    | 2-3 years   | More than 3 years |                 |
| (i) Undisputed trade receivables - considered good                                 | March 31, 2023        | 21.88  | 1,455.20        | 91.53              | 10.30             | 6.95         | 3.58        | 3.29              | 1,592.73        |
|  | March 31, 2022        | -  | 1,123.64        | 68.57              | 25.55             | 20.31        | 4.05        | 5.16              | 1,247.28        |
| (ii) Undisputed trade receivables - which have significant increase in credit risk | March 31, 2023        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
|  | March 31, 2022        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
| (iii) Undisputed trade receivables - credit impaired                               | March 31, 2023        | -  | 0.10            | 0.52               | 0.09              | 2.35         | 0.10        | 3.53              | 6.69            |
|  | March 31, 2022        | -  | 0.24            | -                  | -                 | 0.33         | 3.54        | 3.38              | 7.49            |
| <b>Total</b>   | <b>March 31, 2023</b> | <b>21.88</b>   | <b>1,455.30</b> | <b>92.05</b>       | <b>10.39</b>      | <b>9.30</b>  | <b>3.68</b> | <b>6.82</b>       | <b>1,599.42</b> |
|  | <b>March 31, 2022</b> | <b>-</b>   | <b>1,123.88</b> | <b>68.57</b>       | <b>25.55</b>      | <b>20.64</b> | <b>7.59</b> | <b>8.54</b>       | <b>1,254.77</b> |

# Notes to standalone financial statements for the year ended March 31, 2023

## 11 Cash and cash equivalents (carried at amortised cost)

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| Cash on hand   | 0.01           | 0.01           |
| Bank balances  |                |                |
| In current accounts  | 161.23         | 177.41         |
| Deposits with banks (original maturity less than 3 months) | 230.03         | -              |
| <b>Total</b>   | <b>391.27</b>  | <b>177.42</b>  |

## 12 Other bank balances (carried at amortised cost)

|   | As at          |                 |
|---|----------------|-----------------|
|   | March 31, 2023 | March 31, 2022  |
|   | ₹ Crore        | ₹ Crore         |
| Unpaid dividend account (restricted)  | 12.79          | 12.19           |
| Deposits with banks (original maturity more than 3 months but less than 1 year) | 976.75         | 1,237.13        |
| <b>Total</b>  | <b>989.54</b>  | <b>1,249.32</b> |

## 13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| <b>Unsecured, considered good:</b>                               |                |                |
| Security deposits  | 19.32          | 13.74          |
| Deposits with banks (with residual maturity less than 12 months) | 4.26           | 207.90         |
| Contract assets <sup>^</sup>                                     | 0.86           | 21.03          |
| Foreign exchange forward contracts <sup>#</sup>                  | -              | 0.50           |
| Others <sup>*</sup>  | 17.76          | 11.54          |
| <b>Total</b>   | <b>42.20</b>   | <b>254.71</b>  |

<sup>^</sup> Contract assets mainly include unbilled revenue accrued against service contracts. The balances vary depending on the volume of services remaining unbilled at the end of the year.

<sup>#</sup> Foreign exchange forward contracts 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.

<sup>\*</sup> Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.

Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 2.95 Crore (March 31, 2022: ₹ 6.25 Crore). Refer note 41 for related party transactions.

## Notes to standalone financial statements for the year ended March 31, 2023

### 14 Other current assets

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| <b>Unsecured, considered good:</b>             |                |                |
| Balances with statutory/government authorities | 56.96          | 101.60         |
| Others *                                       | 60.31          | 52.10          |
| <b>Total</b>                                   | <b>117.27</b>  | <b>153.70</b>  |

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

### 15 Assets classified as held for sale

|   | As at          |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
|   | ₹ Crore        | ₹ Crore        |
| Assets held for sale (at lower of cost or fair value less cost to sell) | 1.14           | 2.07           |
| <b>Total</b>  | <b>1.14</b>    | <b>2.07</b>    |

### 16 Equity share capital

|   | As at          |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
|   | ₹ Crore        | ₹ Crore        |
| <b>Authorised :</b>                                 |                |                |
| 400,000,000 equity shares of ₹2 each                | 80.00          | 80.00          |
| <b>Issued, subscribed and fully paid-up shares:</b> |                |                |
| 277,200,000 equity shares of ₹2 each                | 55.44          | 55.44          |
| <b>Total</b>  | <b>55.44</b>   | <b>55.44</b>   |

## Notes to standalone financial statements for the year ended March 31, 2023

### a) Reconciliation of number of shares

| Equity shares:                                  | As at            |         | As at            |         |
|---|------------------|---------|------------------|---------|
|   | March 31, 2023   |         | March 31, 2022   |         |
|   | Number of Shares | ₹ Crore | Number of Shares | ₹ Crore |
| Balance as at the beginning and end of the year | 277,200,000      | 55.44   | 277,200,000      | 55.44   |

### 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) Details of shareholding of promoters

| Particulars                        | Nos. of Shares | % of total number of shares | % of change during the year |
|------------------------------------|----------------|-----------------------------|-----------------------------|
| Cummins Inc. USA - Holding Company | 141,372,000    | 51.00%                      | -                           |
| Kirloskar Industries Limited       | 683            | 0.00%*                      | -                           |

\* % is below the rounding off norm

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

|  | As at          |        | As at          |        |
|--|----------------|--------|----------------|--------|
|  | March 31, 2023 |        | March 31, 2022 |        |
|  | Nos.           | %      | Nos.           | %      |
| Equity shares of ₹ 2 each fully paid<br>Cummins Inc. USA - Holding Company | 141,372,000    | 51.00% | 141,372,000    | 51.00% |

# Notes to standalone financial statements for the year ended March 31, 2023

## 17 Other equity

|  | As at           |                 |
|--|-----------------|-----------------|
|  | March 31, 2023  | March 31, 2022  |
|  | ₹ Crore         | ₹ Crore         |
| Retained earnings                        | 4,150.00        | 3,639.91        |
|  | <b>4,150.00</b> | <b>3,639.91</b> |
| <b>Other reserves</b>                    |                 |                 |
| Capital redemption reserve               | 0.70            | 0.70            |
| General reserve                          | 1,142.02        | 1,142.02        |
| Equity contribution from Holding Company | 19.82           | 14.59           |
| <b>Total</b>                             | <b>1,162.54</b> | <b>1,157.31</b> |

### a) Retained earnings

|   | Year Ended      |                 |
|---|-----------------|-----------------|
|   | March 31, 2023  | March 31, 2022  |
|   | ₹ Crore         | ₹ Crore         |
| Opening balance as at April 1   | 3,639.91        | 3,196.84        |
| Add: Profit for the year  | 1,129.82        | 886.65          |
| Items of other comprehensive income recognised directly in retained earnings  |                 |                 |
| - Remeasurements of post employment benefit obligations and others, net of tax  | 3.97            | (0.06)          |
|   | <b>4,773.70</b> | <b>4,083.43</b> |
| Less:   |                 |                 |
| Interim dividend paid for the financial years ended March 31, 2023 (₹ 12 per share) and March 31, 2022 (₹ 8 per share)  | 332.64          | 221.76          |
| Final dividend paid for the financial years ended March 31, 2022 (₹ 10.50 per share) and March 31, 2021 (₹ 8 per share) | 291.06          | 221.76          |
|   | <b>623.70</b>   | <b>443.52</b>   |
| Closing balance as at March 31  | <b>4,150.00</b> | <b>3,639.91</b> |

### Dividend not recognised at the end of the reporting period

In addition to the above dividends, since the year end the directors have recommended payment of final dividend of ₹ 360.36 Crore for the year ended March 31, 2023 (March 31, 2022: ₹ 291.06 Crore) which is ₹ 13 per fully paid up share (March 31, 2022: ₹ 10.50 per fully paid up share). 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, 2023

### b) Capital redemption reserve

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 0.70                      | 0.70                      |
| Add: Movement during the year         | -                         | -                         |
| <b>Closing balance as at March 31</b> | <b>0.70</b>               | <b>0.70</b>               |

### 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.

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 1,142.02                  | 1,142.02                  |
| Add: Movement during the year         | -                         | -                         |
| <b>Closing balance as at March 31</b> | <b>1,142.02</b>           | <b>1,142.02</b>           |

### d) Equity contribution from the holding company

Certain employees are directly paid by the holding company through stock options.

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 14.59                     | 11.77                     |
| Add: Movement during the year         | 5.23                      | 2.82                      |
| <b>Closing balance as at March 31</b> | <b>19.82</b>              | <b>14.59</b>              |



## Notes to standalone financial statements for the year ended March 31, 2023

### 18 Other non-current financial liabilities

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Non current financial liabilities carried at amortised cost |                           |                           |
| Deposits  | 27.36                     | 23.39                     |
| Retention money   | 0.25                      | 1.26                      |
| Others *  | 13.18                     | -                         |
| <b>Total</b>  | <b>40.79</b>              | <b>24.65</b>              |

\* Others primarily include liability on account of Voluntary Retirement Scheme (refer note 47)

### 19 Provisions

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Provision for post retirement benefit and compensated absences (Refer note 40) | 105.85                    | 116.22                    |
| Warranties (Refer note 39 (i))   | 75.75                     | 61.97                     |
| Statutory matters (Refer note 39 (ii))   | 17.45                     | 16.98                     |
| New Engine Performance Inspection (NEPI) (Refer note 39 (iii))                 | 39.59                     | 30.67                     |
|  | <b>238.64</b>             | <b>225.84</b>             |
| Current provisions   | 137.04                    | 145.91                    |
| Non-current provisions   | 101.60                    | 79.93                     |
| <b>Total</b>   | <b>238.64</b>             | <b>225.84</b>             |

## Notes to standalone financial statements for the year ended March 31, 2023

### 20 Income taxes

#### a) Deferred tax liabilities (net)

|  | Balance Sheet                |                              | Statement of profit and loss |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | As at                        |                              | Year ended                   |                              |
|  | March 31,<br>2023<br>₹ Crore | March 31,<br>2022<br>₹ Crore | March 31,<br>2023<br>₹ Crore | March 31,<br>2022<br>₹ Crore |
| <b>Deferred tax assets</b>   |                              |                              |                              |                              |
| Provision for employee benefits recognised in Statement of profit and loss | 23.25                        | 24.52                        | (1.27)                       | 1.48                         |
| Provision for employee benefits recognised in OCI                          | (1.37)                       | (0.02)                       | -                            | -                            |
|  | 21.87                        | 24.50                        |                              |                              |
| Other timing differences   | 12.77                        | 12.83                        | (0.06)                       | (0.95)                       |
| <b>Total deferred tax assets</b>   | <b>34.64</b>                 | <b>37.33</b>                 | <b>(1.33)</b>                | <b>0.53</b>                  |
| <b>Deferred tax liabilities</b>  |                              |                              |                              |                              |
| Depreciation   | 135.42                       | 133.49                       | 1.93                         | 14.36                        |
| Other timing differences   | 4.95                         | 0.91                         | 4.03                         | 0.91                         |
| Tax impact on OCI  | (0.03)                       | -                            | -                            | -                            |
|  | 4.92                         | 0.91                         |                              |                              |
| <b>Total deferred tax liabilities</b>                                      | <b>140.34</b>                | <b>134.40</b>                | <b>5.96</b>                  | <b>15.27</b>                 |
| <b>Deferred tax (expense)/income</b>                                       |                              |                              | <b>(7.29)</b>                | <b>(14.74)</b>               |
| <b>Net deferred tax liabilities</b>  | <b>105.70</b>                | <b>97.07</b>                 |                              |                              |

b) The major components of income tax expenses for the years ended March 31, 2023 and March 31, 2022 are:

#### Statement of Profit and Loss

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Profit and loss section</b>  |                           |                           |
| <b>Current income tax:</b>  |                           |                           |
| Current income tax charge   | 353.60                    | 261.02                    |
| Adjustments in respect of current income tax of previous year           | 1.36                      | (2.98)                    |
| <b>Deferred tax:</b>  |                           |                           |
| Relating to origination and reversal of temporary differences           | 7.29                      | 14.76                     |
| <b>Income tax expenses reported in the Statement of Profit and Loss</b> | <b>362.25</b>             | <b>272.80</b>             |
| <b>OCI section</b>  |                           |                           |
| Tax related to items recognised in OCI during the year                  | 1.34                      | (0.02)                    |
| Net (gain)/loss on remeasurements of defined benefit plans and others   | <b>1.34</b>               | <b>(0.02)</b>             |

## Notes to standalone financial statements for the year ended March 31, 2023

### c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2023 and March 31, 2022

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Accounting profit before tax  | 1,492.07                  | 1,159.45                  |
| India's statutory income tax rate   | 25.17%                    | 25.17%                    |
| Tax at full rate  | 375.52                    | 291.81                    |
| Adjustments:  |                           |                           |
| Dividend income (not subject to tax)  | (28.20)                   | (11.22)                   |
| Others (deductible, non-deductible items, net)  | 14.93                     | (7.79)                    |
| <b>Total</b>  | <b>(13.27)</b>            | <b>(19.01)</b>            |
| Income tax expenses reported in the Statement of Profit and Loss for the current year | <b>362.25</b>             | <b>272.80</b>             |

### d) Deferred tax

Reconciliation of deferred tax liabilities (net) :

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balances as at April 1  | 97.07                     | 82.33                     |
| Tax expense/(income) during the year recognised in Statement of Profit and Loss | 7.29                      | 14.76                     |
| Tax expense/(income) during the year recognised in OCI                          | 1.34                      | (0.02)                    |
| <b>Closing balance as at March 31</b>   | <b>105.70</b>             | <b>97.07</b>              |

## Notes to standalone financial statements for the year ended March 31, 2023

### 21 Other non-current liabilities

|                      | As at                     |                           |
|----------------------|---------------------------|---------------------------|
|                      | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Contract liabilities | 3.27                      | 3.22                      |
| <b>Total</b>         | <b>3.27</b>               | <b>3.22</b>               |

### 22 Borrowings

|                                | As at                     |                           |
|--------------------------------|---------------------------|---------------------------|
|                                | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Working capital loan from bank | 350.04                    | 393.31                    |
| <b>Total</b>                   | <b>350.04</b>             | <b>393.31</b>             |

The loan is unsecured and repayable within one year. Interest is payable @ 3.62% - 7.60% (T-Bill / MIBOR) 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 under interest equalisation scheme is accounted for on net basis.

The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.

### 23 Trade payables

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Trade payables to micro and small enterprises (Refer note 34) | 69.14                     | 42.30                     |
| Trade payables other than micro and small enterprises         | 460.20                    | 521.11                    |
| Trade payables to related parties (Refer note 41)             | 621.00                    | 433.89                    |
|   | 1,081.20                  | 955.00                    |
| <b>Total</b>  | <b>1,150.34</b>           | <b>997.30</b>             |

Trade payables are non interest bearing and are normally settled in 30 to 90 days.

For terms and conditions and transactions with related parties refer note 41.

## Notes to standalone financial statements for the year ended March 31, 2023

### Trade payables aging schedule

| Particulars             | As at          | Outstanding for following periods from due date of payment |               |                  |              |             |                   | Total           |
|-------------------------|----------------|--|---------------|------------------|--------------|-------------|-------------------|-----------------|
|                         |                | Unbilled   | Not due       | Less than 1 year | 1-2 years    | 2-3 years   | More than 3 years |                 |
|                         |                |  |               |                  |              |             |                   |                 |
| (i) Undisputed - MSME   | March 31, 2023 | -  | 67.37         | 1.77             | -            | -           | -                 | 69.14           |
|                         | March 31, 2022 | -  | 41.81         | 0.29             | 0.17         | -           | 0.03              | 42.30           |
| (ii) Undisputed- Others | March 31, 2023 | 113.05   | 868.76        | 87.72            | 1.10         | 7.62        | 2.95              | 1,081.20        |
|                         | March 31, 2022 | 252.43   | 675.73        | 11.94            | 11.51        | 3.09        | 0.30              | 955.00          |
| <b>Total</b>            |                | <b>113.05</b>  | <b>936.13</b> | <b>89.49</b>     | <b>1.10</b>  | <b>7.62</b> | <b>2.95</b>       | <b>1,150.34</b> |
|                         |                | <b>252.43</b>  | <b>717.54</b> | <b>12.23</b>     | <b>11.68</b> | <b>3.09</b> | <b>0.33</b>       | <b>997.30</b>   |

### 24 Other current financial liabilities

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Unpaid dividend                                 | 12.79                     | 12.19                     |
| Royalty (Refer note 41)                         | 16.67                     | 12.89                     |
| Support services payable (Refer note 41)        | 2.65                      | 2.52                      |
| Retention money                                 | 8.86                      | 10.83                     |
| Others including salaries, wages, bonus payable | 55.18                     | 44.38                     |
| <b>Total</b>                                    | <b>96.15</b>              | <b>82.81</b>              |

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

## Notes to standalone financial statements for the year ended March 31, 2023

### 25 Other current liabilities

|                                   | As at                     |                           |
|-----------------------------------|---------------------------|---------------------------|
|                                   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Statutory dues and other payables | 72.38                     | 81.49                     |
| Contract liabilities <sup>^</sup> | 64.18                     | 27.71                     |
| <b>Total</b>                      | <b>136.56</b>             | <b>109.20</b>             |

<sup>^</sup> Contract liabilities include advances received from customer as well as consideration received before the Company has transferred goods or services to the customer.

### 26 Revenue from operations

|                                | Year Ended                |                           |
|--------------------------------|---------------------------|---------------------------|
|                                | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Sale of products               | 7,269.23                  | 5,733.39                  |
| Sale of services               | 343.09                    | 292.17                    |
|                                | <b>7,612.32</b>           | <b>6,025.56</b>           |
| <b>Other operating revenue</b> |                           |                           |
| Scrap sales                    | 8.82                      | 6.09                      |
| Export incentives              | 24.24                     | 26.22                     |
| Others <sup>*</sup>            | 99.05                     | 82.53                     |
|                                | <b>132.11</b>             | <b>114.84</b>             |
| <b>Revenue from operations</b> | <b>7,744.43</b>           | <b>6,140.40</b>           |

<sup>\*</sup> Others primarily includes testing income, engineering income, royalty income from dealers, etc.

# Notes to standalone financial statements for the year ended March 31, 2023

## Disaggregated revenue information

Set out below is the disaggregation of the Companies revenue from contracts with customers

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Location</b>   |                           |                           |
| India   | 5,891.64                  | 4,493.44                  |
| Outside India   | 1,828.55                  | 1,620.74                  |
| <b>Total revenue from contracts with customers *</b>  | <b>7,720.19</b>           | <b>6,114.18</b>           |
| <b>Timing of revenue recognition</b>  |                           |                           |
| Goods transferred at a point in time  | 7,278.05                  | 5,739.48                  |
| Services transferred over time  | 442.14                    | 374.70                    |
| <b>Revenue from contracts with customers *</b>  | <b>7,720.19</b>           | <b>6,114.18</b>           |
| <b>Set out below is the amount of revenue recognised from</b>   |                           |                           |
| Amounts included in contract liabilities at the beginning of the year   | 19.94                     | 22.75                     |
| Performance obligations satisfied in previous years   | 0.06                      | 9.86                      |
| <b>Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price</b> |                           |                           |
| Revenue as per contracted price   | 7,947.91                  | 6,227.90                  |
| <b>Adjustments</b>  |                           |                           |
| Sales return  | (69.55)                   | (41.63)                   |
| Discounts   | (111.59)                  | (59.97)                   |
| Liquidated damages  | (2.28)                    | (4.97)                    |
| Others  | (44.30)                   | (7.15)                    |
| <b>Revenue from contracts with customers *</b>  | <b>7,720.19</b>           | <b>6,114.18</b>           |

\* Excludes export incentives

## Notes to standalone financial statements for the year ended March 31, 2023

### 27 Other Income

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Income from investments:  |                           |                           |
| Interest income from financial assets at amortised cost                   |                           |                           |
| - On bonds (non - current/current investments)                            | 0.05                      | 0.42                      |
|   | <b>0.05</b>               | <b>0.42</b>               |
| Dividend income   |                           |                           |
| - On investments in associate and joint ventures carried at cost          | 112.07                    | 44.56                     |
|   | <b>112.07</b>             | <b>44.56</b>              |
| Gain on sale/redemption of investments                                    |                           |                           |
| - On current investments designated at fair value through profit and loss | 43.89                     | 17.58                     |
|   | <b>43.89</b>              | <b>17.58</b>              |
| Interest on term deposits and others *                                    | 73.57                     | 58.14                     |
| Rent (Refer note 3 for rent on investment properties)                     | 151.46                    | 137.27                    |
| Exchange gain (net)   | 7.57                      | 6.99                      |
| Net gain on fixed assets sold or discarded                                | 2.48                      | 1.12                      |
| Miscellaneous income  | 28.90                     | 21.42                     |
|   | <b>263.98</b>             | <b>224.94</b>             |
| <b>Total</b>  | <b>419.99</b>             | <b>287.50</b>             |

\* includes interest on tax refund amounting to ₹ 1.59 Crore (March 31, 2022: ₹ 3.29 Crore).

### 28.1 Cost of materials consumed

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Inventory at the beginning of the year  | 416.43                    | 278.58                    |
| Add : Purchases                         | 4,637.39                  | 3,732.47                  |
| Less : Inventory at the end of the year | 454.31                    | 416.43                    |
| <b>Total</b>                            | <b>4,599.51</b>           | <b>3,594.62</b>           |



## Notes to standalone financial statements for the year ended March 31, 2023

### 28.2 Changes in inventories of finished goods, work-in-progress and traded goods

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Inventories at the end of the year (Refer note 8)</b>       |                           |                           |
| Work-in-progress   | 206.64                    | 128.67                    |
| Finished goods   | 202.99                    | 161.31                    |
| Traded goods   | 8.26                      | 9.98                      |
| <b>Subtotal (A)</b>  | <b>417.89</b>             | <b>299.96</b>             |
| <b>Inventories at the beginning of the year (Refer note 8)</b> |                           |                           |
| Work-in-progress   | 128.67                    | 132.54                    |
| Finished goods   | 161.31                    | 122.78                    |
| Traded goods   | 9.98                      | 8.43                      |
| <b>Subtotal (B)</b>  | <b>299.96</b>             | <b>263.75</b>             |
| <b>(Increase) / Decrease (B-A)</b>                             | <b>(117.93)</b>           | <b>(36.21)</b>            |

### 29 Employee benefits expense

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Salaries, wages and bonus                                 | 529.89                    | 494.79                    |
| Contribution to provident and other funds (Refer note 40) | 64.61                     | 66.28                     |
| Staff welfare expenses                                    | 35.33                     | 34.55                     |
| <b>Total</b>  | <b>629.83</b>             | <b>595.62</b>             |

### 30 Finance costs

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Interest on borrowings and others  | 10.67                     | 5.78                      |
| Interest cost on lease liabilities (Refer note 37)   | 1.91                      | 1.59                      |
| <b>Total interest expense</b>  | <b>12.58</b>              | <b>7.37</b>               |
| Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39) | 3.20                      | 4.13                      |
| <b>Total</b>   | <b>15.78</b>              | <b>11.50</b>              |

# Notes to standalone financial statements for the year ended March 31, 2023

## 31 Other expenses

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Commission on sales   | 12.42                     | 0.34                      |
| Consumption of stores and spare parts   | 73.54                     | 65.94                     |
| Warranty expenses (Refer note 39)   | 65.88                     | 50.41                     |
| Consumption of tools and gauges   | 7.47                      | 6.74                      |
| Repairs to buildings  | 32.72                     | 27.41                     |
| Repairs to machinery  | 9.25                      | 7.85                      |
| Other repairs   | 2.40                      | 2.23                      |
| Power and fuel  | 26.54                     | 24.52                     |
| Rent  | 13.13                     | 1.88                      |
| Rates and taxes   | 11.35                     | 16.39                     |
| Insurance   | 15.88                     | 11.62                     |
| Outside processing charges  | 32.02                     | 24.64                     |
| Donations (including expenditure towards corporate social responsibility activities (Refer note 41 and 42)) | 15.57                     | 15.61                     |
| Royalties (Refer note 41)   | 17.33                     | 13.98                     |
| Support services (Refer note 41)  | 111.26                    | 114.78                    |
| Computer and other services   | 77.41                     | 70.94                     |
| Payment to auditors (Refer details below)   | 1.99                      | 1.42                      |
| Net (gain) / loss on fixed assets sold or discarded *   | -                         | (4.96)                    |
| Bad Debts   |                           |                           |
| Bad debts written off   | 1.22                      | 0.06                      |
| Provision for bad and doubtful debts  | 0.42                      | (6.17)                    |
| Amount withdrawn from provisions  | (1.22)                    | (0.06)                    |
|   | 0.42                      | (6.17)                    |
| Other expenses (net of expenses recovered and capitalised) (Refer note 41)                                  | 114.48                    | 107.31                    |
| <b>Total</b>  | <b>641.06</b>             | <b>552.88</b>             |

\*represents reversal of provision on account of certain unusable assets, during the year ended March 31, 2022.

## Notes to standalone financial statements for the year ended March 31, 2023

### Payment to auditors:

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Statutory audit (including limited reviews) # | 1.81                      | 1.23                      |
| Other services (including tax audit)          | 0.14                      | 0.18                      |
| Reimbursement of expenses                     | 0.04                      | 0.01                      |
| <b>Total</b>                                  | <b>1.99</b>               | <b>1.42</b>               |

# including payments made to erstwhile statutory auditors till conclusion of Annual General Meeting held on August 12, 2021.

### 32 Earning per share (EPS)

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

|   | Year Ended     |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
| (a) Profit for the year after taxation (₹ Crore)                  | 1,129.82       | 886.65         |
| (b) Weighted average number of shares outstanding during the year | 277,200,000    | 277,200,000    |
| (c) Earnings per share (Basic and Diluted) (₹)                    | 40.76          | 31.99          |
| (d) Face value per share (₹)                                      | 2              | 2              |

### 33 Capital and other commitments

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Estimated amount of contracts in capital account remaining to be executed (net of capital advances).<br>For other commitments also refer Note 37 | 155.52                    | 93.67                     |
| <b>Total</b>   | <b>155.52</b>             | <b>93.67</b>              |

# including payments made to erstwhile statutory auditors till conclusion of Annual General Meeting held on August 12, 2021.

## Notes to standalone financial statements for the year ended March 31, 2023

### 34 Trade payables include:

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Total outstanding dues of micro and small enterprises  | 69.14                     | 42.30                     |
| <b>Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:</b> |                           |                           |
| 1 Principal Amount   | 69.14                     | 42.30                     |
| 2 Interest accrued   | -                         | -                         |
| 3 Payment made to suppliers (other than interest) beyond the appointed day, during the year              | 8.20                      | 9.62                      |
| 4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)                               | -                         | -                         |
| 5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)  | 0.07                      | 0.07                      |
| 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 their registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

### 35 Significant accounting judgements, estimates and assumptions

The preparation of the 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:

#### **Determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

#### **Operating lease commitments – Company as lessor**

The Company has leased out commercial properties (investment properties) on operating lease. The Company had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

# Notes to standalone financial statements for the year ended March 31, 2023

## **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 40.

### **Fair value measurements of financial instruments:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets if available, otherwise, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument. Refer note 44 for further disclosures.

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

For estimates relating to warranty, statutory matters and NEPI (refer note 39)

### **Leases - Estimating the incremental borrowing rate**

The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rate (IBR). The Company uses IBR to discount lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

## Notes to standalone financial statements for the year ended March 31, 2023

### 36 Contingent liabilities

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| a. Income tax matters*  | 12.31                     | 1.06                      |
| b. Central excise duty/service tax matters*   | 3.29                      | 3.14                      |
| c. Duty drawback matters  | 26.04                     | 26.04                     |
| d. Sales Tax matters*   | 34.61                     | 34.50                     |
| e. Civil liability / secondary civil liability in respect of suits filed against the Company* | 1.29                      | 1.73                      |
| f. Goods and service tax matters  | 2.07                      | 0.44                      |
| <b>Total</b>  | <b>79.61</b>              | <b>66.91</b>              |

\* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Company is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appeal process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Company has implemented the SC decision prospectively.

The Company has various on-going litigations by/or against the Company with respect to tax and other legal matters, other than those disclosed above. The Company believes that it has sufficient and strong arguments on facts as well as on point of law and accordingly no provision/disclosure in this regard has been considered in the financial statements.

# Notes to standalone financial statements for the year ended March 31, 2023

## 37 Leases

### Lease commitments as a Lessee

The Company has entered into leases for office premises. These lease arrangements range for a period between 12 and 108 months with lock in period between 36 and 108 months, which include both renewable and non-renewable leases.

Following are the changes in the carrying value of right of use assets during the year ended

₹ Crore

| Particulars                              | March 31, 2023<br>Category of ROU |              |              | March 31, 2022<br>Category of ROU |              |              |
|--|-----------------------------------|--------------|--------------|-----------------------------------|--------------|--------------|
|  | Building                          | Land         | Total        | Building                          | Land         | Total        |
| Balance as at the beginning of the year  | 16.45                             | 13.52        | 29.97        | 14.83                             | 13.68        | 28.51        |
| Additions                                | 8.38                              | 0.41         | 8.79         | 6.17                              | -            | 6.17         |
| Adjustment                               | -                                 | -            | -            | -                                 | -            | -            |
| Depreciation                             | (5.41)                            | (0.20)       | (5.61)       | (4.55)                            | (0.16)       | (4.71)       |
| <b>Balance as at the end of the year</b> | <b>19.42</b>                      | <b>13.73</b> | <b>33.15</b> | <b>16.45</b>                      | <b>13.52</b> | <b>29.97</b> |

Following are the changes in carrying value of lease liabilities during the year ended

₹ Crore

| Particulars                              | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| Balance as at the beginning of the year  | 19.05          | 17.06          |
| Additions                                | 8.38           | 6.17           |
| Interest cost accrued during the period  | 1.91           | 1.59           |
| Payments                                 | (6.77)         | (5.77)         |
| <b>Balance as at the end of the year</b> | <b>22.57</b>   | <b>19.05</b>   |
| Current portion                          | 5.25           | 3.92           |
| Non-current portion                      | 17.32          | 15.13          |

The maturity analysis of lease liabilities is disclosed in note 43(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

The following are the amounts recognised in statement of profit and loss during the year ended

## Notes to standalone financial statements for the year ended March 31, 2023

Following are the changes in carrying value of lease liabilities during the year ended

| Particulars  | ₹ Crore        |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
| Depreciation expense of right-of-use assets                    | 5.61           | 4.71           |
| Interest expense on lease liabilities                          | 1.91           | 1.59           |
| <b>Total amount recognised in statement of profit and loss</b> | <b>7.52</b>    | <b>6.30</b>    |

### 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 terms between 36 and 120 months.

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

|   | ₹ Crore        |                |
|---|----------------|----------------|
|   | As at          |                |
|   | March 31, 2023 | March 31, 2022 |
| Within one year                             | 63.89          | 49.19          |
| After one year but not more than five years | 125.71         | 136.72         |
| More than five years                        | -              | -              |
| <b>Total</b>                                | <b>189.60</b>  | <b>185.91</b>  |

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

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

|                    | Year ended                |                           |
|--------------------|---------------------------|---------------------------|
|                    | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| On capital account | 7.42                      | 20.93                     |
| On revenue account | 19.05                     | 44.51                     |
| <b>Total</b>       | <b>26.47</b>              | <b>65.44</b>              |



## Notes to standalone financial statements for the year ended March 31, 2023

### 39 Disclosure on provisions made, utilised and reversed during the year

#### i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Company. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year                | 61.97                     | 69.77                     |
| Additions / reversal                                   | 65.88                     | 50.41                     |
| Utilisation  | 54.46                     | 61.44                     |
| Unwinding of discount and changes in the discount rate | 2.36                      | 3.23                      |
| <b>Balance as at the end of the year</b>               | <b>75.75</b>              | <b>61.97</b>              |
| Classified as non-current                              | 44.19                     | 36.77                     |
| Classified as current                                  | 31.56                     | 25.20                     |

#### 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, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year  | 16.98                     | 17.44                     |
| Additions                                | 0.47                      | 0.05                      |
| Utilisation                              | -                         | 0.51                      |
| <b>Balance as at the end of the year</b> | <b>17.45</b>              | <b>16.98</b>              |
| Classified as non-current                | -                         | -                         |
| Classified as current                    | 17.45                     | 16.98                     |

## Notes to standalone financial statements for the year ended March 31, 2023

### 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, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year                | 30.67                     | 25.55                     |
| Additions  | 17.14                     | 10.25                     |
| Utilisation  | 9.06                      | 6.03                      |
| Unwinding of discount and changes in the discount rate | 0.84                      | 0.90                      |
| <b>Balance as at the end of the year</b>               | <b>39.59</b>              | <b>30.67</b>              |
| Classified as non-current                              | 27.71                     | 20.69                     |
| Classified as current                                  | 11.88                     | 9.98                      |

# Notes to standalone financial statements for the year ended March 31, 2023

## 40 Employee benefit plans

1. **Defined contribution plans - The Company has recognised the following amounts in statement of profit and loss for the year:**

|  | ₹ Crore      |
|--|--------------|
|  | <b>Total</b> |
| Contribution to employees provident fund       | <b>14.10</b> |
|  | 13.20        |
| Contribution to management superannuation fund | <b>21.43</b> |
|  | 18.94        |

## 2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

### a. Net Balance Sheet position

|         |  | ₹ Crore               |                |             |               |               |               |
|---------|--|-----------------------|----------------|-------------|---------------|---------------|---------------|
| Sr. No. | Particulars                                    | As at                 | Gratuity       | Pension     | Ex-gratia     | PRMB          | PF            |
| i)      | Defined benefit obligation                     | March 31, 2023        | 208.41         | 28.51       | 2.46          | 2.22          | 354.99        |
|         |  | March 31, 2022        | 195.97         | 28.27       | 2.49          | 1.71          | 320.70        |
| ii)     | Fair value of Plan assets                      | March 31, 2023        | 197.63         | 28.69       | -             | -             | 349.47        |
|         |  | March 31, 2022        | 180.82         | 27.30       | -             | -             | 315.13        |
| iii)    | Funded status surplus / (deficit)              | March 31, 2023        | (10.78)        | 0.18        | (2.46)        | (2.22)        | (5.52)        |
|         |  | March 31, 2022        | (15.15)        | (0.97)      | (2.49)        | (1.71)        | (5.57)        |
| iv)     | Effect of asset ceiling                        | March 31, 2023        | -              | -           | -             | -             | -             |
|         |  | March 31, 2022        | -              | -           | -             | -             | -             |
|         | <b>Net defined benefit asset / (liability)</b> | <b>March 31, 2023</b> | <b>(10.78)</b> | <b>0.18</b> | <b>(2.46)</b> | <b>(2.22)</b> | <b>(5.52)</b> |
|         |  | March 31, 2022        | (15.15)        | (0.97)      | (2.49)        | (1.71)        | (5.57)        |

## Notes to standalone financial statements for the year ended March 31, 2023

### b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

₹ Crore

| Sr. No. | Particulars  | As at                 | Gratuity      | Pension      | Ex-gratia   | PRMB        | PF            |
|---------|--|-----------------------|---------------|--------------|-------------|-------------|---------------|
|         | Opening defined benefit obligation                 | March 31, 2023        | 195.97        | 28.27        | 2.49        | 1.71        | 320.70        |
|         |  | March 31, 2022        | 179.00        | 28.54        | 0.75        | 0.65        | 290.10        |
| i)      | Current service cost                               | March 31, 2023        | 13.82         | 0.96         | 0.10        | 0.07        | 14.10         |
|         |  | March 31, 2022        | 13.76         | 1.18         | 0.10        | 0.02        | 11.63         |
| ii)     | Interest cost                                      | March 31, 2023        | 14.12         | 1.94         | 0.17        | 0.12        | 22.60         |
|         |  | March 31, 2022        | 11.70         | 1.97         | 0.17        | 0.04        | 17.12         |
| iii)    | Settlement / Curtailment (credit) / cost           | March 31, 2023        | -             | -            | -           | -           | -             |
|         |  | March 31, 2022        | -             | -            | 0.20        | -           | -             |
| iv)     | Actuarial (gains) / losses - experience            | March 31, 2023        | 3.35          | (1.01)       | 0.06        | 0.51        | 12.47         |
|         |  | March 31, 2022        | 7.16          | 0.01         | 0.06        | (0.08)      | (0.77)        |
| v)      | Actuarial (gains) / losses - demographic changes   | March 31, 2023        | (1.15)        | 0.57         | (0.01)      | (0.08)      | -             |
|         |  | March 31, 2022        | -             | -            | -           | -           | -             |
| vi)     | Actuarial (gains) / losses - financial assumptions | March 31, 2023        | (5.84)        | (0.73)       | (0.06)      | (0.01)      | (5.12)        |
|         |  | March 31, 2022        | (6.03)        | (2.99)       | (0.04)      | (0.04)      | (0.31)        |
| vii)    | Benefits paid                                      | March 31, 2023        | (13.71)       | (1.49)       | (0.42)      | (0.10)      | (42.17)       |
|         |  | March 31, 2022        | (8.65)        | (2.58)       | (0.48)      | (0.08)      | (24.29)       |
| viii)   | Past service cost - plan amendments                | March 31, 2023        | -             | -            | 0.13        | -           | -             |
|         |  | March 31, 2022        | -             | 2.14         | 1.73        | 1.20        | -             |
| ix)     | Other Adjustments                                  | March 31, 2023        | -             | -            | -           | -           | -             |
|         |  | March 31, 2022        | -             | -            | -           | -           | 7.86          |
| x)      | Acquisitions (credit) / cost                       | March 31, 2023        | 1.85          | -            | -           | -           | 10.62         |
|         |  | March 31, 2022        | (0.97)        | -            | -           | -           | 1.58          |
| xi)     | Contributions by employees                         | March 31, 2023        | -             | -            | -           | -           | 21.79         |
|         |  | March 31, 2022        | -             | -            | -           | -           | 17.79         |
|         | <b>Closing defined benefit obligation</b>          | <b>March 31, 2023</b> | <b>208.41</b> | <b>28.51</b> | <b>2.46</b> | <b>2.22</b> | <b>354.99</b> |
|         |  | March 31, 2022        | 195.97        | 28.27        | 2.49        | 1.71        | 320.70        |

## Notes to standalone financial statements for the year ended March 31, 2023

### c. Reconciliation of opening and closing balances of the fair value of plan assets

₹ Crore

| Sr. No. | Particulars  | As at                 | Gratuity      | Pension      | Ex-gratia | PRMB     | PF            |
|---------|--|-----------------------|---------------|--------------|-----------|----------|---------------|
|         | Opening fair value of plan assets                          | March 31, 2023        | 180.82        | 27.30        | -         | -        | 315.13        |
|         |  | March 31, 2022        | 165.21        | 26.05        | -         | -        | 284.58        |
| i)      | Interest income on plan assets                             | March 31, 2023        | 12.43         | 1.87         | -         | -        | 22.21         |
|         |  | March 31, 2022        | 11.19         | 1.74         | -         | -        | 16.75         |
| ii)     | Return on plan asset greater / (lesser) than discount rate | March 31, 2023        | 0.54          | 0.04         | -         | -        | 7.79          |
|         |  | March 31, 2022        | (0.30)        | (0.06)       | -         | -        | -             |
| iii)    | Actuarial gains / (losses)                                 | March 31, 2023        | -             | -            | -         | -        | -             |
|         |  | March 31, 2022        | -             | -            | -         | -        | -             |
| iv)     | Contribution by the employer                               | March 31, 2023        | 15.70         | 0.97         | -         | -        | 14.10         |
|         |  | March 31, 2022        | 14.33         | 2.50         | -         | -        | 10.86         |
| v)      | Benefits paid  | March 31, 2023        | (13.71)       | (1.49)       | -         | -        | (42.17)       |
|         |  | March 31, 2022        | (8.65)        | (2.58)       | -         | -        | (24.29)       |
| vi)     | Acquisition adjustment                                     | March 31, 2023        | 1.85          | -            | -         | -        | 10.62         |
|         |  | March 31, 2022        | (0.96)        | (0.35)       | -         | -        | 1.58          |
| vii)    | Contribution by employee                                   | March 31, 2023        | -             | -            | -         | -        | 21.79         |
|         |  | March 31, 2022        | -             | -            | -         | -        | 17.79         |
| viii)   | Other adjustments  | March 31, 2023        | -             | -            | -         | -        | -             |
|         |  | March 31, 2022        | -             | -            | -         | -        | 7.86          |
|         | <b>Closing fair value of plan assets</b>                   | <b>March 31, 2023</b> | <b>197.63</b> | <b>28.69</b> | <b>-</b>  | <b>-</b> | <b>349.47</b> |
|         |  | March 31, 2022        | 180.82        | 27.30        | -         | -        | 315.13        |

## Notes to standalone financial statements for the year ended March 31, 2023

### d. Total defined benefit cost

₹ Crore

| Sr. No. | Particulars                                  | As at                 | Gratuity     | Pension       | Ex-gratia   | PRMB        | PF           |
|---------|--|-----------------------|--------------|---------------|-------------|-------------|--------------|
| i)      | Current and past service cost                | March 31, 2023        | 13.82        | 0.96          | 0.23        | 0.07        | 14.10        |
|         |  | March 31, 2022        | 13.76        | 3.32          | 2.03        | 1.23        | 11.63        |
| ii)     | Net interest cost                            | March 31, 2023        | 1.69         | 0.07          | 0.17        | 0.12        | 0.39         |
|         |  | March 31, 2022        | 0.51         | 0.23          | 0.17        | 0.04        | -            |
| iii)    | Actuarial (gains) / losses recognised in OCI | March 31, 2023        | (4.18)       | (1.21)        | (0.01)      | 0.42        | (0.44)       |
|         |  | March 31, 2022        | 1.43         | (2.92)        | 0.02        | (0.12)      | -            |
|         | <b>Total defined benefit cost</b>            | <b>March 31, 2023</b> | <b>11.33</b> | <b>(0.18)</b> | <b>0.39</b> | <b>0.61</b> | <b>14.05</b> |
|         |  | March 31, 2022        | 15.70        | 0.63          | 2.22        | 1.15        | 11.63        |

### e. Statement of profit and loss

₹ Crore

| Sr. No. | Particulars                               | As at                 | Gratuity     | Pension     | Ex-gratia   | PRMB        | PF           |
|---------|---|-----------------------|--------------|-------------|-------------|-------------|--------------|
| i)      | Current and past service cost             | March 31, 2023        | 13.82        | 0.96        | 0.23        | 0.07        | 14.10        |
|         |   | March 31, 2022        | 13.76        | 3.32        | 1.82        | 1.23        | 11.63        |
| ii)     | Settlement / Curtailment cost / (credit)  | March 31, 2023        | -            | -           | -           | -           | -            |
|         |   | March 31, 2022        | -            | -           | 0.20        | -           | -            |
| iii)    | Net interest cost                         | March 31, 2023        | 1.69         | 0.07        | 0.17        | 0.12        | 0.39         |
|         |   | March 31, 2022        | 0.51         | 0.23        | 0.17        | 0.04        | 0.37         |
|         | <b>Cost recognised in profit and loss</b> | <b>March 31, 2023</b> | <b>15.51</b> | <b>1.03</b> | <b>0.40</b> | <b>0.19</b> | <b>14.49</b> |
|         |   | March 31, 2022        | 14.27        | 3.55        | 2.19        | 1.27        | 12.00        |

All of the above have been included in the line 'Company's contribution to provident and other funds', in note 29 of the statement of profit and loss.

## Notes to standalone financial statements for the year ended March 31, 2023

### f. Other comprehensive income

₹ Crore

| Sr. No. | Particulars   | As at                 | Gratuity      | Pension       | Ex-gratia     | PRMB        | PF            |
|---------|---|-----------------------|---------------|---------------|---------------|-------------|---------------|
| i)      | Actuarial (gain) / loss due to DBO experience             | March 31, 2023        | 3.35          | (1.01)        | 0.06          | 0.51        | 12.47         |
|         |   | March 31, 2022        | 7.16          | 0.01          | 0.06          | (0.08)      | -             |
| ii)     | Actuarial (gain) / loss due to assumption change          | March 31, 2023        | (6.99)        | (0.16)        | (0.07)        | (0.09)      | (5.12)        |
|         |   | March 31, 2022        | (6.03)        | (2.99)        | (0.04)        | (0.04)      | -             |
| iii)    | Return on plan assets (greater) / less than discount rate | March 31, 2023        | (0.54)        | (0.04)        | -             | -           | (7.79)        |
|         |   | March 31, 2022        | 0.30          | 0.06          | -             | -           | -             |
|         | <b>Actuarial -gain/ loss recognised in OCI</b>            | <b>March 31, 2023</b> | <b>(4.18)</b> | <b>(1.21)</b> | <b>(0.01)</b> | <b>0.42</b> | <b>(0.44)</b> |
|         |   | March 31, 2022        | 1.43          | (2.92)        | 0.02          | (0.12)      | -             |
|         | <b>Adjustment for limit of net asset</b>                  | <b>March 31, 2023</b> | -             | -             | -             | -           | -             |
|         |   | March 31, 2022        | -             | -             | -             | -           | -             |

### 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, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 |
| i)      | Government of India securities                             | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 49.24%         | 49.41%         |
| ii)     | Debt instruments and related investments / corporate bonds | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 42.24%         | 37.25%         |
| iii)    | Special deposit scheme                                     | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 5.50%          |
| iv)     | Insurer managed funds                                      | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 0.00%          | 0.00%          |
| v)      | Mutual Funds   | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 7.84%          |
| vi)     | Equities and related investments                           | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 8.51%          | 0.00%          |
|         | <b>Total</b>   | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

## Notes to standalone financial statements for the year ended March 31, 2023

### h. Supplementary information as per Ind AS 19

₹ Crore

| Sr. No. | Particulars                                  | As at          | Gratuity | Pension | Ex-gratia | PRMB | PF    |
|---------|--|----------------|----------|---------|-----------|------|-------|
| i)      | Expected employer contribution for next year | March 31, 2023 | 10.00    | -       | NA        | NA   | 15.51 |
|         |  | March 31, 2022 | 14.62    | 0.97    | NA        | NA   | 0.88  |

### i. Following are the principal actuarial assumptions used as at the balance sheet date

| Particulars   | As at          | Gratuity   | Pension | Ex-gratia | PRMB | PF    |
|---|----------------|--|---------|-----------|------|-------|
| Discount rate - March 31, 2023                            | March 31, 2023 | 7.5%   | 7.5%    | 7.5%      | 7.5% | 7.5%  |
| Discount rate - March 31, 2022                            | March 31, 2022 | 7%   | 7%      | 7%        | 7%   | 7%    |
| Expected rate of return on plan assets                    | March 31, 2023 | 7.5%   | 7.5%    | NA        | NA   | NA    |
|   | March 31, 2022 | 7%   | 7%      | NA        | NA   | NA    |
| Salary escalation rate - management staff                 | March 31, 2023 | 10%  | NA      | NA        | NA   | NA    |
|   | March 31, 2022 | 10%  | NA      | NA        | NA   | NA    |
| Salary escalation rate - non-management staff             | March 31, 2023 | 8%   | NA      | NA        | NA   | NA    |
|   | March 31, 2022 | 7%   | NA      | NA        | NA   | NA    |
| Annual increase in healthcare costs - year 2023- 2025     | March 31, 2023 | NA   | NA      | NA        | 8%   | NA    |
|   | March 31, 2022 | NA   | NA      | NA        | 8%   | NA    |
| Annual increase in healthcare costs - 2026 and thereafter | March 31, 2023 | NA   | NA      | NA        | 6%   | NA    |
|   | March 31, 2022 | NA   | NA      | NA        | 6%   | NA    |
| Long term EPFO rate                                       | March 31, 2023 | NA   | NA      | NA        | NA   | 8.15% |
|   | March 31, 2022 | NA   | NA      | NA        | NA   | 8.10% |
| Mortality rate (in service)                               | March 31, 2023 | Indian Assured Lives Mortality (2012-14) Ult table |         |           |      |       |
|   | March 31, 2022 | Indian Assured Lives Mortality (2006-08) Ultimate  |         |           |      |       |

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



## Notes to standalone financial statements for the year ended March 31, 2023

### j. Expected benefit payment for the next years

₹ Crore

| Particulars | As at          | March    | March    | March    | March    | March    | 2029-  |
|-------------|----------------|----------|----------|----------|----------|----------|--------|
|             |                | 31, 2024 | 31, 2025 | 31, 2026 | 31, 2027 | 31, 2028 | 2033   |
|             |                | March    | March    | March    | March    | March    | 2028-  |
|             |                | 31, 2023 | 31, 2024 | 31, 2025 | 31, 2026 | 31, 2027 | 2032   |
| Gratuity    | March 31, 2023 | 19.51    | 15.00    | 16.36    | 15.45    | 16.06    | 92.99  |
|             | March 31, 2022 | 6.54     | 12.52    | 14.41    | 15.64    | 18.02    | 109.37 |
| Pension     | March 31, 2023 | 2.36     | 3.49     | 3.90     | 4.23     | 4.21     | 14.26  |
|             | March 31, 2022 | 1.24     | 2.68     | 3.59     | 4.16     | 4.92     | 21.83  |
| Ex-gratia   | March 31, 2023 | 0.45     | 0.36     | 0.43     | 0.43     | 0.34     | 1.51   |
|             | March 31, 2022 | 0.09     | 0.09     | 0.23     | 0.32     | 0.36     | 1.85   |
| PRMB        | March 31, 2023 | 0.25     | 0.18     | 0.21     | 0.27     | 0.29     | 1.58   |
|             | March 31, 2022 | 0.08     | 0.10     | 0.13     | 0.16     | 0.20     | 1.24   |
| PF          | March 31, 2023 | 0.05     | 0.05     | 0.05     | 0.05     | 0.05     | 0.19   |
|             | March 31, 2022 | 0.88     | 1.97     | 3.21     | 4.69     | 6.39     | 67.72  |

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

₹ Crore

| Assumptions      | Discount Rate |               | Future salary increase |               | Withdrawal Rate |             |
|------------------|---------------|---------------|------------------------|---------------|-----------------|-------------|
|                  | 0.5% increase | 0.5% decrease | 0.5% increase          | 0.5% decrease | 5% increase     | 5% decrease |
| <b>Gratuity</b>  |               |               |                        |               |                 |             |
| March 31, 2023   | (9.42)        | 10.15         | 9.90                   | (9.29)        | (10.43)         | 8.51        |
| March 31, 2022   | (9.44)        | 10.22         | 9.95                   | (9.30)        | (12.80)         | 9.62        |
| <b>Pension</b>   |               |               |                        |               |                 |             |
| March 31, 2023   | (0.65)        | 0.67          | NA                     | NA            | (0.06)          | 0.58        |
| March 31, 2022   | (0.78)        | 0.82          | NA                     | NA            | (0.29)          | 0.12        |
| <b>Ex-gratia</b> |               |               |                        |               |                 |             |
| March 31, 2023   | (0.06)        | 0.06          | NA                     | NA            | (0.54)          | 0.24        |
| March 31, 2022   | (0.07)        | 0.07          | NA                     | NA            | (0.61)          | 0.26        |
| <b>PF</b>        |               |               |                        |               |                 |             |
| March 31, 2023   | (0.45)        | 5.34          | -                      | -             | -               | -           |
| March 31, 2022   | (0.22)        | 0.24          | -                      | -             | -               | -           |

# Notes to standalone financial statements for the year ended March 31, 2023

₹ Crore

| Assumptions    | Discount Rate |               | Medical Inflation |             | Withdrawal Rate |             |
|----------------|---------------|---------------|-------------------|-------------|-----------------|-------------|
|                | 0.5% increase | 0.5% decrease | 1% increase       | 1% decrease | 5% increase     | 5% decrease |
| <b>PRMB</b>    |               |               |                   |             |                 |             |
| March 31, 2023 | (0.07)        | 0.08          | 0.16              | (0.14)      | (0.50)          | 0.23        |
| March 31, 2022 | (0.06)        | 0.07          | 0.12              | (0.11)      | (0.40)          | 0.31        |

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. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

## 41 Related party disclosures

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

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

### b) Transactions with related parties as per the books of accounts during the year ended March 31, 2023

₹ Crore

| Transaction       | Name of related party                      |                | Total    |
|-------------------|--|----------------|----------|
| Purchase of Goods | Tata Cummins Private Limited               | March 31, 2023 | 1,208.59 |
|                   |  | March 31, 2022 | 1,044.29 |
|                   | Cummins Technologies India Private Limited | March 31, 2023 | 691.78   |
|                   |  | March 31, 2022 | 484.22   |
|                   | Cummins Inc.                               | March 31, 2023 | 159.32   |
|                   |  | March 31, 2022 | 164.42   |
|                   | Others                                     | March 31, 2023 | 669.26   |
|                   |  | March 31, 2022 | 428.87   |
| Sale of goods     | Cummins Limited                            | March 31, 2023 | 718.49   |
|                   |  | March 31, 2022 | 564.72   |
|                   | Cummins Technologies India Private Limited | March 31, 2023 | 285.03   |
|                   |  | March 31, 2022 | 191.50   |
|                   | Others                                     | March 31, 2023 | 784.90   |
|                   |  | March 31, 2022 | 597.40   |

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

|                                       |  |                | ₹ Crore |
|---------------------------------------|--|----------------|---------|
| Transaction                           | Name of related party                      |                | Total   |
| Purchase of assets                    | Cummins Technologies India Private Limited | March 31, 2023 | 1.05    |
|                                       |  | March 31, 2022 | 1.69    |
|                                       | Cummins Power Generation Inc.              | March 31, 2023 | 0.83    |
|                                       |  | March 31, 2022 | -       |
|                                       | Fleetguard Filters Pvt Ltd                 | March 31, 2023 | 0.79    |
|                                       |  | March 31, 2022 | -       |
|                                       | Cummins Inc.                               | March 31, 2023 | 0.61    |
|                                       |  | March 31, 2022 | 0.18    |
|                                       | Cummins Limited                            | March 31, 2023 | -       |
|                                       |  | March 31, 2022 | 0.71    |
| Sale of assets                        | Cummins Technologies India Private Limited | March 31, 2023 | 0.90    |
|                                       |  | March 31, 2022 | 16.74   |
|                                       | Others                                     | March 31, 2023 | -       |
|                                       |  | March 31, 2022 | 0.17    |
| Services rendered<br>(Refer note vi)  | Cummins Technologies India Private Limited | March 31, 2023 | 154.29  |
|                                       |  | March 31, 2022 | 138.29  |
|                                       | Valvoline Cummins Private Limited          | March 31, 2023 | 61.52   |
|                                       |  | March 31, 2022 | 47.76   |
|                                       | Cummins Inc.                               | March 31, 2023 | 24.66   |
|                                       |  | March 31, 2022 | 34.17   |
|                                       | Others                                     | March 31, 2023 | 39.30   |
|                                       |  | March 31, 2022 | 34.03   |
| Services received<br>(Refer note vii) | Cummins Sales and Service Private Limited  | March 31, 2023 | 22.40   |
|                                       |  | March 31, 2022 | 12.61   |
|                                       | Cummins Technologies India Private Limited | March 31, 2023 | 14.99   |
|                                       |  | March 31, 2022 | 28.57   |
|                                       | Others                                     | March 31, 2023 | 3.55    |
|                                       |  | March 31, 2022 | 3.85    |
| Royalty                               | Cummins Inc.                               | March 31, 2023 | 17.33   |
|                                       |  | March 31, 2022 | 13.98   |
| Support services                      | Cummins Inc.                               | March 31, 2023 | 106.03  |
|                                       |  | March 31, 2022 | 105.77  |
|                                       | Cummins Africa Middle East (Pty) Ltd.      | March 31, 2023 | 5.23    |
|                                       |  | March 31, 2022 | 9.01    |
| Reimbursements paid                   | Cummins Technologies India Private Limited | March 31, 2023 | 100.13  |
|                                       |  | March 31, 2022 | 114.01  |
|                                       | Cummins Inc.                               | March 31, 2023 | 12.24   |
|                                       |  | March 31, 2022 | 10.47   |

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

|   |   |                | ₹ Crore |
|---|---|----------------|---------|
| Transaction                                   | Name of related party                                 |                | Total   |
|   | Others  | March 31, 2023 | 9.70    |
|   |   | March 31, 2022 | 15.24   |
| Reimbursements received<br>(Refer note viii)  | Cummins Technologies India Private Limited            | March 31, 2023 | 86.43   |
|   |   | March 31, 2022 | 63.86   |
|   | Tata Cummins Private Limited                          | March 31, 2023 | 20.29   |
|   |   | March 31, 2022 | 16.15   |
|   | Cummins Generator Technologies India Private Limited  | March 31, 2023 | 13.58   |
|   |   | March 31, 2022 | 9.68    |
|   | Others  | March 31, 2023 | 11.45   |
|   |   | March 31, 2022 | 8.22    |
| Remuneration paid<br>(Refer note i & iii)     | Key management personnel                              | March 31, 2023 | 7.94    |
|   |   | March 31, 2022 | 7.04    |
| Transfer of export benefits                   | Cummins Technologies India Private Limited            | March 31, 2023 | 1.55    |
|   |   | March 31, 2022 | -       |
| Interest on delayed payment                   | Cummins Sales and Service Private Limited             | March 31, 2023 | -       |
|   |   | March 31, 2022 | 0*      |
| Dividend received                             | Cummins Generator Technologies India Private Limited  | March 31, 2023 | 30.42   |
|   |   | March 31, 2022 | -       |
|   | Cummins Research and Technology India Private Limited | March 31, 2023 | 0.90    |
|   |   | March 31, 2022 | 1.81    |
|   | Valvoline Cummins Private Limited                     | March 31, 2023 | 80.75   |
|   |   | March 31, 2022 | 42.75   |
| Dividend paid                                 | Cummins Inc.  | March 31, 2023 | 318.09  |
|   |   | March 31, 2022 | 226.19  |
| Donations paid                                | Cummins India Foundation                              | March 31, 2023 | 15.57   |
|   |   | March 31, 2022 | 15.54   |
| Contributions paid                            | Cummins India Limited Officers Provident Fund         | March 31, 2023 | 14.10   |
|   |   | March 31, 2022 | 13.20   |
|   | Cummins Group Employees Superannuation Scheme         | March 31, 2023 | 21.43   |
|   |   | March 31, 2022 | 18.94   |
|   | Cummins Group Officers Gratuity Scheme                | March 31, 2023 | 15.70   |
|   |   | March 31, 2022 | 14.33   |
| Sitting fees and commission<br>(Refer note i) | Independent Directors                                 | March 31, 2023 | 1.07    |
|   |   | March 31, 2022 | 1.10    |
| Equity contribution - share based payments    | Cummins Inc.  | March 31, 2023 | 5.23    |
|   |   | March 31, 2022 | 2.82    |

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

### c) Amounts outstanding as at March 31, 2023

|   |   |                                   | ₹ Crore        |       |
|---|---|-----------------------------------|----------------|-------|
| Particulars   | Name of related party                               |                                   | Total          |       |
| Trade payables  | Cummins Technologies India Private Limited          | March 31, 2023                    | 173.94         |       |
|   |   | March 31, 2022                    | 113.35         |       |
|   | Tata Cummins Private Limited                        | March 31, 2023                    | 163.22         |       |
|   |   | March 31, 2022                    | 85.25          |       |
|   | Cummins Inc.  | March 31, 2023                    | 94.30          |       |
|   |   | March 31, 2022                    | 90.40          |       |
|   | Cummins Limited                                     | March 31, 2023                    | 69.59          |       |
|   |   | March 31, 2022                    | 62.31          |       |
|   | Others  | March 31, 2023                    | 119.95         |       |
|   |   | March 31, 2022                    | 82.58          |       |
|   | Other current financial / non-financial liabilities | Cummins Inc.                      | March 31, 2023 | 18.15 |
|   |   |                                   | March 31, 2022 | 14.24 |
| Cummins Africa Middle East (Pty) Ltd.                 |   | March 31, 2023                    | 1.18           |       |
|   |   | March 31, 2022                    | 1.18           |       |
| Trade receivables                                     | Cummins Technologies India Private Limited          | March 31, 2023                    | 86.71          |       |
|   |   | March 31, 2022                    | 89.20          |       |
|   | Cummins Limited                                     | March 31, 2023                    | 83.43          |       |
|   |   | March 31, 2022                    | 99.02          |       |
|   | Cummins Romania SRL                                 | March 31, 2023                    | 41.07          |       |
|   |   | March 31, 2022                    | 4.77           |       |
|   | Others  | March 31, 2023                    | 186.74         |       |
|   |   | March 31, 2022                    | 154.61         |       |
|   | Other current financial assets                      | Valvoline Cummins Private Limited | March 31, 2023 | 0.32  |
|   |   |                                   | March 31, 2022 | 14.33 |
| Tata Cummins Private Limited                          |   | March 31, 2023                    | 2.95           |       |
|   |   | March 31, 2022                    | 6.25           |       |
| Cummins Inc.  |   | March 31, 2023                    | 1.81           |       |
|   |   | March 31, 2022                    | 1.85           |       |
| Fleetguard Filters Pvt Ltd                            |   | March 31, 2023                    | 1.82           |       |
|   |   | March 31, 2022                    | 0.78           |       |
| Cummins Research and Technology India Private Limited |   | March 31, 2023                    | 1.01           |       |
|   |   | March 31, 2022                    | -              |       |
| Others  |   | March 31, 2023                    | 0.26           |       |
|   |   | March 31, 2022                    | 0.99           |       |

\* Amount is below the rounding off norm (₹ 1 cr)

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

- i) The names of the related parties under the appropriate relationship included in notes 41(b) and (c) above are as follows:

| Nature of relationship                                     | Name of the party                                      |
|--|--|
| Fellow subsidiaries<br>(with which there are transactions) | Chongqing Cummins Engine Co Ltd                        |
|  | CMI TR Mtr Guc Sistemleri Satis Servis Ltd Sirketi     |
|  | Consolidated Diesel Company                            |
|  | Cummins (China) Investment Co. Ltd.                    |
|  | Cummins (Xiangyang) Machining Co. Ltd.                 |
|  | Cummins Africa Middle East (Pty) Ltd.                  |
|  | Cummins Arabia FZCO                                    |
|  | Cummins Asia Pacific Pte. Ltd.                         |
|  | Cummins Belgium NV                                     |
|  | Cummins Brasil Ltda                                    |
|  | Cummins C&G Holding Limited                            |
|  | Cummins C&G Limited                                    |
|  | Cummins Comercializadora S. De R.L. De C.V.            |
|  | Cummins Czech Republic SRO                             |
|  | Cummins Deutschland Gmbh                               |
|  | Cummins Dksh (Singapore) Pte Ltd                       |
|  | Cummins Dksh (Thailand) Limited                        |
|  | Cummins Dksh (Vietnam) LLC                             |
|  | Cummins Emission Solutions Inc.                        |
|  | Cummins Engine (Shanghai) Trading & Services Co., Ltd. |
|  | Cummins Filtration Inc.                                |
|  | Cummins France SA                                      |
|  | Cummins Fuel System (Wuhan) Co. Ltd.                   |
|  | Cummins Generator Technologies Australia Pty Ltd       |
|  | Cummins Generator Technologies Limited                 |
|  | Cummins Ghana Limited                                  |
|  | Cummins Italia SPA                                     |
|  | Cummins Japan Limited                                  |
|  | Cummins Limited, UK                                    |
|  | Cummins Middle East FZE                                |
|  | Cummins Natural Gas Engines, Inc.                      |
|  | Cummins Norway AS                                      |
| Cummins NV   |  |

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

| Nature of relationship | Name of the party   |
|------------------------|---|
|                        | Cummins Power Generation (China) Co. Ltd.                 |
|                        | Cummins Power Generation Inc.                             |
|                        | Cummins Power Generation Limited UK                       |
|                        | Cummins Qatar LLC   |
|                        | Cummins Romania SRL                                       |
|                        | Cummins Sales And Service Philippines Inc.                |
|                        | Cummins Sales And Service Sdn. Bhd.                       |
|                        | Cummins Sales And Service Singapore Pte Ltd               |
|                        | Cummins Saudi Arabia L.L.C                                |
|                        | Cummins South Africa (Pty.) Ltd.                          |
|                        | Cummins South Pacific Pty Ltd                             |
|                        | Cummins Spain SL  |
|                        | Cummins Technologies India Private Limited                |
|                        | Cummins West Africa Limited                               |
|                        | Distribuidora Cummins Centroamerica Costa Rica, S.De R.L. |
|                        | Distribuidora Cummins Centroamerica Honduras, S.De R.L.   |
|                        | Distribuidora Cummins De Panama S.De R.L.                 |
|                        | Distribuidora Cummins S.A.                                |
|                        | Distribuidora Cummins Sucursal Paraguay SRL               |
|                        | Filt Red India Technologies Private Limited               |
|                        | Hydrogenics Europe N.V.                                   |
|                        | Hydrogenics NV  |
|                        | Ooo Cummins   |
|                        | Shanghai Cummins Trading Co. Ltd.                         |
|                        | Taiwan Cummins Sales & Services Co. Ltd.                  |

# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

| Nature of relationship                                       | Name of the party  |
|--|--|
| Key management personnel                                     | Ashwath Ram - Managing Director                            |
|  | Ajay Patil - Chief Financial Officer                       |
|  | Vinaya Joshi - Company Secretary                           |
|  | Steven Chapman - Chairman of the Board                     |
|  | Donald Jackson   |
|  | Jennifer Mary Bush (w.e.f. November 5, 2022)               |
|  | Bonnie Jean Fetch (w.e.f. November 25, 2022)               |
|  | Norbert Nusterer (upto August 26, 2022)                    |
|  | Lorraine Meyer (upto February 15, 2022)                    |
|  | Independent Directors                                      |
|  | - Nasser Munjee  |
|  | - Prakash Telang (upto December 8, 2021)                   |
|  | - Priya Dasgupta   |
|  | - Rajeev Bakshi  |
| - Rama Bijapurkar  |  |
| - Rekha Anil (w.e.f. August 11, 2022)                        |  |
| Associate  | Cummins Generator Technologies India Private Limited       |
| Joint venture  | Valvoline Cummins Private Limited                          |
|  | Cummins Research and Technology India Private Limited      |
| Enterprise with common key management personnel              | Tata Cummins Private Limited                               |
|  | Cummins India Foundation                                   |
|  | New Delhi Law Offices Private Limited                      |
|  | Lokmanya Hospitals Private Limited (upto December 8, 2021) |
|  | Fleetguard Filters Private Limited                         |
|  | Caltherm Thermostats Private Limited                       |
| Employees benefit plans where there is significant influence | Cummins India Limited Officers Provident Fund              |
|  | Cummins Group Employees Superannuation Scheme              |
|  | Cummins Group Officers Gratuity Scheme                     |



# Notes to standalone financial statements for the year ended March 31, 2023

## 41 Related party disclosures (contd.)

### 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, 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2022: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Company as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

- 42 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute ₹ 15.57 Crores (March 31, 2022: ₹ 15.54 Crores) 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 Board has approved and the Company has contributed ₹ 15.57 Crores (March 31, 2022: ₹ 15.54 Crores) to Cummins India Foundation towards eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013. Apart from the above contribution to Cummins India Foundation, the Company has not made any direct expenditure/contributions of capital nature.

## 43 Financial risk management objectives and policies

### Financial risk factors:

The Company has well written policies covering specific areas, such as foreign exchange risk and investments which seek to minimise potential adverse effects on the Company's financial performance due to external factors. The Company uses derivatives to hedge foreign exchange risk exposures. The Company's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that has appropriate skills, experience and supervision. As per the Company's policy no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Company's activities are exposed to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

## Notes to standalone financial statements for the year ended March 31, 2023

### 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:

| ₹ Crore      |          |  |  |
|--------------|----------|--|--|
| Currency     | % change | March 31, 2023                                 | March 31, 2022                                 |
|              |          | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| USD          | 1%       | 1.05   | 1.36   |
| Euro         | 1%       | 0.60   | 0.28   |
| Others       | 1%       | 0.15   | 0.07   |
| <b>Total</b> |          | <b>1.80</b>                                    | <b>1.71</b>                                    |

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and financial assets and liabilities denominated in various currencies. Although the derivatives have not been designated in a hedge relationship, they act as economic hedge and offset the underlying transactions when they occur.

#### ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Company's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

Borrowings of ₹ 350.04 Crores outstanding as at March 31, 2023 (As at March 31, 2022: ₹ 393.31 Crores) were at floating rate linked to T-bill + applicable spread.

The following table demonstrates the sensitivity of interest payable:

| ₹ Crore              |          |  |  |
|----------------------|----------|--|--|
|                      | % change | March 31, 2023                                 | March 31, 2022                                 |
|                      |          | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| Working Capital Loan | 0.5%     | 0.71   | 0.56   |

# Notes to standalone financial statements for the year ended March 31, 2023

## 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:

₹ Crore

|              |          | March 31, 2023                                 | March 31, 2022                                 |
|--------------|----------|--|--|
|              | % change | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| Mutual funds | 0.5%     | 3.45   | 2.86   |

Profit after tax for the year would increase / decrease as a result of gains / losses on mutual funds classified as at fair value through profit or loss.

## b) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily from trade receivables, contract assets, other receivables, deposits with banks and loans given.

### Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10 and 13.

### Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Company's treasury department in accordance with Company's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5, 9, 11, 12 and 13.

## Notes to standalone financial statements for the year ended March 31, 2023

### 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 ₹ 689.93 Crores (March 31, 2022: ₹ 572.37 Crores) and other liquid assets of ₹ 391.27 Crores (March 31, 2022: ₹ 177.42 Crores) that are expected to readily generate cash inflows for managing liquidity risk.

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

| ₹ Crore                              |           |                     |           |                   |
|--------------------------------------|-----------|---------------------|-----------|-------------------|
| As at March 31, 2023                 | On demand | Less than 12 months | 1-5 years | More than 5 years |
| Borrowings                           | -         | 350.04              | -         | -                 |
| Lease liabilities including interest | -         | 7.12                | 19.89     | 0.70              |
| Trade payables                       | -         | 1,150.34            | -         | -                 |
| Royalty and support services         | -         | 19.32               | -         | -                 |
| Unpaid dividend                      | 12.79     | -                   | -         | -                 |
| Retention money                      | -         | 8.86                | 0.25      | -                 |
| Deposits                             | -         | -                   | 27.36     | -                 |
| Others                               | -         | 55.18               | -         | -                 |

| As at March 31, 2022                 | On demand | Less than 12 months | 1-5 years | More than 5 years |
|--------------------------------------|-----------|---------------------|-----------|-------------------|
| Borrowings                           | -         | 393.31              | -         | -                 |
| Lease liabilities including interest | -         | 5.72                | 16.71     | 1.50              |
| Trade payables                       | -         | 997.30              | -         | -                 |
| Royalty and support services         | -         | 15.41               | -         | -                 |
| Unpaid dividend                      | 12.19     | -                   | -         | -                 |
| Retention money                      | -         | 10.83               | 1.26      | -                 |
| Deposits                             | -         | -                   | 23.39     | -                 |
| Others                               | -         | 44.38               | -         | -                 |

## Notes to standalone financial statements for the year ended March 31, 2023

### 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.

|                                 | ₹ Crore        |                |
|---------------------------------|----------------|----------------|
|                                 | March 31, 2023 | March 31, 2022 |
| Borrowings                      | 350.04         | 393.31         |
| Less: Cash and cash equivalents | 391.27         | 177.42         |
| <b>Net debt</b>                 | <b>(41.23)</b> | <b>215.89</b>  |
| Equity                          | 5,367.98       | 4,852.66       |
| <b>Gearing Ratio (times)</b>    | <b>- *</b>     | <b>0.04</b>    |

\* Gearing ratio is not calculated as at March 31, 2023 as the amount of cash and cash equivalents is higher than borrowings

## Notes to standalone financial statements for the year ended March 31, 2023

### 44 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Company's financial instruments other than those with carrying amounts that are reasonable approximations of fair values and investment properties.

|   | Carrying value            |                           | Fair value                |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March, 2023<br>₹ Crore | 31 March, 2022<br>₹ Crore | 31 March, 2023<br>₹ Crore | 31 March, 2022<br>₹ Crore |
| <b>Financial assets</b>                         |                           |                           |                           |                           |
| FVTPL of investments in mutual funds & bonds    | 689.93                    | 577.54                    | 689.93                    | 577.54                    |
| FVTPL of Foreign exchange forward contracts     | -                         | 0.50                      | -                         | 0.50                      |
| FVTOCI of investments in certificate of deposit | 357.99                    | -                         | 357.99                    | -                         |
| <b>Financial liabilities</b>                    |                           |                           |                           |                           |
| FVTPL of Foreign exchange forward contracts     | 0.02                      | -                         | 0.02                      | -                         |
| <b>Non-current assets</b>                       |                           |                           |                           |                           |
| Investment properties                           | 1,019.04                  | 979.03                    | 1,453.73                  | 1,293.29                  |

The Management assessed that the fair values of 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 is based on the price quotation at the reporting date obtained from the asset management companies. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employ 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, 2023

## Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1c, and investment properties by valuation method as defined in Note 3

|   | ₹ Crore                                 |                                       |   |          |
|---|---|---------------------------------------|---|----------|
|   | Quoted prices in active markets Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 | Total    |
| <b>Financial assets at FVTPL</b>              |   |                                       |   |          |
| <b>Investments in mutual funds &amp; bond</b> |   |                                       |   |          |
| March 31, 2023                                | -                                       | 689.93                                | -                                       | 689.93   |
| March 31, 2022                                | -                                       | 577.54                                | -                                       | 577.54   |
| <b>Forward contracts assets</b>               |   |                                       |   |          |
| March 31, 2023                                | -                                       | -                                     | -                                       | -        |
| March 31, 2022                                | -                                       | 0.50                                  | -                                       | 0.50     |
| <b>Financial assets at FVTOCI</b>             |   |                                       |   |          |
| <b>Investments in certificate of deposit</b>  |   |                                       |   |          |
| March 31, 2023                                | -                                       | 357.99                                | -                                       | 357.99   |
| March 31, 2022                                | -                                       | -                                     | -                                       | -        |
| <b>Financial liabilities at FVTPL</b>         |   |                                       |   |          |
| <b>Forward contracts liability</b>            |   |                                       |   |          |
| March 31, 2023                                | -                                       | 0.02                                  | -                                       | 0.02     |
| March 31, 2022                                | -                                       | -                                     | -                                       | -        |
| <b>Non-current assets</b>                     |   |                                       |   |          |
| <b>Investment properties</b>                  |   |                                       |   |          |
| March 31, 2023                                | -                                       | -                                     | 1,453.73                                | 1,453.73 |
| March 31, 2022                                | -                                       | -                                     | 1,293.29                                | 1,293.29 |

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment properties, refer note 3.

## Notes to standalone financial statements for the year ended March 31, 2023

### 45 Financial Ratios

| No. | Name of the Ratio               | Numerator  | Denominator  | March 31, 2023 | March 31, 2022 | Variance % | Rationale for Variance > 25%   |
|-----|---------------------------------|--|--|----------------|----------------|------------|--|
| 1   | Current Ratio                   | Current assets                                   | Current liabilities  | 2.70           | 2.53           | 6.63%      |  |
| 2   | Debt Equity Ratio               | Short term debt + Long term debt                 | Shareholders funds   | 0.07           | 0.08           | -19.55%    |  |
| 3   | Debt Service Coverage Ratio     | Net profit after taxes + Depreciation + Interest | Interest + Lease payments + Principal repayments               | 74.38          | 77.55          | -4.09%     |  |
| 4   | Return on Equity Ratio *        | Net profits after taxes                          | Average shareholders funds                                     | 22%            | 16%            | 37.42%     | During the year the Company could achieve higher revenue from operations and higher profits resulting in better Return on Equity Ratio.    |
| 5   | Inventory Turnover Ratio        | Cost of goods sold                               | Average inventory  | 6.48           | 6.38           | 1.48%      |  |
| 6   | Trade Receivable Turnover Ratio | Revenue from operations (gross)                  | Average trade receivable                                       | 5.45           | 5.29           | 3.11%      |  |
| 7   | Trade Payable Turnover Ratio    | Net credit purchases                             | Average trade payable  | 4.32           | 4.32           | -0.11%     |  |
| 8   | Net Capital Turnover Ratio      | Revenue from operations (gross)                  | Current assets - Current liabilities                           | 2.43           | 2.31           | 5.01%      |  |
| 9   | Net Profit Ratio *              | Net profits after taxes                          | Revenue from operations (gross)                                | 15%            | 12%            | 20.27%     |  |
| 10  | Return on Capital Employed *    | Earning before interest and taxes                | Total assets - (Current liabilities + Non-current liabilities) | 28%            | 21%            | 32.74%     | During the year the Company could achieve higher revenue from operations and higher profits resulting in better Return on Capital Employed |
| 11  | Return on Investment *          | Earning before interest and taxes                | Total assets   | 20%            | 15%            | 33.02%     | During the year the Company could achieve higher revenue from operations and higher profits resulting in better Return on Investment       |

\* Exceptional items have been excluded for computation of financial ratios



# Notes to standalone financial statements for the year ended March 31, 2023

## 46 Standards issued but not yet effective

### i Disclosure of Accounting Policies Amendments to Ind AS 1, Presentation of financial statements

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

### ii Definition of Accounting Estimates Amendments to Ind AS 8, Accounting policies, changes in accounting estimates and errors

The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period

### iii Deferred tax related to assets and liabilities arising from a single transaction Amendments to Ind AS 12, Income taxes

The amendment requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. Ind AS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments

The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

## Notes to standalone financial statements for the year ended March 31, 2023

**47** The company announced a Voluntary Retirement Scheme ('VRS' or the 'Scheme') on May 16, 2022 for eligible employees who meet all the following conditions:

- Permanent employees on the shop floor and in office working at Kothrud Engine, Plant
- Employees between 45 and 57 years of age as on May 16, 2022
- Employees on the permanent rolls of the Company for at least 10 years as on May 16, 2022

Exceptional Items during the year ended March 31, 2023 comprise expenses on account of Voluntary Retirement Scheme ('VRS' or the 'Scheme') aggregating to ₹ 14.30 Crores.

**48** Exceptional Items during the year ended March 31, 2022 comprise gain on sale of property aggregating to ₹ 132.36 Crores

### 49 Segment Information

In accordance with paragraph 4 of Ind AS 108 "Operating segments", the Company has disclosed segment information only on the basis of the consolidated financial statements.

### 50 Relationship with struck off companies

During the year ended March 31, 2023, the Company has not entered into any transactions with the companies whose names were struck off under applicable regulations.

### 51 Social Security code

Government of India's Code for Social Security 2020 (the 'Code') received assent from the President in September 2020. However, the date from when the Code will become applicable and the relevant Rules have not yet been notified. The Company will assess the impact of the Code and account for the same once the effective date and the rules are notified.

As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**  
ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**  
Membership Number: 48125

**Place: Hong Kong**  
**Date: May 24, 2023**

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501



**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

**Place: Pune**  
**Date: May 24, 2023**

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q

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**CONSOLIDATED  
FINANCIAL STATEMENTS  
ALONG WITH AUDIT REPORT  
FOR FY 2022-23**

# Independent Auditor's Report

## To the Members of Cummins India Limited Report on the Audit of the Consolidated Financial Statements

### Opinion

1. We have audited the accompanying consolidated financial statements of Cummins India Limited (hereinafter referred to as the "Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group"), its associate company and joint ventures (refer Note 43 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2023, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income) , the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("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 company and joint ventures as at March 31, 2023, and consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group, its associate company and joint ventures in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 sub-paragraph 14 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key audit matter**


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**Assessment of warranty provision**


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(Refer to Note 39 (i) to the consolidated financial statements)

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The Company provides warranty on sale of engines to customers and recognizes provision in respect of the costs expected to fulfil the warranty obligation over the period/term of the warranty.

In accordance with the requirements of Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets, the provision towards warranty obligation is estimated by the Company, primarily considering factors such as historical trend, average historical failure rate, estimation of expected pattern of future claims and estimated replacement cost. In the case of voluntary extended warranty services offered pursuant to campaigns, management's experts are involved in the estimation of the failure rate during the period of campaign.

The estimation of warranty costs involves significant management judgements and estimates as described above, and the amount is significant to the consolidated financial statements. Accordingly, this has been considered as key audit matter.

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**How our audit addressed the key audit matter**


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We have performed following procedures:

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- Understood, evaluated, and tested the design and operating effectiveness of the controls over estimation of warranty costs and related accruals.
- Obtained an understanding of the warranty terms offered by the Company on sale of products.
- Assessed management's estimation process by performing a historical trend analysis for warranty cost accruals made in prior years.
- Evaluated the method used by management in making the accounting estimates by verifying source data for various input factors such as historical trend, average historical failure rate, estimation of expected pattern of future claims and estimated replacement cost and enquiring with management's experts.
- Verified the computation of provision for warranty costs including testing of completeness, arithmetical accuracy and validity of the data used in the warranty calculations.
- Verified the computation for determining the present value in the case of warranty for periods exceeding one year.
- Verified the adequacy of the disclosures in the consolidated financial statements.

Based on the above audit procedures performed, we did not find any material exceptions with regard to the management assessment of provision for warranty costs and the related disclosures thereof.

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**Other Information**

5. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 14 below), we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

6. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its associate company and joint ventures in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associate company and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated 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 financial statements by the Directors of the Holding Company, as aforesaid.
7. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate company and joint ventures are responsible for assessing the ability of the Group and of its associate company and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
8. The respective Board of Directors of the companies included in the Group and of its associate company and joint ventures are responsible for overseeing the financial reporting process of the Group and of its associate company and joint ventures.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate company and joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate company and joint ventures to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate company and joint ventures to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
11. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Other Matters

14. The consolidated financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of Rs. 78.15 crores and Rs. 0.4 crores for the year ended March 31, 2023 as considered in the consolidated financial statements, in respect of one joint venture whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this joint venture and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid joint venture is based solely on the reports of the other auditors.
15. The consolidated financial statements also include the Group's share of total comprehensive loss (comprising of loss and other comprehensive loss) of Rs. 0.1 crores and Rs. NIL for the year ended March 31, 2023 as considered in the consolidated financial statements, in respect of one joint venture whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this joint venture and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid joint venture, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.
16. Our opinion on the consolidated 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 information certified by the Management.

## Report on Other Legal and Regulatory Requirements

17. As required by paragraph 3(xxi) of the Companies (Auditor's Report) Order, 2020 ("CARO 2020"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we report that there are no qualifications or adverse remarks included by the respective auditors in their CARO 2020 reports issued in respect of the standalone financial statements of the companies which are included in these Consolidated Financial Statements. According to the information and explanations given to us, CARO 2020 is not applicable to one of the joint venture included in these Consolidated Financial Statements.
18. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, associate company and joint ventures incorporated in India, none of the directors of the Group companies, its associate company and joint ventures incorporated in India is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group, its associate company and joint ventures—Refer Note 36 to the consolidated financial statements.
  - ii. The Group, its associate company and joint ventures were not required to recognise a provision as at March 31, 2023 under the applicable law or accounting standards, as it does not have any material foreseeable losses on long-term contract. The Group, its associate and joint ventures did not have any derivative contracts as at March 31, 2023.
  - iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, associate company and joint ventures incorporated in India during the year.
  - iv. (a) The respective Managements of the Company and its subsidiary/ joint ventures/ associate which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such joint venture respectively that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiary/ joint venture/ associate to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such subsidiary/ joint venture/ associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (b) The respective Managements of the Company and its subsidiary/ joint ventures/ associate which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such joint venture respectively that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such subsidiary/ joint venture/ associate from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded

in writing or otherwise, that the Company or any of such subsidiary/ joint venture / associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- (c) Based on the audit procedures, that has been considered reasonable and appropriate in the circumstances, performed by us and those performed by the auditors of the joint venture which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor’s notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.
  - v. The dividend declared and paid during the year by the Holding Company, its subsidiary company, associate company and joint ventures, is in compliance with Section 123 of the Act.
19. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for the feature of recording of audit trail (edit log) facility in the accounting software used by the Group, associate company and joint ventures for maintenance of books of account and related matters, is applicable for the Company only with effect from financial year beginning April 1, 2023, the reporting under clause (g) of Rule 11 is currently not applicable. The Group has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
20. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, reporting under Section 197(16) of the Act is not applicable to the associate company and joint ventures.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

UDIN: 23048125BGWQTX3558

Hong Kong

May 24, 2023

## Annexure A to Independent Auditor's Report

Referred to in paragraph 18(f) of the Independent Auditor's Report of even date to the members of Cummins India Limited on the consolidated financial statements for the year ended March 31, 2023

### Report on the Internal Financial Controls with reference to Consolidated Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to financial statements 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

2. The respective Board of Directors of the Holding Company, its subsidiary company, its associate company and joint ventures, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to consolidated financial statements is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to consolidated 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.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system with reference to consolidated financial statements.

## Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

6. A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated 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 with reference to Consolidated Financial Statements

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

## Opinion

8. In our opinion, the Holding Company, its subsidiary company, its associate company and joint ventures, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

## Other Matter

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to one subsidiary company, one associate company and one joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not modified in respect of this matter.

## For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/E-300009

### Jeetendra Mirchandani

Partner

Membership Number: 48125

UDIN: 23048125BGWQTX3558

Hong Kong

May 24, 2023

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# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2023

₹ Crore

| Particulars  | Notes | As at           |                 |
|--|-------|-----------------|-----------------|
|  |       | March 31, 2023  | March 31, 2022  |
| <b>ASSETS</b>  |       |                 |                 |
| <b>Non-current assets</b>  |       |                 |                 |
| Property, plant and equipment  | 2.1   | 1,132.77        | 1,154.36        |
| Capital work-in-progress (including investment property in progress)       | 2.3   | 41.29           | 60.37           |
| Right-of-use assets  | 37    | 36.20           | 33.32           |
| Investment properties  | 3     | 1,019.04        | 979.03          |
| Intangible assets  | 2.2   | 37.80           | 41.98           |
| Intangible assets under development  | 2.3   | -               | 0.41            |
| Financial assets   |       |                 |                 |
| Investments in joint ventures and an associate                             | 4     | 409.52          | 314.28          |
| Other non-current financial assets   | 5     | 12.24           | 11.17           |
| Income tax assets (net)  | 6     | 35.29           | 40.35           |
| Other non-current assets   | 7     | 96.02           | 63.35           |
|  |       | <b>2,820.17</b> | <b>2,698.62</b> |
| <b>Current assets</b>  |       |                 |                 |
| Inventories  | 8     | 903.66          | 737.53          |
| Financial assets   |       |                 |                 |
| Investments  | 9     | 1,047.92        | 577.54          |
| Trade receivables  | 10    | 1,597.12        | 1,258.10        |
| Cash and cash equivalents  | 11    | 396.69          | 177.43          |
| Other bank balances  | 12    | 989.54          | 1,249.32        |
| Other current financial assets   | 13    | 42.85           | 255.46          |
| Other current assets   | 14    | 119.55          | 155.92          |
| Assets classified as held for sale   | 15    | 1.14            | 2.07            |
|  |       | <b>5,098.47</b> | <b>4,413.37</b> |
| <b>TOTAL</b>   |       | <b>7,918.64</b> | <b>7,111.99</b> |
| <b>EQUITY AND LIABILITIES</b>  |       |                 |                 |
| <b>Equity</b>  |       |                 |                 |
| Equity share capital   | 16    | 55.44           | 55.44           |
| Other equity   |       |                 |                 |
| Retained earnings  | 17    | 4,540.26        | 3,932.22        |
| Other reserves   | 17    | 1,162.54        | 1,157.31        |
|  |       | <b>5,758.24</b> | <b>5,144.97</b> |
| <b>Non-current liabilities</b>   |       |                 |                 |
| Financial liabilities  |       |                 |                 |
| Lease liabilities  | 37    | 20.07           | 17.88           |
| Other non-current financial liabilities                                    | 18    | 40.80           | 24.66           |
| Provisions   | 19    | 105.08          | 83.17           |
| Deferred tax liabilities (net)   | 20    | 100.83          | 93.50           |
| Other non-current liabilities  | 21    | 3.27            | 3.22            |
|  |       | <b>270.05</b>   | <b>222.43</b>   |
| <b>Current liabilities</b>   |       |                 |                 |
| Financial liabilities  |       |                 |                 |
| Borrowings   | 22    | 350.04          | 394.68          |
| Trade payables   |       |                 |                 |
| Total outstanding dues of micro and small enterprises                      | 23    | 70.03           | 42.59           |
| Total outstanding dues of creditors other than micro and small enterprises | 23    | 1,083.84        | 957.09          |
| Lease liabilities  | 37    | 5.98            | 4.97            |
| Other current financial liabilities  | 24    | 98.62           | 85.14           |
| Other current liabilities  | 25    | 144.52          | 113.98          |
| Provisions   | 19    | 137.32          | 146.14          |
|  |       | <b>1,890.35</b> | <b>1,744.59</b> |
| <b>TOTAL</b>   |       | <b>7,918.64</b> | <b>7,111.99</b> |

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

As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**

ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani  
Partner**

Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

**For and on behalf of the Board**

**Ashwath Ram  
Managing Director**  
DIN: 00149501

**Vinaya Joshi  
Company Secretary**  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee  
Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil  
Chief Financial Officer**  
PAN: AAJPP9246Q

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023

₹ Crore

| Particulars   | Notes    | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|----------|------------------------------|------------------------------|
| Revenue from operations   | 26       | 7,772.09                     | 6,170.92                     |
| Other income  | 27       | 308.15                       | 243.19                       |
| <b>Total income</b>   |          | <b>8,080.24</b>              | <b>6,414.11</b>              |
| <b>Expenses:</b>  |          |                              |                              |
| Cost of materials consumed  | 28.1     | 4,567.98                     | 3,574.29                     |
| Purchases of traded goods   |          | 781.23                       | 571.45                       |
| Change in inventories of finished goods, work-in-progress and traded goods  | 28.2     | (126.69)                     | (38.58)                      |
| Employee benefits expense   | 29       | 648.88                       | 614.53                       |
| Finance costs   | 30       | 16.24                        | 12.16                        |
| Depreciation and amortisation expense   | 2, 3, 37 | 142.04                       | 135.62                       |
| Other expenses  | 31       | 652.95                       | 561.17                       |
| <b>Total expenses</b>   |          | <b>6,682.63</b>              | <b>5,430.64</b>              |
| <b>Profit before exceptional items, share of profit of joint ventures and associate and tax</b>                             |          | <b>1,397.61</b>              | <b>983.47</b>                |
| Exceptional items (expense) / income  | 52, 53   | (14.30)                      | 132.36                       |
| <b>Profit after exceptional items before share of profit of joint ventures and associate and before tax</b>                 |          | <b>1,383.31</b>              | <b>1,115.83</b>              |
| Share of profit of joint ventures and associate after tax   |          | 207.98                       | 91.15                        |
| <b>Profit before tax</b>  |          | <b>1,591.29</b>              | <b>1,206.98</b>              |
| <b>Tax expense</b>  |          |                              |                              |
| Current tax   | 20       | 355.63                       | 261.36                       |
| Deferred tax  | 20       | 5.95                         | 14.90                        |
| Tax for earlier years   | 20       | 1.56                         | (3.02)                       |
| <b>Total tax expense</b>  |          | <b>363.14</b>                | <b>273.24</b>                |
| <b>Profit after tax</b>   |          | <b>1,228.15</b>              | <b>933.74</b>                |
| <b>Other Comprehensive Income (OCI)</b>   |          |                              |                              |
| <i>Items not to be reclassified to profit or loss in subsequent periods</i>   |          |                              |                              |
| Remeasurement (loss) / gain on defined benefit plans  |          | 5.67                         | 0.10                         |
| Income tax effect   |          | (1.43)                       | (0.03)                       |
| <i>Items to be reclassified to profit or loss in subsequent periods</i>   |          |                              |                              |
| Changes in the fair value of financial instruments  |          | (0.13)                       | -                            |
| Income tax effect   |          | 0.03                         | -                            |
| Other comprehensive (expense) / income, net of tax  |          | 4.14                         | 0.07                         |
| Share in joint ventures' and associate's OCI after tax (net) not to be reclassified to profit or loss in subsequent periods |          | (0.55)                       | 0.49                         |
| <b>Total Other comprehensive (expense) / income for the year, net of tax</b>  |          | <b>3.59</b>                  | <b>0.56</b>                  |
| <b>Total comprehensive income for the year, net of tax</b>  |          | <b>1,231.74</b>              | <b>934.30</b>                |
| <b>Earnings per equity share:</b>   |          |                              |                              |
| Basic and diluted earnings per share (₹)  | 32       | 44.31                        | 33.68                        |
| (Nominal value per share ₹ 2)   |          |                              |                              |

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**  
ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**  
Membership Number: 48125

**Place: Hong Kong**  
**Date: May 24, 2023**

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501

**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

**Place: Pune**  
**Date: May 24, 2023**

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q



# CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2023

₹ Crore

| Particulars  | Year ended<br>March 31, 2023 | Year Ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>I. Cash generated from operating activities</b>                       |                              |                              |
| Profit before tax  | 1,591.29                     | 1,206.98                     |
| <b>a) Adjustments to reconcile profit before tax to net cash flows</b>   |                              |                              |
| Depreciation and amortisation expense                                    | 142.04                       | 135.62                       |
| Finance costs  | 16.24                        | 12.16                        |
| Interest income  | (73.76)                      | (58.67)                      |
| Loss/(gain) on assets sold, discarded, etc.                              | (2.49)                       | (6.08)                       |
| (Gain)/loss on redemption /sale of investments (net)                     | (43.89)                      | (17.58)                      |
| Equity contribution from Holding company                                 | 5.23                         | 2.82                         |
| Unrealised foreign exchange fluctuation (net)                            | (14.07)                      | (12.24)                      |
| Mark to market ('MTM') of financial instruments                          | 0.02                         | (0.50)                       |
| Provision for doubtful debts and advances (net)                          | 1.01                         | (6.62)                       |
| Rent concession received from lessor                                     | -                            | (0.05)                       |
| Share of profit of joint ventures and associate                          | (207.98)                     | (91.15)                      |
| Exceptional Items  | 14.30                        | (132.36)                     |
|  | <b>(163.35)</b>              | <b>(174.65)</b>              |
| <b>b) Working capital adjustments</b>                                    |                              |                              |
| Trade receivables  | (363.41)                     | (168.64)                     |
| Inventories  | (166.24)                     | (172.87)                     |
| Current and non-current financial assets                                 | 7.41                         | 12.13                        |
| Other current and non-current assets                                     | 31.37                        | (7.29)                       |
| Trade payables   | 173.83                       | 273.16                       |
| Current and non-current financial liabilities                            | 14.58                        | (32.57)                      |
| Other current and non-current liabilities                                | 30.75                        | 28.05                        |
| Current and non-current provisions                                       | 15.56                        | 2.20                         |
|  | <b>(256.15)</b>              | <b>(65.83)</b>               |
| <b>Total adjustments (a+b)</b>   | <b>(419.50)</b>              | <b>(240.48)</b>              |
| <b>Cash generated from operating activities</b>                          | <b>1,171.79</b>              | <b>966.50</b>                |
| Tax paid (net of refunds and interest thereon)                           | (352.13)                     | (254.63)                     |
| <b>Net cash generated from operating activities</b>                      | <b>819.66</b>                | <b>711.87</b>                |
| <b>II. Cash flows (used in)/from investing activities</b>                |                              |                              |
| Purchase of property, plant and equipment and investment property        | (162.06)                     | (152.02)                     |
| Proceeds from sale of property, plant and equipment                      | 7.32                         | 174.67                       |
| Intangible assets under development                                      | 0.41                         | 47.71                        |
| Interest received  | 73.76                        | 58.52                        |
| Dividend received (including received from associate and joint ventures) | 112.07                       | 44.56                        |

₹ Crore

| Particulars  | Year ended<br>March 31, 2023 | Year Ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| Investments  |                              |                              |
| Sale/(Purchase) of short term investments (net)                        | (426.38)                     | (228.24)                     |
| Term deposits with banks   | 464.02                       | (531.45)                     |
| <b>Net cash (used in)/from investing activities</b>                    | <b>69.14</b>                 | <b>(586.25)</b>              |
| <b>III. Cash flows (used in)/from financing activities</b>             |                              |                              |
| Proceeds from borrowings/repayment (net)                               | (44.64)                      | 374.46                       |
| Finance costs  | (13.04)                      | (8.03)                       |
| Payment of principal portion of lease liabilities                      | (5.96)                       | (5.16)                       |
| Dividend paid (including tax on dividend)                              | (623.70)                     | (443.52)                     |
| <b>Net cash (used in)/from financing activities</b>                    | <b>(687.34)</b>              | <b>(82.25)</b>               |
| <b>IV. Net change in cash and cash equivalents (I+II+III)</b>          | <b>201.46</b>                | <b>43.37</b>                 |
| <b>V. Net foreign exchange difference</b>                              | <b>17.80</b>                 | <b>12.46</b>                 |
| <b>VI. Cash and cash equivalents at the beginning of the year</b>      | <b>177.43</b>                | <b>121.60</b>                |
| <b>VII. Cash and cash equivalents at the end of the year (IV+V+VI)</b> | <b>396.69</b>                | <b>177.43</b>                |
| <b>Components of cash and cash equivalents</b>                         |                              |                              |
| Cash on hand   | 0.01                         | 0.02                         |
| Bank balances  |                              |                              |
| In current accounts  | 166.43                       | 177.41                       |
| Deposits with banks (original maturity less than 3 months)             | 230.03                       | -                            |
| Cheque in hand   | 0.22                         | -                            |
| <b>Total cash and cash equivalents (Refer note 11)</b>                 | <b>396.69</b>                | <b>177.43</b>                |

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**  
ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
**Partner**  
Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

**For and on behalf of the Board**

**Ashwath Ram**  
**Managing Director**  
DIN: 00149501

**Vinaya Joshi**  
**Company Secretary**  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
**Director**  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
**Chief Financial Officer**  
PAN: AAJPP9246Q

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2023

## A) Equity share capital

| Particulars  | ₹ Crore      |
|--|--------------|
| <b>As at April 1, 2021</b>   | <b>55.44</b> |
| Changes in equity share capital during the year ended March 31, 2022 | -            |
| <b>As at March 31, 2022</b>  | <b>55.44</b> |
| Changes in equity share capital during the year ended March 31, 2023 | -            |
| <b>As at March 31, 2023</b>  | <b>55.44</b> |

## B) Other equity

| Particulars                                    | Retained earnings<br>(Refer note 17) | Other reserves                     |   |   | Total           |
|--|--------------------------------------|------------------------------------|---|---|-----------------|
|  |                                      | General reserve<br>(Refer note 17) | Capital redemption reserve<br>(Refer note 17) | Equity contribution from Cummins Inc. - Share based payments *<br>(Refer note 17) |                 |
| <b>Balance as at April 1, 2021</b>             | <b>3,441.44</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>11.77</b>  | <b>4,595.93</b> |
| Add: Profit for the year                       | 933.74                               | -                                  | -   | -   | 933.74          |
| Add: Equity contribution during the year       | -                                    | -                                  | -   | 2.82  | 2.82            |
| Other comprehensive income                     | 0.56                                 | -                                  | -   | -   | 0.56            |
| <b>Total comprehensive income for the year</b> | <b>934.30</b>                        | <b>-</b>                           | <b>-</b>                                      | <b>2.82</b>   | <b>937.12</b>   |
| Less: Dividends paid                           |                                      |                                    |   |   |                 |
| - Interim dividend                             | 221.76                               | -                                  | -   | -   | 221.76          |
| - Final dividend for FY 2020-2021              | 221.76                               | -                                  | -   | -   | 221.76          |
| <b>Balance as at March 31, 2022</b>            | <b>3,932.22</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>14.59</b>  | <b>5,089.53</b> |
| Balance as at April 1, 2022                    | 3,932.22                             | 1,142.02                           | 0.70  | 14.59   | 5,089.53        |
| Add: Profit for the year                       | 1,228.15                             | -                                  | -   | -   | 1,228.15        |
| Add: Equity contribution during the year       | -                                    | -                                  | -   | 5.23  | 5.23            |
| Other comprehensive income                     | 3.59                                 | -                                  | -   | -   | 3.59            |
| <b>Total comprehensive income for the year</b> | <b>1,231.74</b>                      | <b>-</b>                           | <b>-</b>                                      | <b>5.23</b>   | <b>1,236.97</b> |
| Less: Dividends paid                           |                                      |                                    |   |   |                 |
| - Interim dividend                             | 332.64                               | -                                  | -   | -   | 332.64          |
| - Final dividend for FY 2021-2022              | 291.06                               | -                                  | -   | -   | 291.06          |
| <b>Balance as at March 31, 2023</b>            | <b>4,540.26</b>                      | <b>1,142.02</b>                    | <b>0.70</b>                                   | <b>19.82</b>  | <b>5,702.80</b> |

\* Scheme managed and administered by the Holding Company.

As per our report of even date

**For Price Waterhouse &  
Co Chartered Accountants LLP**  
ICAI Firm Registration Number :  
304026E/E-300009

**Jeetendra Mirchandani**  
Partner  
Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

For and on behalf of the Board

**Ashwath Ram**  
Managing Director  
DIN: 00149501

**Vinaya Joshi**  
Company Secretary  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
Director  
DIN: 00010180  
Place: Dubai

**Ajay Patil**  
Chief Financial Officer  
PAN: AAJPP9246Q

# Notes to consolidated financial statements for the year ended March 31, 2023

## 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, 2023. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company's shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Cummins India Office Campus, Balewadi, Pune. The Group is principally engaged in the business of manufacturing, trading and selling of engines and allied activities.

The consolidated financial statements of the Group for the year ended March 31, 2023 were authorised for issue in accordance with the resolution of the directors on May 24, 2023.

### b) Basis of preparation

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

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

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

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### c) Principles of consolidation

#### i) Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## Notes to consolidated financial statements for the year ended March 31, 2023

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 are attributed to the equity holders of parent of the Group and to 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.

# Notes to consolidated financial statements for the year ended March 31, 2023

## iii) Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint venture companies have been accounted for by using the equity method of accounting whereby the investment is initially recorded at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition changes in the investor's share of net assets of the associate or joint venture.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. If an entities share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in Statement of Profit and Loss.

## Notes to consolidated financial statements for the year ended March 31, 2023

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

| Name of the Company  | March 31, 2023 |               | March 31, 2022 |               |
|--|----------------|---------------|----------------|---------------|
|  | Relation-ship  | Share-holding | Relation-ship  | Share-holding |
| 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 (Refer note 40)                                      | 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.

## Notes to consolidated financial statements for the year ended March 31, 2023

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.

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.

Other fair value related disclosures are given in the relevant notes:

|  |                 |
|--|-----------------|
| Disclosures for valuation methods, significant estimates and assumptions | Note 35 and 47  |
| Financial instruments (including those carried at amortised cost)        | Note 4, 9 to 13 |
| Investment Properties  | Note 3 and 47   |

### e) **Property, plant and equipment and investment properties**

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.



## Notes to consolidated financial statements for the year ended March 31, 2023

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

| <b>Assets</b>                             | <b>Useful life</b> |
|---|--------------------|
| Roads                                     | 10 years           |
| Office building and investment properties | upto 60 years      |
| Factory building                          | 30 years           |
| Plant and machinery                       | 3 to 15 years      |
| Furniture and fittings                    | 5 to 10 years      |
| Vehicles                                  | 8 to 9 years       |

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

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

Leasehold improvements are amortised on straight line basis over the period of lease.

Transfers are made to investment properties only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

### f) Intangible assets

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

Softwares are amortised over a period of useful lives from the date of purchase/date of completion of development and put to use (3-5 years), being the estimated useful life as per the management estimate or license term whichever is less. The amortisation period for an intangible asset with finite useful life is reviewed atleast at the end of each reporting period.

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

### g) Assets held for sale

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

# Notes to consolidated financial statements for the year ended March 31, 2023

## h) Inventories

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

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

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

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

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

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

## i) Foreign currency transactions

The Group's consolidated financial statements are presented in INR (₹), which is also CIL and subsidiary's functional currency.

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

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

## j) Revenue recognition

### i) Revenue from sale of products

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

## Notes to consolidated financial statements for the year ended March 31, 2023

### ii) Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

### iii) Warranty obligations

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

### iv) Sale of services - installation services

The Group provides installation services that can be either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the product sold. Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative standalone selling prices of the products and installation services. The Group recognises revenue from installation services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from sale of products is recognised at a point in time, generally upon delivery of the products.

### v) Sale of services - service contracts

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

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

# Notes to consolidated financial statements for the year ended March 31, 2023

## vi) Contract assets

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

## vii) Contract liabilities

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

## viii) Trade receivables

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

- ix) Interest income is recognised using effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR the 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 Other Income in the Statement of Profit and Loss.
- x) Rental income is recognised on straight-line basis over the lease term, other than escalations on account of inflation.
- xi) Dividend income from investments is recognised when the right to receive payment is established.

## k) Leases

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

### Group as a lessee

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

# Notes to consolidated financial statements for the year ended March 31, 2023

## Right-of-use assets

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

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

## Lease Liabilities

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

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

## Short-term leases and leases of low-value assets

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

## Group as a lessor

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

# Notes to consolidated financial statements for the year ended March 31, 2023

## I) Employee benefits

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

### A) Post-employment benefits

#### i) Defined contribution plans:

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has defined contribution plans for post employment benefits in the form of superannuation fund for management employees and provident fund for non management employees which is administered by Life Insurance Corporation of India / Regional Provident Fund Commissioner. In case of superannuation fund for management employees and provident fund for non management employees, the Group has no further obligation beyond making the contributions. The contributions are accounted for as employee benefit expense when they are due. Prepaid contribution is recognised as an asset to the extent cash refund or reduction in future contribution is available.

#### ii) Defined benefit plans:

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

**Unfunded Plan:** The Group has unfunded defined benefit plans in the form of post retirement medical benefits (PRMB) and Ex-gratia benefits as per the policy of the Group.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by 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 Group has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Group's contributions and such shortfall are charged to the Statement of Profit and Loss as and when incurred.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated Statement of Profit and Loss:

- Service costs comprising current Service costs, past-Service costs, gains and losses on curtailments and non-routine settlements; and

## Notes to consolidated financial statements for the year ended March 31, 2023

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

### B) Other employee benefit (unfunded):

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

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

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

### m) Research and development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

# Notes to consolidated financial statements for the year ended March 31, 2023

## n) Income tax

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

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing and applicable for the relevant assessment year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases in the consolidated financial statements. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

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



# Notes to consolidated financial statements for the year ended March 31, 2023

## q) Cash and cash equivalents

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

## r) Segment reporting

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

## s) Government grants

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

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

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

## t) Financial instruments

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

### Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component are measured at transaction price. For all subsequent measurements financial assets are classified in following categories:

# Notes to consolidated financial statements for the year ended March 31, 2023

## A) Debt instruments

- i) Debt instruments at amortised cost: Debt instrument is measured 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 (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. 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): 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. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).
- 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.

# Notes to consolidated financial statements for the year ended March 31, 2023

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

Impairment loss allowance including ECL or reversal recognized during the period is recognized as income/ expense in Statement of Profit and Loss . This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss. The impairment loss is presented as an allowance in the balance sheet as a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

### Financial liabilities

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

Subsequent measurement of financial liabilities depends on their classification as FVTPL 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 EIR method. Gains and losses are recognized in Statement of Profit

## Notes to consolidated financial statements for the year ended March 31, 2023

and Loss when the liabilities are derecognized as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part on EIR. The EIR amortisation is included as finance cost in the Statement of Profit and Loss.

### Derecognition

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

### Derivatives

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

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

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 through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

# Notes to consolidated financial statements for the year ended March 31, 2023

## Reclassification of financial instruments

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

## Offsetting financial assets and financial liabilities

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

### u) Dividend distribution

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

### v) Earning per Share (EPS)

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

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

## Notes to consolidated financial statements for the year ended March 31, 2023

### 2.1 Property, plant and equipment (PPE)

| Particulars              | Gross block         |               |                | Depreciation and Amortisation |                      |                     | Net block    |               |                        |                      |                      |                 |
|--------------------------|---------------------|---------------|----------------|-------------------------------|----------------------|---------------------|--------------|---------------|------------------------|----------------------|----------------------|-----------------|
|                          | As at April 1, 2022 | Additions     | Adjustment **  | Deductions / Write-off        | As at March 31, 2023 | As at April 1, 2022 | For the year | Adjustment ** | Deductions / Write-off | As at March 31, 2023 | As at March 31, 2023 |                 |
| <b>Tangible Assets:</b>  |                     |               |                |                               |                      |                     |              |               |                        |                      |                      |                 |
| Freehold land @          | 36.12               | 0.04          | (6.44)         | -                             | 29.72                | -                   | -            | -             | -                      | -                    | -                    | 29.72           |
| Leasehold improvements   | 7.21                | 5.05          | -              | 0.69                          | 11.57                | 1.54                | 0.18         | -             | 0.68                   | 1.04                 | 1.04                 | 10.53           |
| Roads                    | 30.60               | 1.12          | -              | -                             | 31.72                | 21.48               | 1.55         | -             | -                      | 23.03                | 23.03                | 8.69            |
| Buildings #              | 848.65              | 27.68         | (87.51)        | 0.55                          | 788.27               | 160.99              | 17.74        | (11.14)       | 0.43                   | 167.16               | 167.16               | 621.11          |
| Plant and machinery #    | 1,064.44            | 113.96        | 27.34          | 62.75                         | 1,142.99             | 669.83              | 59.85        | 25.51         | 58.47                  | 696.72               | 696.72               | 446.27          |
| Furniture and fittings # | 51.60               | 0.20          | 0.68           | 2.20                          | 50.28                | 31.99               | 4.46         | 0.32          | 1.80                   | 34.97                | 34.97                | 15.31           |
| Vehicles                 | 5.11                | -             | 0.12           | 0.21                          | 5.02                 | 3.54                | 0.42         | 0.11          | 0.19                   | 3.88                 | 3.88                 | 1.14            |
|                          | <b>2,043.73</b>     | <b>148.05</b> | <b>(65.81)</b> | <b>66.40</b>                  | <b>2,059.57</b>      | <b>889.37</b>       | <b>84.20</b> | <b>14.80</b>  | <b>61.57</b>           | <b>926.80</b>        | <b>926.80</b>        | <b>1,132.77</b> |

### 2.2 Intangible assets

| Particulars        | Gross block         |             |               | Depreciation and Amortisation |                      |                     | Net block    |               |                        |                      |                      |              |
|--------------------|---------------------|-------------|---------------|-------------------------------|----------------------|---------------------|--------------|---------------|------------------------|----------------------|----------------------|--------------|
|                    | As at April 1, 2022 | Additions   | Adjustment ** | Deductions / Write-off        | As at March 31, 2023 | As at April 1, 2022 | For the year | Adjustment ** | Deductions / Write-off | As at March 31, 2023 | As at March 31, 2023 |              |
| Software           | 8.30                | 3.43        | 0.08          | 0.08                          | 11.73                | 7.68                | 2.42         | 0.06          | 0.06                   | 10.10                | 10.10                | 1.63         |
| Technical know-how | 20.60               | -           | -             | -                             | 20.60                | 20.60               | -            | -             | -                      | 20.60                | 20.60                | -            |
| Development Cost   | 48.25               | -           | -             | -                             | 48.25                | 6.89                | 5.19         | -             | -                      | 12.08                | 12.08                | 36.17        |
|                    | <b>77.15</b>        | <b>3.43</b> | <b>0.08</b>   | <b>0.08</b>                   | <b>80.58</b>         | <b>35.17</b>        | <b>7.61</b>  | <b>0.06</b>   | <b>0.06</b>            | <b>42.78</b>         | <b>42.78</b>         | <b>37.80</b> |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 2.3 Capital work-in-progress and intangible assets under development

| Particulars                         | As at April 1, 2022 |                   | Additions     |                       | Total Additions | Capitalisation    |                       | Total Capitalisation | As at March 31, 2023 |
|-------------------------------------|---------------------|-------------------|---------------|-----------------------|-----------------|-------------------|-----------------------|----------------------|----------------------|
|                                     | PPE                 | Intangible assets | PPE           | Investment properties |                 | Intangible assets | Investment properties |                      |                      |
| Capital work-in-progress            | 60.37               | -                 | 128.16        | 1.82                  | 129.98          | -                 | 1.36                  | 149.06               | 41.29                |
| Intangible assets under development | 0.41                | 3.02              | -             | -                     | 3.02            | 3.43              | -                     | 3.43                 | -                    |
|                                     | <b>60.78</b>        | <b>3.02</b>       | <b>128.16</b> | <b>1.82</b>           | <b>133.00</b>   | <b>3.43</b>       | <b>1.36</b>           | <b>152.49</b>        | <b>41.29</b>         |

### 2.4 Capital work-in-progress (including investment property in progress) aging schedule \*

| Projects in progress | Amount in CWIP for a period of |             |             |                   | Total        |
|----------------------|--------------------------------|-------------|-------------|-------------------|--------------|
|                      | Less than 1 year               | 1-2 years   | 2-3 years   | More than 3 years |              |
| Tangible assets      | 33.59                          | 5.46        | 1.42        | 0.82              | 41.29        |
| Intangible assets    | -                              | -           | -           | -                 | -            |
|                      | <b>33.59</b>                   | <b>5.46</b> | <b>1.42</b> | <b>0.82</b>       | <b>41.29</b> |

\*Capital work-in-progress includes projects amounting to ₹ 2.77 crore whose completion is overdue on account of procedural delays and will be completed in the next 1 year.

#### NOTES:

- @ 1) Includes reservations by Pune Municipal Corporation for Economically Weaker Section (EWS) and Road.  
 2) Includes undivided share of land, on purchase of office premises.  
 \*\* includes reclassification from assets held for sale and to investment properties (Refer note 3)  
 # Includes certain assets given on cancellable/ non-cancellable operating lease

## Notes to consolidated financial statements for the year ended March 31, 2023

### 2.1 Property, plant and equipment (PPE)

| Particulars              | Gross block         |               |                | Depreciation and Amortisation |                      |                     | Net block    |              |                |                        |
|--------------------------|---------------------|---------------|----------------|-------------------------------|----------------------|---------------------|--------------|--------------|----------------|------------------------|
|                          | As at April 1, 2021 | Additions     | Adjustment *** | Deductions / Write-off        | As at March 31, 2022 | As at April 1, 2021 |              | For the year | Adjustment *** | Deductions / Write-off |
| <b>Tangible Assets:</b>  |                     |               |                |                               |                      |                     |              |              |                |                        |
| Freehold land @          | 36.12               | -             | -              | -                             | 36.12                | -                   | -            | -            | -              | 36.12                  |
| Leasehold improvements   | 7.19                | 0.02          | -              | -                             | 7.21                 | 1.42                | 0.12         | -            | -              | 1.54                   |
| Roads                    | 29.93               | 0.67          | -              | -                             | 30.60                | 20.22               | 1.26         | -            | -              | 21.48                  |
| Buildings #              | 839.89              | 9.10          | 0.13           | 0.47                          | 848.65               | 142.29              | 19.00        | 0.13         | 0.43           | 160.99                 |
| Plant and machinery #**  | 1,012.78            | 95.62         | 44.56          | 88.52                         | 1,064.44             | 651.08              | 54.43        | 19.97        | 55.65          | 669.83                 |
| Furniture and fittings # | 52.22               | 0.11          | 0.05           | 0.78                          | 51.60                | 27.87               | 4.56         | 0.05         | 0.49           | 31.99                  |
| Vehicles                 | 5.06                | 0.19          | (0.14)         | -                             | 5.11                 | 3.19                | 0.49         | (0.14)       | -              | 3.54                   |
|                          | <b>1,983.19</b>     | <b>105.71</b> | <b>44.60</b>   | <b>89.77</b>                  | <b>2,043.73</b>      | <b>846.07</b>       | <b>79.86</b> | <b>20.01</b> | <b>56.57</b>   | <b>889.37</b>          |

### 2.2 Intangible assets

| Particulars        | Gross block         |              |                | Depreciation and Amortisation |                      |                     | Net block   |              |                |                        |
|--------------------|---------------------|--------------|----------------|-------------------------------|----------------------|---------------------|-------------|--------------|----------------|------------------------|
|                    | As at April 1, 2021 | Additions    | Adjustment *** | Deductions / Write-off        | As at March 31, 2022 | As at April 1, 2021 |             | For the year | Adjustment *** | Deductions / Write-off |
| Software           | 8.20                | 0.10         | 4.70           | 4.70                          | 8.30                 | 7.17                | 0.50        | 1.69         | 1.68           | 7.68                   |
| Technical know-how | 20.60               | -            | -              | -                             | 20.60                | 20.60               | -           | -            | -              | 20.60                  |
| Development Cost   | -                   | 48.25        | -              | -                             | 48.25                | -                   | 6.89        | -            | -              | 6.89                   |
|                    | <b>28.80</b>        | <b>48.35</b> | <b>4.70</b>    | <b>4.70</b>                   | <b>77.15</b>         | <b>27.77</b>        | <b>7.39</b> | <b>1.69</b>  | <b>1.68</b>    | <b>35.17</b>           |



## Notes to consolidated financial statements for the year ended March 31, 2023

### 2.3 Capital work-in-progress (including investment property in progress) ₹ Crore

| Particulars                         | As at April 1, 2021 |                   | Additions         |                       | Total           |               | Capitalisation    |                       | Total Capitalisation | As at March 31, 2022 |
|-------------------------------------|---------------------|-------------------|-------------------|-----------------------|-----------------|---------------|-------------------|-----------------------|----------------------|----------------------|
|                                     | PPE                 | Intangible assets | Intangible assets | Investment properties | Total Additions | PPE           | Intangible assets | Investment properties |                      |                      |
| Capital work-in-progress            | 79.40               | -                 | 88.15             | 0.05                  | 88.20           | 105.55        | -                 | 1.68                  | 107.23               | 60.37                |
| Intangible assets under development | 48.12               | 0.64              | -                 | -                     | 0.64            | -             | 48.35             | -                     | 48.35                | 0.41                 |
|                                     | <b>127.52</b>       | <b>0.64</b>       | <b>88.15</b>      | <b>0.05</b>           | <b>88.84</b>    | <b>105.55</b> | <b>48.35</b>      | <b>1.68</b>           | <b>155.58</b>        | <b>60.78</b>         |

### 2.4 Capital work-in-progress (including investment property in progress) aging schedule \* ₹ Crore

| Projects in progress | Amount in CWIP for a period of |             |                                | Total       |              |
|----------------------|--------------------------------|-------------|--------------------------------|-------------|--------------|
|                      | Less than 1 year               | 1-2 years   | 2-3 years<br>More than 3 years |             |              |
| Tangible assets      | 43.76                          | 7.93        | 7.65                           | 1.03        | 60.37        |
| Intangible assets    | 0.41                           | -           | -                              | -           | 0.41         |
|                      | <b>44.17</b>                   | <b>7.93</b> | <b>7.65</b>                    | <b>1.03</b> | <b>60.78</b> |

\* Capital work-in-progress includes a project amounting to ₹9.02 Crore which is overdue on account of certain disruptions caused by COVID-19 and will be completed in the next 1-2 years.

#### NOTES:

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

\*\*\* Includes reclassification to assets held for sale

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

## Notes to consolidated financial statements for the year ended March 31, 2023

### 3 Investment properties

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Gross</b>   |                           |                           |
| Opening balance                                      | 1,165.77                  | 1,164.09                  |
| Additions  | 1.36                      | 1.68                      |
| Deductions   | 0.93                      | -                         |
| Re-classification from property, plant and equipment | 93.99                     | -                         |
| <b>Closing balance</b>                               | <b>1,260.19</b>           | <b>1,165.77</b>           |
| <b>Accumulated Depreciation</b>                      |                           |                           |
| Opening balance                                      | 186.74                    | 144.17                    |
| Depreciation   | 43.54                     | 42.57                     |
| Deductions   | 0.28                      | -                         |
| Re-classification from property, plant and equipment | 11.15                     | -                         |
| <b>Closing balance</b>                               | <b>241.15</b>             | <b>186.74</b>             |
| <b>Net</b>   | <b>1,019.04</b>           | <b>979.03</b>             |

### Information regarding income and expenditure of investment properties

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Rental income derived from investment properties   | 127.67                    | 110.48                    |
| Direct operating expenses (including repairs and maintenance) generating rental income     | 10.57                     | 11.79                     |
| <b>Profit arising from investment properties before depreciation and indirect expenses</b> | <b>117.10</b>             | <b>98.69</b>              |
| Less: Depreciation   | 43.54                     | 42.57                     |
| <b>Profit arising from investment properties before indirect expenses</b>                  | <b>73.56</b>              | <b>56.12</b>              |

The investment properties consist of office premises and plants. As at March 31, 2023 the fair value of the properties is ₹ 1,453.73 Crore (As at March 31, 2022: ₹ 1,293.29 Crore). These fair values are based on valuations performed by a registered valuer, as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant and equipment as applicable.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 47.

## Notes to consolidated financial statements for the year ended March 31, 2023

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

| Valuation technique                                       | Significant unobservable inputs            | Range (weighted average)<br>March 31, 2023           | Range (weighted average)<br>March 31, 2022           |
|---|--|--|--|
| Income approach<br>(Discounted Cash flow<br>(DCF) method) | Estimated rental value per sq ft per month | ₹ 31.50 - ₹ 131.46                                   | ₹ 31.50 - ₹ 126.88                                   |
|   | Rent growth p.a.                           | 3% - 15% every 3 years or based on market assessment | 3% - 15% every 3 years or based on market assessment |
|   | Discount rate                              | 10.92% to 11.92%                                     | 10.50% to 11.68%                                     |

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, 2023

### 4 Non-current investments

| As at                      |                            | Face value<br>per unit<br>₹ | As at  |                              |
|----------------------------|----------------------------|-----------------------------|--|------------------------------|
| March 31,<br>2023<br>Units | March 31,<br>2022<br>Units |                             | March 31,<br>2023<br>₹ Crore   | March 31,<br>2022<br>₹ Crore |
|                            |                            |                             | <b>Investments in joint ventures and an associate</b>  |                              |
|                            |                            |                             | <b><i>Unquoted equity instruments</i></b>  |                              |
|                            |                            |                             | <b>Investments in joint ventures</b> (fully paid up)<br>(Refer note 40)                              |                              |
| 9,500,000                  | 9,500,000                  | 10                          | Valvoline Cummins Private Limited (% Holding: 50%)<br>(Incorporated in India)                        | 140.99      143.57           |
| -                          | 114,600                    | 10                          | Cummins Research and Technology India Private Limited (% Holding: 50%)<br>(Incorporated in India)    | -      1.12                  |
|                            |                            |                             | <b>Investment in associate</b><br>(fully paid up)(Refer note 41)                                     |                              |
| 779,997                    | 779,997                    | 10                          | Cummins Generator Technologies India Private Limited (% Holding : 48.54%)<br>(Incorporated in India) | 268.53      169.59           |
|                            |                            |                             | <b>Total</b>   | <b>409.52      314.28</b>    |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 5 Other non-current financial assets (carried at amortised cost)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Unsecured, considered good</b>            |                           |                           |
| Security deposits                            | 12.05                     | 11.17                     |
| Employee benefit plan assets (Refer note 42) | 0.19                      | -                         |
| <b>Total</b>                                 | <b>12.24</b>              | <b>11.17</b>              |

### 6 Income tax assets (net)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Advance income tax (net of provision for taxation) | 35.29                     | 40.35                     |
| <b>Total</b>                                       | <b>35.29</b>              | <b>40.35</b>              |

### 7 Other non-current assets

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Unsecured, considered good</b>              |                           |                           |
| Capital advances                               | 50.75                     | 23.57                     |
| Balances with statutory/government authorities | 43.91                     | 37.92                     |
| Others *                                       | 1.36                      | 1.86                      |
| <b>Total</b>                                   | <b>96.02</b>              | <b>63.35</b>              |

\* Others include prepaid expenses

### 8 Inventories

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Raw materials and components (includes goods in transit)                 | 454.31                    | 416.43                    |
| Work-in-progress (includes goods lying with third parties)               | 206.64                    | 128.67                    |
| Finished goods (includes goods in transit and lying with third parties)* | 202.99                    | 161.31                    |
| Traded goods (includes goods in transit)*                                | 25.77                     | 18.72                     |
| Stores and spares  | 5.64                      | 7.50                      |
| Loose tools  | 8.31                      | 4.90                      |
| <b>Total</b>   | <b>903.66</b>             | <b>737.53</b>             |

\* During the year ended March 31, 2023 ₹0.67 crore (March 31, 2022 : ₹(0.26) crore) was recognised as an expense / (reversal) for inventories carried at net realisable value.

## Notes to consolidated financial statements for the year ended March 31, 2023

### 9 Current investments

| As at                |                      | Face value per unit ₹ |   | As at                  |                        |
|----------------------|----------------------|-----------------------|---|------------------------|------------------------|
| March 31, 2023 Units | March 31, 2022 Units |                       |   | March 31, 2023 ₹ Crore | March 31, 2022 ₹ Crore |
|                      |                      |                       | <b>Current portion of long term investments</b>   |                        |                        |
| -                    | 50,000,000           | 1                     | <b>Quoted Government of India Bonds (at amortised cost)</b><br>8.35% Government of India 2022 | -                      | 5.17                   |
|                      |                      |                       | <b>Aggregate value of quoted investments</b>  | -                      | <b>5.17</b>            |
|                      |                      |                       | <b>Current investments Unquoted mutual funds valued at fair value through profit and loss</b> |                        |                        |
| -                    | 403,154              | 1,000                 | Axis Liquid Fund - Direct Growth  | -                      | 95.31                  |
| -                    | 1,479,542            | 100                   | Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan                                       | -                      | 50.37                  |
| -                    | 683,834              | 100                   | Aditya Birla Sun Life Money Manager Fund - Growth-Regular Plan                                | -                      | 20.26                  |
| -                    | 24,268               | 1,000                 | HDFC Liquid Fund - Direct Plan - Growth   | -                      | 10.16                  |
| 149,467              | -                    | 1,000                 | HDFC Liquid Fund - Regular Plan - Growth  | 65.53                  | -                      |
| 43,501               | 43,501               | 1,000                 | HDFC Money Market Fund - Direct Plan - Growth Option  | 21.41                  | 20.25                  |
| 2,576,902            | 2,060,165            | 100                   | ICICI Prudential liquid Fund - Direct Plan - Growth   | 85.86                  | 64.95                  |
| 665,554              | 665,554              | 100                   | ICICI Money Market Fund - Growth Regular  | 21.37                  | 20.25                  |
| 222,188              | 233,460              | 1,000                 | Kotak Liquid Direct Plan Growth   | 101.06                 | 100.46                 |
| 238,720              | 57,797               | 1,000                 | Nippon India Liquid Fund - Direct Growth Plan Growth Option                                   | 131.46                 | 30.10                  |
| 314,680              | 225,302              | 1,000                 | SBI Liquid Fund - Direct Plan - Growth  | 110.87                 | 75.10                  |
| -                    | 30,194               | 1,000                 | Tata Liquid Fund - Regular Plan - Growth  | -                      | 10.06                  |
| 412,977              | 215,302              | 1,000                 | UTI Liquid Cash Plan - Regular - Growth Plan  | 152.37                 | 75.10                  |
|                      |                      |                       | <b>Value of unquoted mutual funds</b>   | <b>689.93</b>          | <b>572.37</b>          |

## Notes to consolidated financial statements for the year ended March 31, 2023

| As at   |                         | Face value per unit<br>₹ | As at   |                           |               |
|---|-------------------------|--------------------------|---|---------------------------|---------------|
| March 31, 2023<br>Units   | March 31, 2022<br>Units |                          | March 31, 2023<br>₹ Crore                       | March 31, 2022<br>₹ Crore |               |
| <b>Unquoted Certificate of Deposit valued at fair value through OCI</b> |                         |                          |   |                           |               |
| 3,000   | -                       | 500,000                  | 7.50% HDFC Bank Limited                         | 144.15                    | -             |
| 3,000   | -                       | 500,000                  | 7.60% ICICI Bank Limited                        | 142.58                    | -             |
| 1,500   | -                       | 500,000                  | 7.58% HDFC Bank Limited                         | 71.26                     | -             |
|   |                         |                          | <b>Value of unquoted certificate of deposit</b> | <b>357.99</b>             | <b>-</b>      |
|   |                         |                          | <b>Aggregate value of unquoted investments</b>  | <b>1,047.92</b>           | <b>572.37</b> |
|   |                         |                          | <b>Total</b>                                    | <b>1,047.92</b>           | <b>577.54</b> |

### 10 Trade receivables (carried at amortised cost)

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Trade receivables  | 1,213.77                  | 914.86                    |
| Receivables from related parties (Refer note 43)                   | 383.35                    | 343.24                    |
| <b>Total</b>   | <b>1,597.12</b>           | <b>1,258.10</b>           |
| <b>Break up for security details</b>                               |                           |                           |
| Secured, considered good   | 378.19                    | 287.99                    |
| Unsecured, considered good   | 1,218.93                  | 970.11                    |
| Trade receivable which have significant increase in credit risk    | -                         | -                         |
| Trade receivable - credit impaired                                 | 7.79                      | 8.11                      |
|  | <b>1,604.91</b>           | <b>1,266.21</b>           |
| <b>Impairment allowance (allowance for bad and doubtful debts)</b> |                           |                           |
| Unsecured, considered good   | -                         | -                         |
| Provision for impairment   | -                         | -                         |
| Trade receivable - credit impaired                                 | (7.79)                    | (8.11)                    |
|  | <b>(7.79)</b>             | <b>(8.11)</b>             |
| <b>Total</b>   | <b>1,597.12</b>           | <b>1,258.10</b>           |

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 ₹ 16.49 crore (March 31, 2022 : ₹ 13.42 crore). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.

For terms and conditions and transactions with related parties refer note 43.

## Notes to consolidated financial statements for the year ended March 31, 2023

### Trade receivables aging schedule

| Particulars  | As at                 | Outstanding for following periods from due date of payment |                 |                    |                   |              |             |                   | Total           |
|--|-----------------------|--|-----------------|--------------------|-------------------|--------------|-------------|-------------------|-----------------|
|  |                       | Unbilled   | Not due         | Less than 6 months | 6 months - 1 year | 1-2 years    | 2-3 years   | More than 3 years |                 |
| (i) Undisputed trade receivables - considered good                                 | March 31, 2023        | 21.88  | 1,463.75        | 84.76              | 12.08             | 7.78         | 3.58        | 3.29              | 1,597.12        |
|  | March 31, 2022        | -  | 1,124.83        | 75.28              | 26.48             | 21.47        | 4.51        | 5.53              | 1,258.10        |
| (ii) Undisputed trade receivables - which have significant increase in credit risk | March 31, 2023        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
|  | March 31, 2022        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
| (iii) Undisputed trade receivables - credit impaired                               | March 31, 2023        | -  | 0.09            | 0.52               | 0.09              | 2.60         | 0.55        | 3.85              | 7.70            |
|  | March 31, 2022        | -  | 0.24            | -                  | 0.04              | 0.45         | 3.68        | 3.65              | 8.06            |
| (iv) Disputed trade receivables - considered good                                  | March 31, 2023        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
|  | March 31, 2022        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
| (v) Disputed trade receivables - which have significant increase in credit risk    | March 31, 2023        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
|  | March 31, 2022        | -  | -               | -                  | -                 | -            | -           | -                 | -               |
| (vi) Disputed trade receivables - credit impaired                                  | March 31, 2023        | -  | -               | -                  | -                 | -            | 0.04        | 0.05              | 0.09            |
|  | March 31, 2022        | -  | -               | -                  | -                 | -            | 0.01        | 0.04              | 0.05            |
| <b>Total</b>   | <b>March 31, 2023</b> | <b>21.88</b>   | <b>1,463.84</b> | <b>85.28</b>       | <b>12.17</b>      | <b>10.38</b> | <b>4.17</b> | <b>7.19</b>       | <b>1,604.91</b> |
|  | <b>March 31, 2022</b> | <b>-</b>   | <b>1,125.07</b> | <b>75.28</b>       | <b>26.52</b>      | <b>21.92</b> | <b>8.20</b> | <b>9.22</b>       | <b>1,266.21</b> |

### 11 Cash and cash equivalents (carried at amortised cost)

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| Cash on hand   | 0.01           | 0.02           |
| Bank balances  |                |                |
| In current accounts  | 166.43         | 177.41         |
| Deposits with banks (original maturity less than 3 months) | 230.03         | -              |
| Cheques in hand  | 0.22           | -              |
| <b>Total</b>   | <b>396.69</b>  | <b>177.43</b>  |



## Notes to consolidated financial statements for the year ended March 31, 2023

### 12 Other bank balances (carried at amortised cost)

|   | As at          |                 |
|---|----------------|-----------------|
|   | March 31, 2023 | March 31, 2022  |
|   | ₹ Crore        | ₹ Crore         |
| Unpaid dividend account (restricted)  | 12.79          | 12.19           |
| Deposits with Banks (original maturity more than 3 months but less than 1 year) | 976.75         | 1,237.13        |
| <b>Total</b>  | <b>989.54</b>  | <b>1,249.32</b> |

### 13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| <b>Unsecured, considered good:</b>                               |                |                |
| Security deposits  | 19.96          | 14.01          |
| Deposits with banks (with residual maturity less than 12 months) | 4.26           | 207.90         |
| Contract assets <sup>^</sup>                                     | 0.86           | 21.03          |
| Foreign exchange forward contracts <sup>#</sup>                  | -              | 0.50           |
| Others <sup>*</sup>  | 17.77          | 12.02          |
| <b>Total</b>   | <b>42.85</b>   | <b>255.46</b>  |

<sup>^</sup> Contract assets mainly include unbilled revenue accrued against service contracts. The balances vary depending on the volume of services remaining unbilled at the end of the year.

<sup>#</sup> Foreign exchange forward contracts 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.

<sup>\*</sup> Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.

Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 2.95 crore (March 31, 2022: ₹ 6.25 crore). Refer note 43 for related party transactions.

## Notes to consolidated financial statements for the year ended March 31, 2023

### 14 Other current assets

|  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
|  | ₹ Crore        | ₹ Crore        |
| <b>Unsecured, considered good:</b>             |                |                |
| Balances with statutory/government authorities | 57.18          | 101.60         |
| Others *                                       | 62.37          | 54.32          |
| <b>Total</b>                                   | <b>119.55</b>  | <b>155.92</b>  |

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

### 15 Assets classified as held for sale

|   | As at          |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
|   | ₹ Crore        | ₹ Crore        |
| Assets held for sale (at lower of cost or fair value less cost to sell) | 1.14           | 2.07           |
| <b>Total</b>  | <b>1.14</b>    | <b>2.07</b>    |

### 16 Equity share capital

|   | As at          |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
|   | ₹ Crore        | ₹ Crore        |
| <b>Authorised :</b>                                 |                |                |
| 400,000,000 equity shares of ₹2 each                | 80.00          | 80.00          |
| <b>Issued, subscribed and fully paid-up shares:</b> |                |                |
| 277,200,000 equity shares of ₹2 each                | 55.44          | 55.44          |
| <b>Total</b>  | <b>55.44</b>   | <b>55.44</b>   |

## Notes to consolidated financial statements for the year ended March 31, 2023

### a) Reconciliation of number of shares

| Equity shares:                                  | As at            |         | As at            |         |
|---|------------------|---------|------------------|---------|
|   | March 31, 2023   |         | March 31, 2022   |         |
|   | Number of Shares | ₹ Crore | Number of Shares | ₹ Crore |
| Balance as at the beginning and end of the year | 277,200,000      | 55.44   | 277,200,000      | 55.44   |

### 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) Details of shareholding of promoters

| Particulars                        | Nos. of Shares | % of total number of shares | % of change during the year |
|------------------------------------|----------------|-----------------------------|-----------------------------|
| Cummins Inc. USA - Holding Company | 141,372,000    | 51.00%                      | -                           |
| Kirloskar Industries Limited       | 683            | 0.00%*                      | -                           |

\* % is below the rounding off norm

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

|  | As at          |        | As at          |        |
|--|----------------|--------|----------------|--------|
|  | March 31, 2023 |        | March 31, 2022 |        |
|  | Nos.           | %      | Nos.           | %      |
| Equity shares of ₹ 2 each fully paid<br>Cummins Inc. USA - Holding Company | 141,372,000    | 51.00% | 141,372,000    | 51.00% |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 17 Other equity

|  | As at           |                 |
|--|-----------------|-----------------|
|  | March 31, 2023  | March 31, 2022  |
|  | ₹ Crore         | ₹ Crore         |
| Retained earnings                        | 4,540.26        | 3,932.22        |
|  | <b>4,540.26</b> | <b>3,639.91</b> |
| <b>Other reserves</b>                    |                 |                 |
| Capital redemption reserve               | 0.70            | 0.70            |
| General reserve                          | 1,142.02        | 1,142.02        |
| Equity contribution from Holding Company | 19.82           | 14.59           |
| <b>Total</b>                             | <b>1,162.54</b> | <b>1,157.31</b> |

### a) Retained earnings

|   | Year Ended      |                 |
|---|-----------------|-----------------|
|   | March 31, 2023  | March 31, 2022  |
|   | ₹ Crore         | ₹ Crore         |
| Opening balance as at April 1   | 3,932.22        | 3,441.44        |
| Add: Profit for the year  | 1,228.15        | 933.74          |
| Items of other comprehensive income recognised directly in retained earnings  |                 |                 |
| - Remeasurements of post employment benefit obligations and others, net of tax  | 3.59            | 0.56            |
|   | <b>5,163.96</b> | <b>4,375.74</b> |
| Less:   |                 |                 |
| Interim dividend paid for the financial years ended March 31, 2023 (₹ 12 per share) and March 31, 2022 (₹ 8 per share)  | 332.64          | 221.76          |
| Final dividend paid for the financial years ended March 31, 2022 (₹ 10.50 per share) and March 31, 2021 (₹ 8 per share) | 291.06          | 221.76          |
|   | <b>623.70</b>   | <b>443.52</b>   |
| <b>Closing balance as at March 31</b>   | <b>4,540.26</b> | <b>3,932.22</b> |

### 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 ₹ 360.36 crore for the year ended March 31, 2023 (March 31, 2022: ₹ 291.06 crore) which is ₹ 13 per fully paid up share (March 31, 2022: ₹ 10.50 per fully paid up share). This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

## Notes to consolidated financial statements for the year ended March 31, 2023

### b) Capital redemption reserve

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 0.70                      | 0.70                      |
| Add: Movement during the year         | -                         | -                         |
| <b>Closing balance as at March 31</b> | <b>0.70</b>               | <b>0.70</b>               |

### 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.

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 1,142.02                  | 1,142.02                  |
| Add: Movement during the year         | -                         | -                         |
| <b>Closing balance as at March 31</b> | <b>1,142.02</b>           | <b>1,142.02</b>           |

### d) Equity contribution from the holding company

Certain employees are directly paid by the holding company through stock options.

|                                       | Year Ended                |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balance as at April 1         | 14.59                     | 11.77                     |
| Add: Movement during the year         | 5.23                      | 2.82                      |
| <b>Closing balance as at March 31</b> | <b>19.82</b>              | <b>14.59</b>              |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 18 Other non-current financial liabilities

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Non current financial liabilities carried at amortised cost</b> |                           |                           |
| Deposits   | 27.37                     | 23.40                     |
| Retention money  | 0.25                      | 1.26                      |
| Others *   | 13.18                     | -                         |
| <b>Total</b>   | <b>40.80</b>              | <b>24.66</b>              |

\* Others primarily include liability on account of Voluntary Retirement Scheme (Refer note 52)

### 19 Provisions

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Provision for post retirement benefit and compensated absences (Refer note 42) | 109.61                    | 119.69                    |
| Warranties (Refer note 39 (i))   | 75.75                     | 61.97                     |
| Statutory matters (Refer note 39 (ii))   | 17.45                     | 16.98                     |
| New Engine Performance Inspection (NEPI) (Refer note 39 (iii))                 | 39.59                     | 30.67                     |
|  | <b>242.40</b>             | <b>229.31</b>             |
| Current provisions   | 137.32                    | 146.14                    |
| Non-current provisions   | 105.08                    | 83.17                     |
| <b>Total</b>   | <b>242.40</b>             | <b>229.31</b>             |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 20 Income taxes

#### a) Deferred tax liabilities (net)

|  | Balance sheet             |                           | Statement of profit and loss |                           |
|--|---------------------------|---------------------------|------------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore | March 31, 2023<br>₹ Crore    | March 31, 2022<br>₹ Crore |
| <b>Deferred tax assets</b>   |                           |                           |                              |                           |
| Provision for employee benefits recognised in the Statement of Profit and Loss | 24.19                     | 25.40                     | (1.21)                       | 1.54                      |
| Provision for employee benefits recognised in OCI                              | (1.43)                    |                           | -                            | -                         |
|  | 22.76                     | 25.37                     |                              |                           |
| Other timing differences   | 16.75                     | 15.52                     | 1.24                         | (1.21)                    |
| <b>Total deferred tax assets</b>   | <b>39.51</b>              | <b>40.89</b>              | <b>0.03</b>                  | <b>0.33</b>               |
| <b>Deferred tax liabilities</b>  |                           |                           |                              |                           |
| Depreciation   | 135.42                    | 133.48                    | 1.94                         | 14.35                     |
| Other timing differences   | 4.95                      | 0.91                      | 4.04                         | 0.91                      |
| Tax impact on OCI  | (0.03)                    | -                         | -                            | -                         |
|  | 4.92                      | 0.91                      |                              |                           |
| <b>Total deferred tax liabilities</b>  | <b>140.34</b>             | <b>134.39</b>             | <b>5.98</b>                  | <b>15.26</b>              |
| <b>Deferred tax (expense) / income</b>   |                           |                           | <b>(5.95)</b>                | <b>(14.93)</b>            |
| <b>Net deferred tax liabilities</b>  | <b>100.83</b>             | <b>93.50</b>              |                              |                           |

- b) The major components of income tax expenses for the years ended March 31, 2023 and March 31, 2022 are:

#### Statement of Profit and Loss

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Profit and loss section</b>   |                           |                           |
| <b>Current income tax:</b>   |                           |                           |
| Current income tax charge  | 355.63                    | 261.36                    |
| Adjustments in respect of current income tax of previous year                | 1.56                      | (3.02)                    |
| <b>Deferred tax:</b>   |                           |                           |
| Relating to origination and reversal of temporary differences                | 5.95                      | 14.90                     |
| <b>Income tax expenses reported in the Statement of Profit and Loss</b>      | <b>363.14</b>             | <b>273.24</b>             |
| <b>OCI section</b>   |                           |                           |
| Tax related to items recognised in OCI during the year                       | 1.40                      | 0.03                      |
| <b>Net (gain)/loss on remeasurements of defined benefit plans and others</b> | <b>1.40</b>               | <b>0.03</b>               |

## Notes to consolidated financial statements for the year ended March 31, 2023

### c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2023 and March 31, 2022

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Accounting profit before tax  | 1,591.29                  | 1,206.98                  |
| Less: Share of profit of joint ventures and associate after tax                       | 207.98                    | 91.15                     |
|   | 1,383.31                  | 1,115.83                  |
| India's statutory income tax rate   | 25.17%                    | 25.17%                    |
| Tax at full rate  | 348.15                    | 280.83                    |
| <b>Adjustments:</b>   |                           |                           |
| Others (deductible, non-deductible items, net)  | 14.99                     | (7.59)                    |
| <b>Total</b>  | <b>14.99</b>              | <b>(7.59)</b>             |
| Income tax expenses reported in the Statement of Profit and Loss for the current year | <b>363.14</b>             | <b>273.24</b>             |

### d) Deferred tax

#### Reconciliation of deferred tax liabilities (net) :

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Opening balances as at April 1  | 93.50                     | 78.57                     |
| Tax expense / (income) during the year recognised in Statement of Profit and Loss | 5.95                      | 14.90                     |
| Tax expense / (income) during the year recognised in OCI                          | 1.40                      | 0.03                      |
| <b>Closing balance as at March 31</b>   | <b>100.83</b>             | <b>93.50</b>              |



## Notes to consolidated financial statements for the year ended March 31, 2023

### 21 Other non-current liabilities

|                      | As at                     |                           |
|----------------------|---------------------------|---------------------------|
|                      | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Contract liabilities | 3.27                      | 3.22                      |
| <b>Total</b>         | <b>3.27</b>               | <b>3.22</b>               |

### 22 Borrowings

|                                  | As at                     |                           |
|----------------------------------|---------------------------|---------------------------|
|                                  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Working capital loan from bank * | 350.04                    | 393.31                    |
| Cash credit and demand loan #    | -                         | 1.37                      |
| <b>Total</b>                     | <b>350.04</b>             | <b>394.68</b>             |

\* The loan is unsecured and repayable within one year. Interest is payable @ 3.62% - 7.60% (T-Bill / MIBOR) 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 under interest equalisation scheme is accounted for on net basis.

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

The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.

### 23 Trade Payables

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Trade payables to micro and small enterprises (Refer note 34) | 70.03                     | 42.59                     |
| Trade payables other than micro and small enterprises         | 462.06                    | 523.62                    |
| Trade payables to related parties (Refer note 43)             | 621.78                    | 433.47                    |
|   | 1,083.84                  | 957.09                    |
| <b>Total</b>  | <b>1,153.87</b>           | <b>999.68</b>             |

Trade payables are non interest bearing and are normally settled in 30 to 90 days terms.

For terms and conditions and transactions with related parties refer note 43.

## Notes to consolidated financial statements for the year ended March 31, 2023

### Trade payables aging schedule

| Particulars  | As at                 | Outstanding for following periods from due date of payment |               |                  |              |             |                   | Total           |
|--------------|-----------------------|--|---------------|------------------|--------------|-------------|-------------------|-----------------|
|              |                       | Unbilled   | Not due       | Less than 1 year | 1-2 years    | 2-3 years   | More than 3 years |                 |
|              |                       |  |               |                  |              |             |                   |                 |
| (i) MSME     | March 31, 2023        | -  | 68.20         | 1.83             | -            | -           | -                 | 70.03           |
|              | March 31, 2022        | -  | 42.10         | 0.29             | 0.17         | -           | 0.03              | 42.59           |
| (ii) Others  | March 31, 2023        | 114.57   | 877.83        | 79.74            | 1.11         | 7.62        | 2.97              | 1,083.84        |
|              | March 31, 2022        | 252.99   | 676.21        | 12.97            | 11.51        | 3.09        | 0.32              | 957.09          |
| <b>Total</b> | <b>March 31, 2023</b> | <b>114.57</b>  | <b>946.03</b> | <b>81.57</b>     | <b>1.11</b>  | <b>7.62</b> | <b>2.97</b>       | <b>1,153.87</b> |
|              | <b>March 31, 2022</b> | <b>252.99</b>  | <b>719.31</b> | <b>13.26</b>     | <b>11.68</b> | <b>3.09</b> | <b>0.35</b>       | <b>999.68</b>   |

### 24 Other current financial liabilities

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Unpaid dividend                                 | 12.79                     | 12.19                     |
| Royalty (Refer note 43)                         | 16.67                     | 12.89                     |
| Support services payable (Refer note 43)        | 2.65                      | 2.52                      |
| Retention money                                 | 8.86                      | 10.83                     |
| Others including salaries, wages, bonus payable | 57.65                     | 46.71                     |
| <b>Total</b>                                    | <b>98.62</b>              | <b>85.14</b>              |

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

## Notes to consolidated financial statements for the year ended March 31, 2023

### 25 Other current liabilities

|                                   | As at                     |                           |
|-----------------------------------|---------------------------|---------------------------|
|                                   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Statutory dues and other payables | 73.24                     | 82.09                     |
| Contract liabilities <sup>^</sup> | 71.28                     | 31.89                     |
| <b>Total</b>                      | <b>144.52</b>             | <b>113.98</b>             |

<sup>^</sup> Contract liabilities include advances received from customer as well as consideration received before the Group has transferred goods or services to the customer.

### 26 Revenue from operations

|                                | Year Ended                |                           |
|--------------------------------|---------------------------|---------------------------|
|                                | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Sale of products               | 7,275.92                  | 5,748.46                  |
| Sale of services               | 365.48                    | 308.51                    |
|                                | <b>7,641.40</b>           | <b>6,056.97</b>           |
| <b>Other operating revenue</b> |                           |                           |
| Scrap sales                    | 8.82                      | 6.09                      |
| Export incentives              | 24.24                     | 26.22                     |
| Others <sup>*</sup>            | 97.63                     | 81.64                     |
|                                | <b>130.69</b>             | <b>113.95</b>             |
| <b>Revenue from operations</b> | <b>7,772.09</b>           | <b>6,170.92</b>           |

<sup>\*</sup> Others primarily includes testing income, engineering income, royalty income from dealers, etc.

## Notes to consolidated financial statements for the year ended March 31, 2023

### Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Location</b>   |                           |                           |
| India   | 5,919.30                  | 4,523.96                  |
| Outside India   | 1,828.55                  | 1,620.74                  |
| <b>Total revenue from contracts with customers *</b>  | <b>7,747.85</b>           | <b>6,144.70</b>           |
| <b>Timing of revenue recognition</b>  |                           |                           |
| Goods transferred at a point in time  | 7,284.74                  | 5,754.55                  |
| Services transferred over time  | 463.11                    | 390.15                    |
| <b>Revenue from contracts with customers *</b>  | <b>7,747.85</b>           | <b>6,144.70</b>           |
| <b>Set out below is the amount of revenue recognised from</b>   |                           |                           |
| Amounts included in contract liabilities at the beginning of the year   | 24.12                     | 26.72                     |
| Performance obligations satisfied in previous years   | 0.06                      | 9.86                      |
| <b>Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price</b> |                           |                           |
| Revenue as per contracted price   | 7,985.16                  | 6,260.19                  |
| <b>Adjustments</b>  |                           |                           |
| Sales return  | (72.47)                   | (43.40)                   |
| Discounts   | (118.26)                  | (59.97)                   |
| Liquidated damages  | (2.28)                    | (4.97)                    |
| Others  | (44.30)                   | (7.15)                    |
| <b>Revenue from contracts with customers *</b>  | <b>7,747.85</b>           | <b>6,144.70</b>           |

\* Excludes export incentives

## Notes to consolidated financial statements for the year ended March 31, 2023

### 27 Other Income

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Income from investments:  |                           |                           |
| Interest income from financial assets at amortised cost                   |                           |                           |
| - On bonds (non - current/current investments)                            | 0.05                      | 0.42                      |
|   | <b>0.05</b>               | <b>0.42</b>               |
| Gain on sale/redemption of investments                                    |                           |                           |
| - On current investments designated at fair value through profit and loss | 43.89                     | 17.58                     |
|   | <b>43.89</b>              | <b>17.58</b>              |
| Interest on term deposits and others *                                    | 73.71                     | 58.25                     |
| Rent (Refer note 3 for rent on investment properties)                     | 151.53                    | 137.27                    |
| Exchange gain (net)   | 7.57                      | 6.99                      |
| Net gain on fixed assets sold or discarded                                | 2.49                      | 1.12                      |
| Miscellaneous income  | 28.91                     | 21.56                     |
|   | <b>264.21</b>             | <b>225.19</b>             |
| <b>Total</b>  | <b>308.15</b>             | <b>243.19</b>             |

\* includes interest on tax refund amounting to ₹ 1.59 crore (March 31, 2022 : ₹ 3.29 crore)

### 28.1 Cost of materials consumed

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Inventory at the beginning of the year | 416.43                    | 278.58                    |
| Add: Purchases                         | 4,605.86                  | 3,712.14                  |
| Less: Inventory at the end of the year | 454.31                    | 416.43                    |
| <b>Total</b>                           | <b>4,567.98</b>           | <b>3,574.29</b>           |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 28.2 Change in inventories of finished goods, work-in-progress and traded goods

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Inventories at the end of the year (Refer note 8)</b>       |                           |                           |
| Work-in-progress   | 206.64                    | 128.67                    |
| Finished goods   | 202.99                    | 161.31                    |
| Traded goods   | 25.77                     | 18.72                     |
| <b>Subtotal (A)</b>  | <b>435.40</b>             | <b>308.70</b>             |
| <b>Inventories at the beginning of the year (Refer note 8)</b> |                           |                           |
| Work-in-progress   | 128.67                    | 132.54                    |
| Finished goods   | 161.31                    | 122.78                    |
| Traded goods   | 18.73                     | 14.80                     |
| <b>Subtotal (B)</b>  | <b>308.71</b>             | <b>270.12</b>             |
| <b>(Increase)/ decrease (B-A)</b>                              | <b>(126.69)</b>           | <b>(38.58)</b>            |

### 29 Employee benefits expense

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Salaries, wages and bonus                                 | 547.38                    | 512.00                    |
| Contribution to provident and other funds (Refer note 42) | 65.72                     | 67.44                     |
| Staff welfare expenses                                    | 35.78                     | 35.09                     |
| <b>Total</b>  | <b>648.88</b>             | <b>614.53</b>             |

### 30 Finance costs

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Interest on borrowings and others  | 10.76                     | 6.01                      |
| Interest cost on lease liabilities (Refer note 37)   | 2.28                      | 2.02                      |
| <b>Total interest expense</b>  | <b>13.04</b>              | <b>8.03</b>               |
| Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39) | 3.20                      | 4.13                      |
| <b>Total</b>   | <b>16.24</b>              | <b>12.16</b>              |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 31 Other expenses

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Commission on sales   | 12.42                     | 0.34                      |
| Consumption of stores and spare parts   | 73.54                     | 65.94                     |
| Warranty expenses (Refer note 39)   | 65.88                     | 50.41                     |
| Consumption of tools and gauges   | 7.47                      | 6.74                      |
| Repairs to buildings  | 32.72                     | 27.41                     |
| Repairs to machinery  | 9.25                      | 7.85                      |
| Other repairs   | 2.57                      | 2.45                      |
| Power and fuel  | 26.76                     | 24.70                     |
| Rent (Refer note 37)  | 13.51                     | 2.37                      |
| Rates and taxes   | 12.49                     | 16.39                     |
| Insurance   | 16.54                     | 12.08                     |
| Outside processing charges  | 32.02                     | 24.64                     |
| Donations (including expenditure towards corporate social responsibility activities (Refer note 43 and 45)) | 15.57                     | 15.61                     |
| Royalties (Refer note 43)   | 17.33                     | 13.98                     |
| Support services (Refer note 43)  | 111.26                    | 114.78                    |
| Computer and other services   | 77.41                     | 70.94                     |
| Payment to auditors (Refer details below)   | 2.12                      | 1.54                      |
| Net loss on fixed assets sold / discarded *   | -                         | (4.96)                    |
| Bad debts   |                           |                           |
| Bad debts written off   | 1.33                      | 0.17                      |
| Provision for bad and doubtful debts  | 0.90                      | (6.03)                    |
| Amount withdrawn from provisions  | (1.33)                    | (0.17)                    |
|   | 0.90                      | (6.03)                    |
| Other expenses (net of expenses recovered and capitalised) (Refer note 43)                                  | 123.19                    | 113.99                    |
| <b>Total</b>  | <b>652.95</b>             | <b>561.17</b>             |

\*represents reversal of provision on account of certain unusable assets, during the year ended March 31, 2022.

## Notes to consolidated financial statements for the year ended March 31, 2023

### Payment to auditors:

|   | Year Ended                |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Statutory audit (including limited reviews) # | 1.91                      | 1.32                      |
| Other services (including tax audit)          | 0.15                      | 0.19                      |
| Reimbursement of expenses                     | 0.05                      | 0.03                      |
| <b>Total</b>                                  | <b>2.11</b>               | <b>1.54</b>               |

# including payments made to erstwhile statutory auditors till conclusion of Annual General Meeting held on August 12, 2021

### 32 Earning per share (EPS)

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

|   | Year Ended     |                |
|---|----------------|----------------|
|   | March 31, 2023 | March 31, 2022 |
| (a) Profit for the year after taxation (₹ crore)                  | 1,228.15       | 933.74         |
| (b) Weighted average number of shares outstanding during the year | 277,200,000    | 277,200,000    |
| (c) Earnings per share (basic and diluted) (₹)                    | 44.31          | 33.68          |
| (d) Face value per share (₹)                                      | 2              | 2              |

### 33 Capital and other commitments

|  | Year Ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Estimated amount of contracts in capital account remaining to be executed (net of capital advances).<br>For other commitments also refer note 37 | 155.52                    | 93.67                     |
| <b>Total</b>   | <b>155.52</b>             | <b>93.67</b>              |



# Notes to consolidated financial statements for the year ended March 31, 2023

## 34 Trade payables include:

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Total outstanding dues of micro and small enterprises  | 70.03                     | 42.59                     |
| <b>Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:</b> |                           |                           |
| 1 Principal Amount   | 70.03                     | 42.59                     |
| 2 Interest accrued   | -                         | -                         |
| 3 Payment made to suppliers (other than interest) beyond the appointed day, during the year              | 8.20                      | 9.62                      |
| 4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)                               | -                         | -                         |
| 5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)  | 0.07                      | 0.07                      |
| 6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made              | -                         | -                         |
| 7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006        | -                         | -                         |

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

## 35 Significant accounting judgements, estimates and assumptions

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

### Judgements

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

#### **Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised

# Notes to consolidated financial statements for the year ended March 31, 2023

## **Operating lease commitments – Group as lessor**

The Group has leased out commercial properties (investment properties) on operating lease. The Group had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

## **Estimates and assumptions**

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

## **Defined benefit plans:**

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

The discount rate is the parameter most subject to change. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for India. Mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 42.

## **Fair value measurements of financial instruments:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets if available, otherwise, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument. Refer note 47 for further disclosures.

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

For estimates relating to warranty, statutory matters and NEPI (refer note 39).

## Notes to consolidated financial statements for the year ended March 31, 2023

### Leases - Estimating the incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rate (IBR). The Group uses IBR to discount lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

### 36 Contingent liabilities

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| a. Income tax matters*  | 12.31                     | 1.06                      |
| b. Central excise duty/service tax matters*   | 3.29                      | 3.14                      |
| c. Duty drawback matters  | 26.04                     | 26.04                     |
| d. Sales tax matters*   | 34.61                     | 34.50                     |
| e. Civil liability / secondary civil liability in respect of suits filed against the Group* | 1.29                      | 1.73                      |
| f. Goods and service tax matters  | 2.07                      | 0.44                      |
| <b>Total</b>  | <b>79.61</b>              | <b>66.91</b>              |

\* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Group is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appeal process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Group has implemented the SC decision prospectively.

The Group has various on-going litigations by/or against the Group with respect to tax and other legal matters, other than those disclosed above. The Group believes that they have sufficient and strong arguments on facts as well as on point of law and accordingly no provision / disclosure in this regard has been considered in the financial statements.

# Notes to consolidated financial statements for the year ended March 31, 2023

## 37 Leases

### Lease commitments as a Lessee

The Group has entered into leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in period between 36 months and 108 months, which include both renewable and non-renewable leases.

Following are the changes in the carrying value of right of use assets during the year ended:

₹ Crore

| Particulars                              | March 31, 2023<br>Category of ROU |              |              | March 31, 2022<br>Category of ROU |              |              |
|--|-----------------------------------|--------------|--------------|-----------------------------------|--------------|--------------|
|  | Building                          | Land         | Total        | Building                          | Land         | Total        |
| Balance as at the beginning of the year  | 19.80                             | 13.52        | 33.32        | 16.87                             | 13.68        | 30.55        |
| Additions                                | 9.16                              | 0.41         | 9.57         | 8.67                              | -            | 8.67         |
| Adjustment                               | -                                 | -            | -            | (0.10)                            | -            | (0.10)       |
| Depreciation                             | (6.49)                            | (0.20)       | (6.69)       | (5.64)                            | (0.16)       | (5.80)       |
| <b>Balance as at the end of the year</b> | <b>22.47</b>                      | <b>13.73</b> | <b>36.20</b> | <b>19.80</b>                      | <b>13.52</b> | <b>33.32</b> |

Following are the changes in carrying value of lease liabilities during the year ended:

₹ Crore

| Particulars                              | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| Balance as at the beginning of the year  | 22.85          | 19.49          |
| Additions                                | 9.16           | 8.57           |
| Interest cost accrued during the period  | 2.28           | 2.02           |
| Payments                                 | (8.24)         | (7.18)         |
| Rent concessions                         | -              | (0.05)         |
| <b>Balance as at the end of the year</b> | <b>26.05</b>   | <b>22.85</b>   |
| Current portion                          | 5.98           | 4.97           |
| Non-current portion                      | 20.07          | 17.88          |

The maturity analysis of lease liabilities is disclosed in note 46(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

## Notes to consolidated financial statements for the year ended March 31, 2023

The following are the amounts recognised in statement of profit and loss for the year ended:

| Particulars  | ₹ Crore        |                |
|--|----------------|----------------|
|  | March 31, 2023 | March 31, 2022 |
| Depreciation expense of right-of-use assets                    | 6.69           | 5.80           |
| Interest expense on lease liabilities                          | 2.28           | 2.02           |
| Rent concessions   | -              | (0.05)         |
| <b>Total amount recognised in Statement of Profit and Loss</b> | <b>8.97</b>    | <b>7.77</b>    |

### Operating lease commitments as a lessor

The Group has entered into operating leases on its investment properties consisting of buildings and other related assets. These leases have terms between 36 and 120 months.

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

|   | ₹ Crore        |                |
|---|----------------|----------------|
|   | As at          |                |
|   | March 31, 2023 | March 31, 2022 |
| Within one year                             | 63.89          | 49.19          |
| After one year but not more than five years | 125.71         | 136.72         |
| More than five years                        | -              | -              |
| <b>Total</b>                                | <b>189.60</b>  | <b>185.91</b>  |

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

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

|                    | Year ended                |                           |
|--------------------|---------------------------|---------------------------|
|                    | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| On capital account | 7.42                      | 20.93                     |
| On revenue account | 19.05                     | 44.51                     |
| <b>Total</b>       | <b>26.47</b>              | <b>65.44</b>              |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 39 Disclosure on provisions made, utilised and reversed during the year

#### i) Provision for warranty

Provision for warranty is on account of warranties given on products sold by the Group. The amount of provision is based on historical information of the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year                | 61.97                     | 69.77                     |
| Additions / reversal                                   | 65.88                     | 50.41                     |
| Utilisation  | 54.46                     | 61.44                     |
| Unwinding of discount and changes in the discount rate | 2.36                      | 3.23                      |
| <b>Balance as at the end of the year</b>               | <b>75.75</b>              | <b>61.97</b>              |
| Classified as non-current                              | 44.19                     | 36.77                     |
| Classified as current                                  | 31.56                     | 25.20                     |

#### 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, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year  | 16.98                     | 17.44                     |
| Additions                                | 0.47                      | 0.05                      |
| Utilisation                              | -                         | 0.51                      |
| <b>Balance as at the end of the year</b> | <b>17.45</b>              | <b>16.98</b>              |
| Classified as non-current                | -                         | -                         |
| Classified as current                    | 17.45                     | 16.98                     |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 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, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Balance as at the beginning of the year                | 30.67                     | 25.55                     |
| Additions  | 17.14                     | 10.25                     |
| Utilisation  | 9.06                      | 6.03                      |
| Unwinding of discount and changes in the discount rate | 0.84                      | 0.90                      |
| <b>Balance as at the end of the year</b>               | <b>39.59</b>              | <b>30.67</b>              |
| Classified as non-current                              | 27.71                     | 20.69                     |
| Classified as current                                  | 11.88                     | 9.98                      |

# Notes to consolidated financial statements for the year ended March 31, 2023

## 40 Investment in joint ventures

The Group has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited (CRTI) and Valvoline Cummins Private Limited (VCPL), both incorporated in India. The Group's interest is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the joint ventures, based on their 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, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Valvoline Cummins Private Limited</b> |                           |                           |
| <u>Non current assets</u>                |                           |                           |
| Property, plant and equipment            | 72.42                     | 76.92                     |
| Capital work-in-progress                 | 2.82                      | 0.89                      |
| Intangible assets under development      | 2.25                      | 0.65                      |
| Intangible assets                        | 5.45                      | 3.90                      |
| Right-of-use assets                      | 21.07                     | 23.61                     |
| Other non-current financial assets       | 11.09                     | 11.96                     |
| Deferred tax assets (net)                | 1.21                      | 0.72                      |
| Other non-current assets                 | 14.48                     | 14.59                     |
|  | <b>130.79</b>             | <b>133.24</b>             |
| <u>Current assets</u>                    |                           |                           |
| Inventories                              | 221.05                    | 169.52                    |
| Financial assets                         |                           |                           |
| (i) Investments                          | 51.66                     | 53.15                     |
| (ii) Trade receivables                   | 193.01                    | 153.48                    |
| (iii) Cash and cash equivalents          | 31.11                     | 59.02                     |
| (iv) Other bank balances                 | 0.10                      | -                         |
| (v) Other current financial assets       | 6.20                      | 5.85                      |
| Other current assets                     | 34.27                     | 31.76                     |
|  | <b>537.40</b>             | <b>472.78</b>             |
| <u>Non current liabilities</u>           |                           |                           |
| Lease liabilities                        | 16.03                     | 18.65                     |
|  | <b>16.03</b>              | <b>18.65</b>              |



## Notes to consolidated financial statements for the year ended March 31, 2023

|                                     | As at                     |                           |
|-------------------------------------|---------------------------|---------------------------|
|                                     | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <u>Current liabilities</u>          |                           |                           |
| Borrowings                          | 1.34                      | -                         |
| Lease liabilities                   | 2.62                      | 2.70                      |
| Trade payables                      | 290.36                    | 231.62                    |
| Other financial liabilities         | 40.37                     | 34.81                     |
| Other current liabilities           | 30.07                     | 26.03                     |
| Provisions                          | 5.30                      | 4.97                      |
|                                     | <b>370.06</b>             | <b>300.13</b>             |
| <b>Equity</b>                       | <b>282.10</b>             | <b>287.24</b>             |
| Proportion of the Group's ownership | 50.00%                    | 50.00%                    |
| Carrying amount of the investment * | 140.99                    | 143.57                    |
| Capital commitments                 | 3.32                      | 6.06                      |
| Contingent liabilities              | 26.66                     | 23.08                     |

\* Adjusted for inter company transactions

## Notes to consolidated financial statements for the year ended March 31, 2023

### 40 Investment in joint ventures (contd.)

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Cummins Research and Technology India Private Limited</b> |                           |                           |
| <u>Non current assets</u>                                    |                           |                           |
| Income tax assets (net)                                      | -                         | 0.06                      |
|  | <b>-</b>                  | <b>0.06</b>               |
| <u>Current assets</u>  |                           |                           |
| Cash and cash equivalents                                    | 0.92                      | 2.20                      |
| Other current assets   | -                         | -                         |
|  | <b>0.92</b>               | <b>2.20</b>               |
| <u>Current liabilities</u>                                   |                           |                           |
| Trade payables   | -                         | 0.02                      |
| Other current liabilities                                    | 0.92                      | -                         |
|  | <b>0.92</b>               | <b>0.02</b>               |
| <b>Equity</b>  | <b>-</b>                  | <b>2.24</b>               |
| Proportion of the Group's ownership                          | 50.00%                    | 50.00%                    |
| Carrying amount of the investment *                          | -                         | 1.12                      |

\* Adjusted for inter company transactions

The Board of directors of Cummins Research and Technology India Private Limited ('CRTI') at its meeting held on March 21, 2016, had decided to cease operations of CRTI. Accordingly, it ceased its operations from April 1, 2016. The shareholders of CRTI, in their extra-ordinary general meeting held on April 1, 2022, passed a resolution to initiate voluntary winding-up of CRTI under Companies Act, 2013 and Insolvency and Bankruptcy Code, 2016. The liquidator, appointed by the shareholders at the extra-ordinary general meeting, completed all the procedures pertaining to the voluntary winding-up, and has submitted the dissolution application with the Mumbai Bench of The National Company Law Tribunal (NCLT) on May 20, 2023.

## Notes to consolidated financial statements for the year ended March 31, 2023

### Summarised statement of profit and loss

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| <b>Valvoline Cummins Private Limited</b>       |                           |                           |
| Revenue from operations                        | 2,150.25                  | 1,694.88                  |
| Interest income                                | 2.15                      | 2.19                      |
| Other income                                   | 6.00                      | 6.48                      |
| Cost of raw material and components            | 1,383.64                  | 1,061.42                  |
| Depreciation and amortisation expense          | 15.97                     | 15.82                     |
| Finance costs                                  | 2.39                      | 2.56                      |
| Employee benefits expense                      | 88.16                     | 83.05                     |
| Other expenses                                 | 458.35                    | 358.55                    |
| <b>Profit before tax</b>                       | <b>209.90</b>             | <b>182.16</b>             |
| Tax expense                                    | 53.59                     | 46.55                     |
| <b>Profit for the year</b>                     | <b>156.31</b>             | <b>135.61</b>             |
| Other comprehensive income                     | 0.07                      | 0.46                      |
| <b>Total comprehensive income for the year</b> | <b>156.37</b>             | <b>136.07</b>             |

### Cummins Research and Technology India Private Limited

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Other income                                   | 0.00                      | 0.29                      |
| Other expenses                                 | 0.21                      | 0.08                      |
| <b>Profit before tax</b>                       | <b>(0.21)</b>             | <b>0.21</b>               |
| Tax expense                                    | 0.00                      | (0.07)                    |
| <b>Profit for the year</b>                     | <b>(0.21)</b>             | <b>0.28</b>               |
| Other comprehensive income                     | -                         | -                         |
| <b>Total comprehensive income for the year</b> | <b>(0.21)</b>             | <b>0.28</b>               |

# Notes to consolidated financial statements for the year ended March 31, 2023

## 41 Investment in an associate

The Group has a 48.54% interest in Cummins Generator Technologies India Private Limited (CGT), which is involved in the manufacture and sale of alternators and related services. 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

|                                     | Year ended                |                           |
|-------------------------------------|---------------------------|---------------------------|
|                                     | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Non current assets                  | 80.03                     | 82.00                     |
| Current assets                      | 678.49                    | 488.98                    |
| Non current liabilities             | 27.69                     | 14.70                     |
| Current liabilities                 | 175.82                    | 206.61                    |
| <b>Equity</b>                       | <b>555.02</b>             | <b>349.67</b>             |
| Proportion of the Group's ownership | 48.54%                    | 48.54%                    |
| Carrying amount of the investment * | 268.53                    | 169.59                    |
| Capital commitments                 | 9.18                      | 13.04                     |
| Contingent liabilities              | 4.98                      | 5.98                      |

### Summarised statement of profit and loss

|  | Year ended                |                           |
|--|---------------------------|---------------------------|
|  | March 31, 2023<br>₹ Crore | March 31, 2022<br>₹ Crore |
| Revenue from operations                        | 1,803.26                  | 1,200.44                  |
| Other income                                   | 19.31                     | 11.96                     |
| Cost of raw material and components            | 1,255.83                  | 984.36                    |
| Depreciation and amortisation expense          | 10.94                     | 10.49                     |
| Finance costs                                  | 2.43                      | 1.95                      |
| Employee benefits expense                      | 84.39                     | 75.38                     |
| Other expenses                                 | 107.62                    | 76.69                     |
| <b>Profit before tax</b>                       | <b>361.36</b>             | <b>63.53</b>              |
| Tax expense                                    | 92.20                     | 17.24                     |
| <b>Profit for the year</b>                     | <b>269.16</b>             | <b>46.29</b>              |
| Other comprehensive income                     | (1.20)                    | 0.53                      |
| <b>Total comprehensive income for the year</b> | <b>267.96</b>             | <b>46.82</b>              |

\* Adjusted for inter company transactions

# Notes to consolidated financial statements for the year ended March 31, 2023

## 42 Employee benefit plans

1. **Defined contribution plans -** The Group has recognised the following amounts in statement of profit and loss for the year:

|  | ₹ Crore      |
|--|--------------|
|  | <b>Total</b> |
| Contribution to employees provident fund       | <b>15.08</b> |
|  | 14.20        |
| Contribution to management superannuation fund | <b>21.43</b> |
|  | 18.94        |

## 2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

### a. Net balance sheet position

|         |  | ₹ Crore               |                |             |               |               |               |
|---------|--|-----------------------|----------------|-------------|---------------|---------------|---------------|
| Sr. No. | Particulars                                    | As at                 | Gratuity       | Pension     | Ex-gratia     | PRMB          | PF            |
| i)      | Defined benefit obligation                     | March 31, 2023        | 211.34         | 28.51       | 2.46          | 2.22          | 354.99        |
|         |  | March 31, 2022        | 198.63         | 28.27       | 2.49          | 1.71          | 320.70        |
| ii)     | Fair value of plan assets                      | March 31, 2023        | 197.63         | 28.69       | -             | -             | 349.47        |
|         |  | March 31, 2022        | 180.82         | 27.30       | -             | -             | 315.13        |
| iii)    | Funded status surplus/ (deficit)               | March 31, 2023        | (13.71)        | 0.18        | (2.46)        | (2.22)        | (5.52)        |
|         |  | March 31, 2022        | (17.81)        | (0.97)      | (2.49)        | (1.71)        | (5.57)        |
| iv)     | Effect of asset ceiling                        | March 31, 2023        | -              | -           | -             | -             | -             |
|         |  | March 31, 2022        | -              | -           | -             | -             | -             |
|         | <b>Net defined benefit asset / (liability)</b> | <b>March 31, 2023</b> | <b>(13.71)</b> | <b>0.18</b> | <b>(2.46)</b> | <b>(2.22)</b> | <b>(5.52)</b> |
|         |  | March 31, 2022        | (17.81)        | (0.97)      | (2.49)        | (1.71)        | (5.57)        |

## Notes to consolidated financial statements for the year ended March 31, 2023

### b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

₹ Crore

| Sr. No. | Particulars  | As at                 | Gratuity      | Pension      | Ex-gratia   | PRMB        | PF            |
|---------|--|-----------------------|---------------|--------------|-------------|-------------|---------------|
|         | Opening defined benefit obligation                 | March 31, 2023        | 198.63        | 28.27        | 2.49        | 1.71        | 320.70        |
|         |  | March 31, 2022        | 181.43        | 28.55        | 0.75        | 0.65        | 290.10        |
| i)      | Current service cost                               | March 31, 2023        | 14.27         | 0.96         | 0.10        | 0.07        | 14.10         |
|         |  | March 31, 2022        | 14.15         | 1.18         | 0.10        | 0.02        | 11.63         |
| ii)     | Interest cost                                      | March 31, 2023        | 14.30         | 1.94         | 0.17        | 0.12        | 22.60         |
|         |  | March 31, 2022        | 11.86         | 1.97         | 0.17        | 0.04        | 17.12         |
| iii)    | Settlement / Curtailment (credit) / cost           | March 31, 2023        | -             | -            | -           | -           | -             |
|         |  | March 31, 2022        | -             | -            | 0.20        | -           | -             |
| iv)     | Actuarial (gains) / losses - experience            | March 31, 2023        | 3.12          | (1.01)       | 0.06        | 0.51        | 12.47         |
|         |  | March 31, 2022        | 6.98          | 0.01         | 0.06        | (0.08)      | (0.77)        |
| v)      | Actuarial (gains) / losses - demographic changes   | March 31, 2023        | (1.15)        | 0.57         | (0.01)      | (0.08)      | -             |
|         |  | March 31, 2022        | -             | -            | -           | -           | -             |
| vi)     | Actuarial (gains) / losses - financial assumptions | March 31, 2023        | (5.84)        | (0.73)       | (0.06)      | (0.01)      | (5.12)        |
|         |  | March 31, 2022        | (6.03)        | (2.99)       | (0.04)      | (0.04)      | (0.31)        |
| vii)    | Benefits paid                                      | March 31, 2023        | (13.84)       | (1.49)       | (0.42)      | (0.10)      | (42.17)       |
|         |  | March 31, 2022        | (8.79)        | (2.58)       | (0.48)      | (0.08)      | (24.29)       |
| viii)   | Past service cost - plan amendments                | March 31, 2023        | -             | -            | 0.13        | -           | -             |
|         |  | March 31, 2022        | -             | 2.14         | 1.73        | 1.20        | -             |
| ix)     | Other adjustments                                  | March 31, 2023        | -             | -            | -           | -           | -             |
|         |  | March 31, 2022        | -             | -            | -           | -           | 7.86          |
| x)      | Acquisitions (credit) / cost                       | March 31, 2023        | 1.85          | -            | -           | -           | 10.62         |
|         |  | March 31, 2022        | (0.97)        | -            | -           | -           | 1.58          |
| xi)     | Contributions by employees                         | March 31, 2023        | -             | -            | -           | -           | 21.79         |
|         |  | March 31, 2022        | -             | -            | -           | -           | 17.79         |
|         | <b>Closing defined benefit obligation</b>          | <b>March 31, 2023</b> | <b>211.34</b> | <b>28.51</b> | <b>2.46</b> | <b>2.22</b> | <b>354.99</b> |
|         |  | March 31, 2022        | 198.63        | 28.27        | 2.49        | 1.71        | 320.70        |

## Notes to consolidated financial statements for the year ended March 31, 2023

### c. Reconciliation of opening and closing balances of the fair value of plan assets

₹ Crore

| Sr. No. | Particulars  | As at                 | Gratuity      | Pension      | Ex-gratia | PRMB     | PF            |
|---------|--|-----------------------|---------------|--------------|-----------|----------|---------------|
|         | Opening fair value of plan assets                          | March 31, 2023        | 180.82        | 27.30        | -         | -        | 315.13        |
|         |  | March 31, 2022        | 165.21        | 26.05        | -         | -        | 284.58        |
| i)      | Interest income on plan assets                             | March 31, 2023        | 12.43         | 1.87         | -         | -        | 22.21         |
|         |  | March 31, 2022        | 11.19         | 1.74         | -         | -        | 16.75         |
| ii)     | Return on plan asset greater / (lesser) than discount rate | March 31, 2023        | 0.54          | 0.04         | -         | -        | 7.79          |
|         |  | March 31, 2022        | (0.30)        | (0.06)       | -         | -        | -             |
| iii)    | Actuarial gains / (losses)                                 | March 31, 2023        | -             | -            | -         | -        | -             |
|         |  | March 31, 2022        | -             | -            | -         | -        | -             |
| iv)     | Contribution by the employer                               | March 31, 2023        | 15.70         | 0.97         | -         | -        | 14.10         |
|         |  | March 31, 2022        | 14.33         | 2.50         | -         | -        | 10.86         |
| v)      | Benefits paid  | March 31, 2023        | (13.71)       | (1.49)       | -         | -        | (42.17)       |
|         |  | March 31, 2022        | (8.65)        | (2.58)       | -         | -        | (24.29)       |
| vi)     | Acquisitions adjustment                                    | March 31, 2023        | 1.85          | -            | -         | -        | 10.62         |
|         |  | March 31, 2022        | (0.96)        | (0.35)       | -         | -        | 1.58          |
| vii)    | Contribution by employee                                   | March 31, 2023        | -             | -            | -         | -        | 21.79         |
|         |  | March 31, 2022        | -             | -            | -         | -        | 17.79         |
| viii)   | Other adjustments  | March 31, 2023        | -             | -            | -         | -        | -             |
|         |  | March 31, 2022        | -             | -            | -         | -        | 7.86          |
|         | <b>Closing fair value of plan assets</b>                   | <b>March 31, 2023</b> | <b>197.63</b> | <b>28.69</b> | <b>-</b>  | <b>-</b> | <b>349.47</b> |
|         |  | March 31, 2022        | 180.82        | 27.30        | -         | -        | 315.13        |

## Notes to consolidated financial statements for the year ended March 31, 2023

### d. Total defined benefit cost

₹ Crore

| Sr. No.                           | Particulars                                  | As at                 | Gratuity     | Pension     | Ex-gratia   | PRMB        | PF           |
|-----------------------------------|--|-----------------------|--------------|-------------|-------------|-------------|--------------|
| i)                                | Current and past service cost                | March 31, 2023        | 14.27        | 0.96        | 0.23        | 0.07        | 14.10        |
|                                   |  | March 31, 2022        | 14.15        | 3.32        | 2.03        | 1.23        | 11.63        |
| ii)                               | Net interest cost                            | March 31, 2023        | 1.87         | 0.07        | 0.17        | 0.12        | 0.39         |
|                                   |  | March 31, 2022        | 0.67         | 0.23        | 0.17        | 0.04        | -            |
| iii)                              | Actuarial (gains) / losses recognised in OCI | March 31, 2023        | (4.41)       | (1.00)      | (0.01)      | 0.42        | (0.44)       |
|                                   |  | March 31, 2022        | 1.25         | (2.92)      | 0.02        | (0.12)      | -            |
| <b>Total defined benefit cost</b> |  | <b>March 31, 2023</b> | <b>11.73</b> | <b>0.03</b> | <b>0.39</b> | <b>0.61</b> | <b>14.05</b> |
|                                   |  | March 31, 2022        | 16.06        | 0.63        | 2.22        | 1.15        | 11.63        |

### e. Statement of profit and loss

₹ Crore

| Sr. No.                                   | Particulars                              | As at                 | Gratuity     | Pension     | Ex-gratia   | PRMB        | PF           |
|---|--|-----------------------|--------------|-------------|-------------|-------------|--------------|
| i)  | Current and past service cost            | March 31, 2023        | 14.27        | 0.96        | 0.23        | 0.07        | 14.10        |
|   |  | March 31, 2022        | 14.15        | 3.32        | 1.82        | 1.23        | 11.63        |
| ii)                                       | Settlement / Curtailment cost / (credit) | March 31, 2023        | -            | -           | -           | -           | -            |
|   |  | March 31, 2022        | -            | -           | 0.20        | -           | -            |
| iii)                                      | Net interest cost                        | March 31, 2023        | 1.87         | 0.07        | 0.17        | 0.12        | 0.39         |
|   |  | March 31, 2022        | 0.67         | 0.23        | 0.17        | 0.04        | 0.37         |
| <b>Cost recognised in profit and loss</b> |  | <b>March 31, 2023</b> | <b>16.14</b> | <b>1.03</b> | <b>0.40</b> | <b>0.19</b> | <b>14.49</b> |
|   |  | March 31, 2022        | 14.82        | 3.55        | 2.19        | 1.27        | 12.00        |

All of the above have been included in the line 'Contribution to provident and other funds', in note 29 of the Statement of Profit and Loss.



## Notes to consolidated financial statements for the year ended March 31, 2023

### f. Other comprehensive income

₹ Crore

| Sr. No. | Particulars   | As at                 | Gratuity      | Pension       | Ex-gratia     | PRMB        | PF            |
|---------|---|-----------------------|---------------|---------------|---------------|-------------|---------------|
| i)      | Actuarial (gain) / loss due to DBO experience             | March 31, 2023        | 3.12          | (1.01)        | 0.06          | 0.51        | 12.47         |
|         |   | March 31, 2022        | 6.98          | 0.01          | 0.06          | (0.08)      | -             |
| ii)     | Actuarial (gain) / loss due to assumption change          | March 31, 2023        | (7.04)        | (0.16)        | (0.07)        | (0.09)      | (5.12)        |
|         |   | March 31, 2022        | (5.96)        | (2.99)        | (0.04)        | (0.04)      | -             |
| iii)    | Return on plan assets (greater) / less than discount rate | March 31, 2023        | (0.54)        | (0.04)        | -             | -           | (7.79)        |
|         |   | March 31, 2022        | 0.30          | 0.06          | -             | -           | -             |
|         | <b>Actuarial (gain) / loss recognised in OCI</b>          | <b>March 31, 2023</b> | <b>(4.46)</b> | <b>(1.21)</b> | <b>(0.01)</b> | <b>0.42</b> | <b>(0.44)</b> |
|         |   | March 31, 2022        | 1.32          | (2.92)        | 0.02          | (0.12)      | -             |
|         | <b>Adjustment for limit of net asset</b>                  | <b>March 31, 2023</b> | -             | -             | -             | -           | -             |
|         |   | March 31, 2022        | -             | -             | -             | -           | -             |

### 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, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 |
| i)      | Government of India securities                             | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 49.24%         | 49.41%         |
| ii)     | Debt instruments and related investments / corporate bonds | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 42.24%         | 37.25%         |
| iii)    | Special deposit scheme                                     | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 5.50%          |
| iv)     | Insurer managed funds                                      | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 0.00%          | 0.00%          |
| v)      | Mutual Funds   | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 7.84%          |
| vi)     | Equities and related investments                           | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 8.51%          | 0.00%          |
|         | <b>Total</b>   | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

## Notes to consolidated financial statements for the year ended March 31, 2023

### h. Supplementary information as per Ind AS 19

₹ Crore

| Sr. No. | Particulars                                  | As at          | Gratuity | Pension | Ex-gratia | PRMB | PF    |
|---------|--|----------------|----------|---------|-----------|------|-------|
| i)      | Expected employer contribution for next year | March 31, 2023 | 10.22    | -       | NA        | NA   | 15.51 |
|         |  | March 31, 2022 | 14.79    | 0.97    | NA        | NA   | 0.88  |

### i. Following are the principal actuarial assumptions used as at the balance sheet date

| Particulars   | As at          | Gratuity   | Pension | Ex-gratia | PRMB  | PF    |
|---|----------------|--|---------|-----------|-------|-------|
| Discount rate - March 31, 2023                            | March 31, 2023 | 7.50%  | 7.50%   | 7.50%     | 7.50% | 7.50% |
| Discount rate - March 31, 2022                            | March 31, 2022 | 7.00%  | 7.00%   | 7.00%     | 7.00% | 7.00% |
| Expected rate of return on plan assets                    | March 31, 2023 | 7.50%  | 7.50%   | NA        | NA    | NA    |
|   | March 31, 2022 | 7.00%  | 7.00%   | NA        | NA    | NA    |
| Salary escalation rate - management staff                 | March 31, 2023 | 10.00%   | NA      | NA        | NA    | NA    |
|   | March 31, 2022 | 10.00%   | NA      | NA        | NA    | NA    |
| Salary escalation rate - non-management staff             | March 31, 2023 | 8.00%  | NA      | NA        | NA    | NA    |
|   | March 31, 2022 | 7.00%  | NA      | NA        | NA    | NA    |
| Annual increase in healthcare costs - year 2023- 2025     | March 31, 2023 | NA   | NA      | NA        | 8.00% | NA    |
|   | March 31, 2022 | NA   | NA      | NA        | 8.00% | NA    |
| Annual increase in healthcare costs - 2026 and thereafter | March 31, 2023 | NA   | NA      | NA        | 6.00% | NA    |
|   | March 31, 2022 | NA   | NA      | NA        | 6.00% | NA    |
| Long term EPFO rate 2022-23                               | March 31, 2023 | NA   | NA      | NA        | NA    | 8.15% |
|   | March 31, 2022 | NA   | NA      | NA        | NA    | 8.10% |
| Mortality rate  | March 31, 2023 | Indian Assured Lives Mortality (2012-14) Ult Table |         |           |       |       |
|   | March 31, 2022 | Indian Assured Lives Mortality (2006-08) Ultimate  |         |           |       |       |

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

## Notes to consolidated financial statements for the year ended March 31, 2023

### j. Expected benefit payment for the next years

₹ Crore

| Particulars | As at          | March 31, 2024 | March 31, 2025 | March 31, 2026 | March 31, 2027 | March 31, 2028 | 2029-2033 |
|-------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------|
|             |                | March 31, 2023 | March 31, 2024 | March 31, 2025 | March 31, 2026 | March 31, 2027 | 2028-2032 |
| Gratuity    | March 31, 2023 | 19.73          | 15.26          | 16.66          | 15.77          | 16.48          | 95.74     |
|             | March 31, 2022 | 6.72           | 12.75          | 14.69          | 15.96          | 18.35          | 111.77    |
| Pension     | March 31, 2023 | 2.36           | 3.49           | 3.90           | 4.23           | 4.21           | 14.26     |
|             | March 31, 2022 | 1.24           | 2.68           | 3.59           | 4.16           | 4.92           | 21.83     |
| Ex-gratia   | March 31, 2023 | 0.45           | 0.36           | 0.43           | 0.43           | 0.34           | 1.51      |
|             | March 31, 2022 | 0.09           | 0.09           | 0.23           | 0.32           | 0.36           | 1.85      |
| PRMB        | March 31, 2023 | 0.25           | 0.18           | 0.21           | 0.27           | 0.29           | 1.58      |
|             | March 31, 2022 | 0.08           | 0.10           | 0.13           | 0.16           | 0.20           | 1.24      |
| PF          | March 31, 2023 | 0.05           | 0.05           | 0.05           | 0.05           | 0.05           | 0.19      |
|             | March 31, 2022 | 0.88           | 1.97           | 3.21           | 4.69           | 6.39           | 67.72     |

### k. Quantitative sensitivity analysis for significant assumption is as shown below:

₹ Crore

| Assumptions      | Discount Rate |               | Future salary increase |               | Withdrawal Rate |             |
|------------------|---------------|---------------|------------------------|---------------|-----------------|-------------|
|                  | 0.5% increase | 0.5% decrease | 0.5% increase          | 0.5% decrease | 5% increase     | 5% decrease |
| <b>Gratuity</b>  |               |               |                        |               |                 |             |
| March 31, 2023   | (9.54)        | 10.28         | 10.03                  | (9.41)        | (10.57)         | 8.75        |
| March 31, 2022   | (9.56)        | 10.34         | 10.07                  | (9.41)        | (12.96)         | 9.90        |
| <b>Pension</b>   |               |               |                        |               |                 |             |
| March 31, 2023   | (0.65)        | 0.67          | NA                     | NA            | (0.06)          | 0.58        |
| March 31, 2022   | (0.78)        | 0.82          | NA                     | NA            | (0.29)          | 0.12        |
| <b>Ex-gratia</b> |               |               |                        |               |                 |             |
| March 31, 2023   | (0.06)        | 0.06          | NA                     | NA            | (0.54)          | 0.24        |
| March 31, 2022   | (0.07)        | 0.07          | NA                     | NA            | (0.61)          | 0.26        |
| <b>PF</b>        |               |               |                        |               |                 |             |
| March 31, 2023   | (0.45)        | 5.34          | -                      | -             | -               | -           |
| March 31, 2022   | (28.00)       | 25.00         | -                      | -             | -               | -           |

# Notes to consolidated financial statements for the year ended March 31, 2023

₹ Crore

| Assumptions    | Discount Rate |               | Medical Inflation |             | Withdrawal Rate |             |
|----------------|---------------|---------------|-------------------|-------------|-----------------|-------------|
|                | 0.5% increase | 0.5% decrease | 1% increase       | 1% decrease | 5% increase     | 5% decrease |
| <b>PRMB</b>    |               |               |                   |             |                 |             |
| March 31, 2023 | (0.07)        | 0.08          | 0.16              | (0.14)      | (0.50)          | 0.23        |
| March 31, 2022 | (0.06)        | 0.07          | 0.12              | (0.11)      | (0.40)          | 0.31        |

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. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

## 43 Related party disclosures

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

| Name of related party | Nature of relationship |
|-----------------------|------------------------|
| Cummins Inc.          | Holding Company        |

### b) Transactions with related parties as per the books of account during the year ended March 31, 2023

₹ Crore

| Transaction       | Name of the party                          |                | Total    |
|-------------------|--|----------------|----------|
| Purchase of goods | Tata Cummins Private Limited               | March 31, 2023 | 1,208.59 |
|                   |  | March 31, 2022 | 1,044.29 |
|                   | Cummins Technologies India Private Limited | March 31, 2023 | 691.78   |
|                   |  | March 31, 2022 | 484.22   |
|                   | Cummins Inc.                               | March 31, 2023 | 159.32   |
|                   |  | March 31, 2022 | 164.42   |
|                   | Others                                     | March 31, 2023 | 683.22   |
|                   |  | March 31, 2022 | 442.06   |
| Sale of goods     | Cummins Limited                            | March 31, 2023 | 718.49   |
|                   |  | March 31, 2022 | 564.72   |
|                   | Cummins Technologies India Private Limited | March 31, 2023 | 285.23   |
|                   |  | March 31, 2022 | 191.73   |
|                   | Others                                     | March 31, 2023 | 700.38   |
|                   |  | March 31, 2022 | 548.88   |

## Notes to consolidated financial statements for the year ended March 31, 2023

|                                       |  |                | ₹ Crore |
|---------------------------------------|--|----------------|---------|
| Transaction                           | Name of the party                          |                | Total   |
| Purchase of assets                    | Cummins Technologies India Private Limited | March 31, 2023 | 1.05    |
|                                       |  | March 31, 2022 | 1.69    |
|                                       | Cummins Power Generation Inc.              | March 31, 2023 | 0.83    |
|                                       |  | March 31, 2022 | -       |
|                                       | Fleetguard Filters Pvt Ltd                 | March 31, 2023 | 0.79    |
|                                       |  | March 31, 2022 | -       |
|                                       | Cummins Inc.                               | March 31, 2023 | 0.64    |
|                                       |  | March 31, 2022 | 0.21    |
|                                       | Cummins Limited                            | March 31, 2023 | -       |
|                                       |  | March 31, 2022 | 0.71    |
| Sale of assets                        | Cummins Technologies India Private Limited | March 31, 2023 | 0.90    |
|                                       |  | March 31, 2022 | 16.74   |
|                                       | Others                                     | March 31, 2023 | -       |
|                                       |  | March 31, 2022 | 0.17    |
| Services rendered<br>(Refer note vi)  | Cummins Technologies India Private Limited | March 31, 2023 | 154.32  |
|                                       |  | March 31, 2022 | 138.33  |
|                                       | Valvoline Cummins Private Limited          | March 31, 2023 | 61.52   |
|                                       |  | March 31, 2022 | 47.76   |
|                                       | Cummins Inc.                               | March 31, 2023 | 24.66   |
|                                       |  | March 31, 2022 | 34.17   |
|                                       | Others                                     | March 31, 2023 | 37.49   |
|                                       |  | March 31, 2022 | 33.05   |
| Services received<br>(Refer note vii) | Cummins Technologies India Private Limited | March 31, 2023 | 14.99   |
|                                       |  | March 31, 2022 | 28.57   |
|                                       | Others                                     | March 31, 2023 | 3.55    |
|                                       |  | March 31, 2022 | 3.85    |
| Royalty                               | Cummins Inc.                               | March 31, 2023 | 17.33   |
|                                       |  | March 31, 2022 | 13.98   |
| Support services                      | Cummins Inc.                               | March 31, 2023 | 106.03  |
|                                       |  | March 31, 2022 | 105.77  |
|                                       | Cummins Africa Middle East (Pty) Ltd.      | March 31, 2023 | 5.23    |
|                                       |  | March 31, 2022 | 9.01    |
| Reimbursements paid                   | Cummins Technologies India Private Limited | March 31, 2023 | 100.13  |
|                                       |  | March 31, 2022 | 114.21  |
|                                       | Cummins Inc.                               | March 31, 2023 | 12.24   |
|                                       |  | March 31, 2022 | 10.47   |
|                                       | Others                                     | March 31, 2023 | 5.42    |
|                                       |  | March 31, 2022 | 12.15   |

## Notes to consolidated financial statements for the year ended March 31, 2023

₹ Crore

| Transaction                                   | Name of the party                                    |                | Total  |
|---|--|----------------|--------|
| Reimbursements received<br>(Refer note viii)  | Cummins Technologies India Private Limited           | March 31, 2023 | 86.43  |
|   |  | March 31, 2022 | 63.86  |
|   | Tata Cummins Private Limited                         | March 31, 2023 | 20.29  |
|   |  | March 31, 2022 | 16.15  |
|   | Cummins Generator Technologies India Private Limited | March 31, 2023 | 13.58  |
|   |  | March 31, 2022 | 9.68   |
|   | Others   | March 31, 2023 | 9.37   |
|   |  | March 31, 2022 | 6.63   |
| Remuneration paid<br>(Refer note i and iii)   | Key management personnel                             | March 31, 2023 | 7.94   |
|   |  | March 31, 2022 | 7.04   |
| Transfer of export benefits                   | Cummins Technologies India Private Limited           | March 31, 2023 | 1.55   |
|   |  | March 31, 2022 | -      |
| Dividend paid                                 | Cummins Inc.   | March 31, 2023 | 318.09 |
|   |  | March 31, 2022 | 226.19 |
| Donations paid                                | Cummins India Foundation                             | March 31, 2023 | 15.57  |
|   |  | March 31, 2022 | 15.54  |
| Contributions paid                            | Cummins India Limited Officers Provident Fund        | March 31, 2023 | 14.10  |
|   |  | March 31, 2022 | 13.20  |
|   | Cummins Group Employees Superannuation Scheme        | March 31, 2023 | 21.43  |
|   |  | March 31, 2022 | 18.94  |
|   | Cummins Group Officers Gratuity Scheme               | March 31, 2023 | 15.70  |
| March 31, 2022                                | 14.33  |                |        |
| Sitting fees and commission<br>(Refer note i) | Independent Directors                                | March 31, 2023 | 1.07   |
|   |  | March 31, 2022 | 1.10   |
| Equity contribution - share based payments    | Cummins Inc.   | March 31, 2023 | 5.23   |
|   |  | March 31, 2022 | 2.82   |

## Notes to consolidated financial statements for the year ended March 31, 2023

### c) Amounts outstanding as at March 31, 2023

|   |  |                                   | ₹ Crore        |       |
|---|--|-----------------------------------|----------------|-------|
| Particulars   | Name of the party                          |                                   | Total          |       |
| Trade payables  | Cummins Technologies India Private Limited | March 31, 2023                    | 173.94         |       |
|   |  | March 31, 2022                    | 113.37         |       |
|   | Tata Cummins Private Limited               | March 31, 2023                    | 163.22         |       |
|   |  | March 31, 2022                    | 85.25          |       |
|   | Cummins Inc.                               | March 31, 2023                    | 94.30          |       |
|   |  | March 31, 2022                    | 90.40          |       |
|   | Cummins Limited                            | March 31, 2023                    | 69.59          |       |
|   |  | March 31, 2022                    | 62.31          |       |
|   | Others                                     | March 31, 2023                    | 120.72         |       |
|   |  | March 31, 2022                    | 83.38          |       |
| Other current financial / non-financial liabilities   | Cummins Inc.                               | March 31, 2023                    | 18.15          |       |
|   |  | March 31, 2022                    | 14.24          |       |
|   | Cummins Africa Middle East (Pty) Ltd.      | March 31, 2023                    | 1.18           |       |
|   |  | March 31, 2022                    | 1.18           |       |
| Trade receivables                                     | Cummins Technologies India Private Limited | March 31, 2023                    | 86.72          |       |
|   |  | March 31, 2022                    | 89.20          |       |
|   | Cummins Limited                            | March 31, 2023                    | 83.43          |       |
|   |  | March 31, 2022                    | 99.02          |       |
|   | Cummins Romania SRL                        | March 31, 2023                    | 41.07          |       |
|   |  | March 31, 2022                    | 4.77           |       |
|   | Others                                     | March 31, 2023                    | 172.12         |       |
|   |  | March 31, 2022                    | 150.24         |       |
|   | Other current financial assets             | Valvoline Cummins Private Limited | March 31, 2023 | 0.32  |
|   |  |                                   | March 31, 2022 | 14.33 |
| Tata Cummins Private Limited                          |  | March 31, 2023                    | 2.95           |       |
|   |  | March 31, 2022                    | 6.25           |       |
| Cummins Inc.  |  | March 31, 2023                    | 1.81           |       |
|   |  | March 31, 2022                    | 1.85           |       |
| Fleetguard Filters Pvt Ltd                            |  | March 31, 2023                    | 1.82           |       |
|   |  | March 31, 2022                    | 0.78           |       |
| Cummins Research and Technology India Private Limited |  | March 31, 2023                    | 1.01           |       |
|   |  | March 31, 2022                    | -              |       |
| Others  | March 31, 2023                             | 0.26                              |                |       |
|   | March 31, 2022                             | 0.99                              |                |       |

## Notes to consolidated financial statements for the year ended March 31, 2023

### 43 Related party disclosures (contd.)

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

| Nature of relationship                                     | Name of the party                                      |
|--|--|
| Fellow subsidiaries<br>(with which there are transactions) | Chongqing Cummins Engine Co Ltd                        |
|  | Cmi Tr Mtr Guc Sistemleri Satis Servis Ltd Sirketi     |
|  | Consolidated Diesel Company                            |
|  | Cummins (China) Investment Co. Ltd.                    |
|  | Cummins (Xiangyang) Machining Co. Ltd.                 |
|  | Cummins Africa Middle East (Pty) Ltd.                  |
|  | Cummins Arabia Fzco                                    |
|  | Cummins Asia Pacific Pte. Ltd.                         |
|  | Cummins Belgium NV                                     |
|  | Cummins Brasil Ltda                                    |
|  | Cummins C&G Holding Limited                            |
|  | Cummins C&G Limited                                    |
|  | Cummins Commercializadora S. De R.L. De C.V.           |
|  | Cummins Czech Republic SRO                             |
|  | Cummins Deutschland Gmbh                               |
|  | Cummins Dksh (Singapore) Pte Ltd                       |
|  | Cummins Dksh (Thailand) Limited                        |
|  | Cummins Dksh (Vietnam) LLC                             |
|  | Cummins Emission Solutions Inc.                        |
|  | Cummins Engine (Shanghai) Trading & Services Co., Ltd. |
|  | Cummins Filtration Inc.                                |
|  | Cummins France SA                                      |
|  | Cummins Fuel System (Wuhan) Co. Ltd.                   |
|  | Cummins Generator Technologies Australia Pty Ltd       |
|  | Cummins Generator Technologies Limited                 |
|  | Cummins Ghana Limited                                  |
|  | Cummins Italia Spa                                     |
|  | Cummins Japan Limited                                  |
|  | Cummins Limited  |
|  | Cummins Middle East Fze                                |
|  | Cummins Natural Gas Engines, Inc.                      |
|  | Cummins Norway AS                                      |
| Cummins NV   |  |



# Notes to consolidated financial statements for the year ended March 31, 2023

## 43 Related party disclosures (contd.)

| Nature of relationship   | Name of the party   |
|--------------------------|---|
|                          | Cummins Power Generation (China) Co. Ltd.                 |
|                          | Cummins Power Generation Inc.                             |
|                          | Cummins Power Generation Limited UK                       |
|                          | Cummins Qatar LLC   |
|                          | Cummins Romania SRL                                       |
|                          | Cummins Sales And Service Philippines Inc.                |
|                          | Cummins Sales And Service Sdn. Bhd.                       |
|                          | Cummins Sales And Service Singapore Pte Ltd               |
|                          | Cummins Saudi Arabia L.L.C                                |
|                          | Cummins South Africa (Pty.) Ltd.                          |
|                          | Cummins South Pacific Pty Ltd                             |
|                          | Cummins Spain SI  |
|                          | Cummins Technologies India Private Limited                |
|                          | Cummins West Africa Limited                               |
|                          | Distribuidora Cummins Centroamerica Costa Rica, S.De R.L. |
|                          | Distribuidora Cummins Centroamerica Honduras, S.De R.L.   |
|                          | Distribuidora Cummins De Panama S. De R.L.                |
|                          | Distribuidora Cummins S.A.                                |
|                          | Distribuidora Cummins Sucursal Paraguay SRL               |
|                          | Filt Red India Technologies Private Limited               |
|                          | Hydrogenics Europe N.V.                                   |
|                          | Hydrogenics NV  |
|                          | OOO Cummins   |
|                          | Shanghai Cummins Trading Co. Ltd.                         |
|                          | Taiwan Cummins Sales & Services Co. Ltd.                  |
| Key management personnel | Ashwath Ram - Managing Director                           |
|                          | Ajay Patil - Chief Financial Officer                      |
|                          | Vinaya Joshi - Company Secretary                          |
|                          | Steven Chapman - Chairman of the Board                    |
|                          | Donald Jackson  |
|                          | Jennifer Mary Bush (w.e.f. November 5, 2022)              |
|                          | Bonnie Jean Fetch (w.e.f. November 25, 2022)              |
|                          | Norbert Nusterer (upto August 26, 2022)                   |
|                          | Lorraine Meyer (upto February 15, 2022)                   |

# Notes to consolidated financial statements for the year ended March 31, 2023

## 43 Related party disclosures (contd.)

| Nature of relationship                                       | Name of the party   |
|--|---|
|  | Independent Directors                                       |
|  | - Nasser Munjee   |
|  | - Prakash Telang (upto December 8, 2021)                    |
|  | - Priya Dasgupta  |
|  | - Rajeev Bakshi   |
|  | - Rama Bijapurkar   |
|  | - Rekha (w.e.f. August 11, 2022)                            |
| Associate  | Cummins Generator Technologies India Private Limited        |
| Joint venture  | Valvoline Cummins Private Limited                           |
|  | Cummins Research and Technology India Private Limited       |
| Enterprise with common key management personnel              | Tata Cummins Private Limited                                |
|  | Cummins India Foundation                                    |
|  | New Delhi Law Offices Private Limited                       |
|  | Lokmanya Hospitals Private Limited (upto December 10, 2021) |
|  | Fleetguard Filters Private Limited                          |
|  | Caltherm Thermostats Private Limited                        |
| Employees benefit plans where there is significant influence | Cummins India Limited Officers Provident Fund               |
|  | Cummins Group Employees Superannuation Scheme               |
|  | Cummins Group Officers Gratuity Scheme                      |

### Terms and conditions of transactions with related parties:

- ii) The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2022: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Company as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

# Notes to consolidated financial statements for the year ended March 31, 2023

## 44 Segment information

On a review of all the relevant aspects including, in particular, the system of internal financial reporting to the Board of Directors, which is the Chief Operating Decision Maker ('CODM') and considering the economic characteristics of the operations, the Group is of the view that it operates in two segments viz. 'Engines' and 'Lubes'. Lubes segment comprises of a joint venture viz. Valvoline Cummins Private Limited, which is accounted for as per equity method under relevant Ind AS standard. The CODM evaluates the Group's performance based on an analysis of various parameters. Engine segment comprises of Cummins India Limited and other Group companies, which has been aggregated considering the nature of products, class of customer etc.

Following information is provided to the CODM for Lubes segment for monitoring its performance:

₹ Crore

| Particulars        | Year ended     | Year ended      | Elimination / Adjustments | Total    |
|--------------------|----------------|-----------------|---------------------------|----------|
|                    | March 31, 2023 | March 31, 2023* |                           |          |
|                    | Engines        | Lubes           |                           |          |
| Sales              | 7,641.40       | 2,148.84        | 2,148.84                  | 7,641.40 |
| Profit before tax  | 1,513.14       | 209.90          | 131.75                    | 1,591.29 |
| Profit after tax * | 1,150.00       | 156.30          | 78.15                     | 1,228.15 |

₹ Crore

| Particulars        | Year ended     | Year ended      | Elimination / Adjustments | Total    |
|--------------------|----------------|-----------------|---------------------------|----------|
|                    | March 31, 2022 | March 31, 2022* |                           |          |
|                    | Engines        | Lubes           |                           |          |
| Sales              | 6,056.97       | 1,693.75        | 1,693.75                  | 6,056.97 |
| Profit before tax  | 1,139.18       | 182.16          | 114.36                    | 1,206.98 |
| Profit after tax * | 865.94         | 135.61          | 67.81                     | 933.74   |

### Notes:

\* The above numbers represent full numbers in the Statement of Profit and Loss of Valvoline Cummins Private Limited and are not Group's proportionate share. For relevant information relating to Engine segment refer consolidated Statement of Profit and Loss and Balance Sheet.

45 As set out in section 135 of the Companies Act, 2013, the Group is required to contribute ₹15.57 crore (March, 31 2022 : ₹15.54 crore) 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 Board has approved and the Group has contributed ₹ 15.57 crore (March 31, 2022: ₹ 15.54 crore) to Cummins India Foundation towards eligible projects as mentioned in Schedule III (including amendments thereto) of the Companies Act, 2013. Apart from the above contribution to Cummins India Foundation, the Group has not made any direct expenditure/contributions of capital nature.

# Notes to consolidated financial statements for the year ended March 31, 2023

## 46 Financial risk management objectives and policies

### Financial risk factors:

The Group has well written policies covering specific areas, such as foreign exchange risk and investments which seek 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. As per the Group's policy, no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Group's activities are exposed to variety of financial risks: market risk (including currency risk, 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:

| ₹ Crore      |          |  |  |
|--------------|----------|--|--|
| Currency     | % change | March 31, 2023                                 | March 31, 2022                                 |
|              |          | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| USD          | 1%       | 1.05   | 1.36   |
| Euro         | 1%       | 0.60   | 0.28   |
| Others       | 1%       | 0.15   | 0.07   |
| <b>Total</b> |          | <b>1.80</b>                                    | <b>1.71</b>                                    |

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.

## Notes to consolidated financial statements for the year ended March 31, 2023

### 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.

Borrowings of ₹ 350.04 crore outstanding as at March 31, 2023 (As at March 31, 2022 : ₹ 394.68 crore) were at floating rate linked to T-bill + applicable spread.

The following table demonstrates the sensitivity of interest payable:

|                      |          | ₹ Crore  |  |
|----------------------|----------|--|--|
|                      | % change | March 31, 2023                                 | March 31, 2022                                 |
|                      |          | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| Working Capital Loan | 0.50%    | 0.71   | 0.57   |

### 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:

|                      |          | ₹ Crore  |  |
|----------------------|----------|--|--|
|                      | % change | March 31, 2023                                 | March 31, 2022                                 |
|                      |          | Effect on profit before tax and pre-tax equity | Effect on profit before tax and pre-tax equity |
| Working Capital Loan | 0.50%    | 3.45   | 2.86   |

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.

## Notes to consolidated financial statements for the year ended March 31, 2023

### 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 Group is exposed to credit risk primarily from trade receivables, contract assets, other receivables, deposits with banks and loans given.

#### Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10 and 13.

#### Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Group's treasury department in accordance with Group's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5,9,11,12 and 13.

### 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 ₹689.93 crore (March 31, 2022 : ₹572.37 crore) and other liquid assets of ₹396.69 crore (March 31, 2022 : ₹177.43 crore) that are expected to readily generate cash inflows for managing liquidity risk.

## Notes to consolidated financial statements for the year ended March 31, 2023

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

₹ Crore

| <b>As at March 31, 2023</b>          | <b>On demand</b> | <b>Less than 12 months</b> | <b>1-5 years</b> | <b>More than 5 years</b> |
|--------------------------------------|------------------|----------------------------|------------------|--------------------------|
| Borrowings                           | -                | 350.04                     | -                | -                        |
| Lease liabilities including interest | -                | 8.14                       | 23.25            | 2.06                     |
| Trade payables                       | -                | 1,153.87                   | -                | -                        |
| Royalty and support services         | -                | 19.32                      | -                | -                        |
| Unpaid dividend                      | 12.79            | -                          | -                | -                        |
| Retention money                      | -                | 8.86                       | 0.25             | -                        |
| Deposits                             | -                | -                          | 27.36            | -                        |
| Others                               | -                | 57.66                      | -                | -                        |

| <b>As at March 31, 2022</b>          | <b>On demand</b> | <b>Less than 12 months</b> | <b>1-5 years</b> | <b>More than 5 years</b> |
|--------------------------------------|------------------|----------------------------|------------------|--------------------------|
| Borrowings                           | 1.37             | 393.31                     | -                | -                        |
| Lease liabilities including interest | -                | 7.10                       | 18.92            | 3.01                     |
| Trade payables                       | -                | 999.68                     | -                | -                        |
| Royalty and support services         | -                | 15.41                      | -                | -                        |
| Unpaid dividend                      | 12.19            | -                          | -                | -                        |
| Retention money                      | -                | 10.83                      | 1.26             | -                        |
| Deposits                             | -                | -                          | 23.39            | -                        |
| Others                               | -                | 46.71                      | -                | -                        |

### 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.

## Notes to consolidated financial statements for the year ended March 31, 2023

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 holding company.

|                                 | ₹ Crore        |                |
|---------------------------------|----------------|----------------|
|                                 | March 31, 2023 | March 31, 2022 |
| Borrowings                      | 350.04         | 394.68         |
| Less: Cash and cash equivalents | 396.69         | 177.43         |
| <b>Net debt</b>                 | <b>(46.65)</b> | <b>217.25</b>  |
| Equity                          | 5,758.24       | 5,144.97       |
| <b>Gearing ratio (times)</b>    | <b>-*</b>      | <b>0.04</b>    |

\* Gearing ratio is not calculated as at March 31, 2023 as the amount of cash and cash equivalents is higher than borrowings

### 47 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values and investment properties.

|   | Carrying value               |                              | Fair value                   |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | March 31,<br>2023<br>₹ Crore | March 31,<br>2022<br>₹ Crore | March 31,<br>2023<br>₹ Crore | March 31,<br>2022<br>₹ Crore |
| <b>Financial assets:</b>                        |                              |                              |                              |                              |
| FVTPL of investments in mutual funds & bonds    | 689.93                       | 577.54                       | 689.93                       | 577.54                       |
| FVTPL of Foreign exchange forward contracts     | -                            | 0.50                         | -                            | 0.50                         |
| FVTOCI of investments in certificate of deposit | 357.99                       | -                            | 357.99                       | -                            |
| <b>Financial liabilities</b>                    |                              |                              |                              |                              |
| FVTPL of Foreign exchange forward contracts     | 0.02                         | -                            | 0.02                         | -                            |
| <b>Non-current assets</b>                       |                              |                              |                              |                              |
| Investment properties                           | 1,019.04                     | 979.03                       | 1,453.73                     | 1,293.29                     |

The Management assessed that the fair values of 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.



## Notes to consolidated financial statements for the year ended March 31, 2023

The fair value of investments in mutual funds is based on the price quotation at the reporting date obtained from the asset management companies. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1c and investment properties by valuation method as defined in Note 3

|  | ₹ Crore   |  |  |          |
|--|---|--|--|----------|
|  | Quoted<br>prices<br>in active<br>markets<br>Level 1 | Significant<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 | Total    |
| <b>Financial assets at FVTPL</b>               |   |  |  |          |
| <b>Investments in mutual funds &amp; bonds</b> |   |  |  |          |
| March 31, 2023                                 | -   | 689.93   | -  | 689.93   |
| March 31, 2022                                 | -   | 577.54   | -  | 577.54   |
| <b>Forward contracts assets</b>                |   |  |  |          |
| March 31, 2023                                 | -   | -  | -  | -        |
| March 31, 2022                                 | -   | 0.50   | -  | 0.50     |
| <b>Financial assets at FVTOCI</b>              |   |  |  |          |
| <b>Investments in certificate of deposit</b>   |   |  |  |          |
| March 31, 2023                                 | -   | 357.99   | -  | 357.99   |
| March 31, 2022                                 | -   | -  | -  | -        |
| <b>Financial liabilities at FVTPL</b>          |   |  |  |          |
| <b>Forward contracts liability</b>             |   |  |  |          |
| March 31, 2023                                 | -   | 0.02   | -  | 0.02     |
| March 31, 2022                                 | -   | -  | -  | -        |
| <b>Non-current assets</b>                      |   |  |  |          |
| <b>Investment properties</b>                   |   |  |  |          |
| March 31, 2023                                 | -   | -  | 1,453.73   | 1,453.73 |
| March 31, 2022                                 | -   | -  | 1,293.29   | 1,293.29 |

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, 2023

## 48 Standards issued but not yet effective

### i Disclosure of Accounting Policies Amendments to Ind AS 1, Presentation of financial statements

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

### ii Definition of Accounting Estimates Amendments to Ind AS 8, Accounting policies, changes in accounting estimates and errors

The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

### iii Deferred tax related to assets and liabilities arising from a single transaction Amendments to Ind AS 12, Income taxes

The amendment requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. Ind AS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

## Notes to consolidated financial statements for the year ended March 31, 2023

### 49 Financial Ratios

| No. | Name of the Ratio               | Numerator  | Denominator  | March 31, 2023 | March 31, 2022 | Variance % | Rationale for Variance > 25%   |
|-----|---------------------------------|--|--|----------------|----------------|------------|--|
| 1   | Current Ratio                   | Current assets                                   | Current liabilities  | 2.70           | 2.53           | 6.62%      |  |
| 2   | Debt Equity Ratio               | Short term debt + Long term debt                 | Shareholders funds   | 0.06           | 0.08           | -20.76%    |  |
| 3   | Debt Service Coverage Ratio     | Net profit after taxes + Depreciation + Interest | Interest + Lease payments + Principal repayments               | 73.56          | 71.65          | 2.67%      |  |
| 4   | Return on Equity Ratio *        | Net profits after taxes                          | Average shareholders funds                                     | 23%            | 16%            | 39.30%     | During the year the Group could achieve higher revenue from operations and higher profits resulting in better Return on Equity Ratio.    |
| 5   | Inventory Turnover Ratio        | Cost of goods sold                               | Average inventory  | 6.36           | 6.31           | 0.86%      |  |
| 6   | Trade Receivable Turnover Ratio | Revenue from operations (gross)                  | Average trade receivable                                       | 5.44           | 5.26           | 3.49%      |  |
| 7   | Trade Payable Turnover Ratio    | Net credit purchases                             | Average trade payable  | 4.28           | 4.29           | -0.29%     |  |
| 8   | Net Capital Turnover Ratio      | Revenue from operations (gross)                  | Current assets - Current liabilities                           | 2.42           | 2.31           | 4.77%      |  |
| 9   | Net Profit Ratio *              | Net profits after taxes                          | Revenue from operations (gross)                                | 16%            | 13%            | 23.10%     |  |
| 10  | Return on Capital Employed *    | Earning before interest and taxes                | Total assets - (current liabilities + non-current liabilities) | 28%            | 21%            | 33.58%     | During the year the Group could achieve higher revenue from operations and higher profits resulting in better Return on Capital Employed |
| 11  | Return on Investment *          | Earning before interest and taxes                | Total assets   | 20%            | 15%            | 34.28%     | During the year the Group could achieve higher revenue from operations and higher profits resulting in better Return on Investment       |

\* Exceptional items have been excluded for computation of financial ratios

## Notes to consolidated financial statements for the year ended March 31, 2023

### 50 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                      | ₹ Crore  | As % of consolidated profit and loss | ₹ Crore  | As % of consolidated other comprehensive income | ₹ Crore | As % of consolidated total comprehensive income | ₹ Crore  |
| <b>Parent</b>  |  |          |                                      |          |   |         |   |          |
| Cummins India Limited                                |  |          |                                      |          |   |         |   |          |
| Balance as at March 31, 2023                         | 93.22%   | 5,367.98 | 91.99%                               | 1,129.82 | 110.58%   | 3.97    | 92.05%  | 1,133.79 |
| Balance as at March 31, 2022                         | 94.32%   | 4,852.66 | 94.96%                               | 886.65   | -10.71%   | (0.06)  | 94.89%  | 886.59   |
| <b>Subsidiary (Indian)</b>                           |  |          |                                      |          |   |         |   |          |
| Cummins Sales & Service Private Limited              |  |          |                                      |          |   |         |   |          |
| Balance as at March 31, 2023                         | 0.43%  | 25.03    | 0.40%                                | 4.95     | 4.77%   | 0.17    | 0.42%   | 5.12     |
| Balance as at March 31, 2022                         | 0.39%  | 19.90    | 0.10%                                | 0.92     | 24.71%  | 0.14    | 0.11%   | 1.06     |
| <b>Associate (Indian)</b>                            |  |          |                                      |          |   |         |   |          |
| Cummins Generator Technologies India Private Limited |  |          |                                      |          |   |         |   |          |
| Balance as at March 31, 2023                         | -  | 555.02   | 10.64%                               | 130.65   | -16.16%   | (0.58)  | 10.56%  | 130.07   |
| Balance as at March 31, 2022                         | -  | 349.67   | 2.41%                                | 22.47    | 46.27%  | 0.26    | 2.43%   | 22.73    |

## Notes to consolidated financial statements for the year ended March 31, 2023

| 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                      | ₹ Crore      | As % of consolidated profit and loss | ₹ Crore      | As % of consolidated other comprehensive income | ₹ Crore     | As % of consolidated total comprehensive income | ₹ Crore         |
| <b>Joint Ventures (Indian)*</b>                       |  |              |                                      |              |   |             |   |                 |
| Valvoline Cummins Private Limited                     |  |              |                                      |              |   |             |   |                 |
| Balance as at March 31, 2023                          | -  | 282.10       | 6.36%                                | 78.15        | 0.96%   | 0.03        | 6.36%   | 78.19           |
| Balance as at March 31, 2022                          | -  | 287.24       | 7.26%                                | 67.80        | 41.13%  | 0.23        | 7.29%   | 68.03           |
| Cummins Research and Technology India Private Limited |  |              |                                      |              |   |             |   |                 |
| Balance as at March 31, 2023                          | -  | -            | -0.01%                               | (0.10)       | 0.00%   | -           | -0.01%  | (0.10)          |
| Balance as at March 31, 2022                          | -  | 2.24         | 0.02%                                | 0.14         | 0.00%   | -           | 0.02%   | 0.14            |
| <b>Adjustments arising out of consolidation</b>       |  |              |                                      |              |   |             |   |                 |
| March 31, 2023  | 6.34%  | 365.23       | -9.39%                               | (115.32)     | -0.16%  | (0.01)      | -9.37%  | (115.33)        |
| March 31, 2022  | 5.29%  | 272.41       | -4.74%                               | (44.24)      | -1.40%  | (0.01)      | -4.75%  | (44.25)         |
| <b>Total for March 31, 2023</b>                       | <b>100.00%</b>                                       | <b>5,758</b> | <b>100.00%</b>                       | <b>1,228</b> | <b>100.00%</b>                                  | <b>3.59</b> | <b>100.00%</b>                                  | <b>1,231.74</b> |
| <b>Total for March 31, 2022</b>                       | <b>100.00%</b>                                       | <b>5,145</b> | <b>100.00%</b>                       | <b>934</b>   | <b>100.00%</b>                                  | <b>0.56</b> | <b>100.00%</b>                                  | <b>934.30</b>   |

\* The net assets of the entity have not been consolidated under the equity method.

# Notes to consolidated financial statements for the year ended March 31, 2023

## 51 Relationship with struck off companies

During the year ended March 31, 2023, the Group has not entered into any transactions with the companies whose names were struck off under applicable regulations.

**52** The company announced a Voluntary Retirement Scheme ('VRS' or the 'Scheme') on May 16, 2022 for eligible employees who meet all the following conditions:

- Permanent employees on the shop floor and in office working at Kothrud Engine, Plant
- Employees between 45 and 57 years of age as on May 16, 2022
- Employees on the permanent rolls of the Company for at least 10 years as on May 16, 2022

Exceptional Items during the year ended March 31, 2023 comprise expenses on account of Voluntary Retirement Scheme ('VRS' or the 'Scheme') aggregating to ₹ 14.30 crore.

**53** Exceptional Items during the year ended March 31, 2022 comprise gain on sale of property aggregating to ₹ 132.36 crore.

## 54 Social Security code

Government of India's Code for Social Security 2020 (the 'Code') received assent from the President in September 2020. However, the date from when the Code will become applicable and the Rules have not yet been notified. The Company will assess the impact of the Code and account for the same once the effective date and the rules are notified.

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

### For Price Waterhouse & Co Chartered Accountants LLP

ICAI Firm Registration Number :  
304026E/E-300009

### Jeetendra Mirchandani Partner

Membership Number: 48125

Place: Hong Kong  
Date: May 24, 2023

### For and on behalf of the Board

**Ashwath Ram**  
Managing Director  
DIN: 00149501

**Vinaya Joshi**  
Company Secretary  
PAN: AMQPJ5216P

Place: Pune  
Date: May 24, 2023

**Nasser Munjee**  
Director

DIN: 00010180  
Place: Dubai

**Ajay Patil**  
Chief Financial Officer  
PAN: AAJPP9246Q

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# **BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT**

**2022-23**

*EXECUTIVE SUMMARY*





# The Power of Purpose

Our journey of powering India spans over six decades, but it is our unwavering commitment to purpose that sets us apart and fuels our progress. A more prosperous world has a financial component, but at Cummins it means more than that. A more prosperous world is also a world with clean air and clean water, and a world where businesses partner with other stakeholders to weave a stronger social fabric. The Company has long believed success is about more than just the bottom line. Through ground-breaking innovations, pursuit of excellence, and transformative initiatives, we strive to make a positive impact on people's lives and create a sustainable future for our communities and the planet. **'Power with Purpose'** is our commitment to go beyond in everything we do, while acting with absolute integrity, genuine care for our people and environment, and understanding the profound impact that our work has on our customer's success, the progress of our communities, and the overall prosperity of the world.



**Ashwath Ram**  
Managing Director, Cummins India Limited



At Cummins, we believe that operating ethically and sustainably is not only the right thing to do, but also a competitive advantage. Our PLANET 2050 sustainability strategy is guided by our mission of making people's lives better by powering a more prosperous world. Destination Zero is the strategy to reach carbon neutrality.

For more than six decades, our core values of INTEGRITY, and DIVERSITY & INCLUSION continue to play an integral role in delivering sustainable solutions, driving better financial performance, and stimulating innovation at Cummins India. Our aspirational goal of

achieving 50% women representation is not just an ideal but a moral and ethical imperative. Today, the Cummins brand in India is synonymous with TRUST built on integrity – embodied by our people and highly valued by our customers.

Our global commitment to decarbonization, combined with our solid and enviable India legacy, places us in a unique position of strength to lead India's transition to zero emissions by 2070. With a focus on action, we are advancing our journey of powering a cleaner and greener India.

## AMBITIOUS GOALS PROPEL US TOWARD PURPOSE-DRIVEN PROGRESS

At Cummins, our commitment to creating a positive impact extends beyond mere statements. It starts with acts of caring, embracing diversity, promoting sustainability, and empowering others to create meaningful change. Every initiative we undertake is rooted in the fundamental question - 'How can we power a brighter future for our people and the planet?' Always innovating for our customers' success, we have set ambitious goals that serve as the North Star on our purpose-driven journey.



## OUR GOALS: GUIDED BY PURPOSE, DRIVEN BY ACTION

### 2030

#### Toward a Plastic-Free Future



Reuse or responsibly recycle 100% of packaging plastics and eliminate single-use plastics in dining facilities, at employee events, and as amenities given to employees

### 2030

#### Waste Less, Achieve More



Generate 25% less waste in facilities and operations as a percentage of revenue

### 2040

#### Embracing Diversity



Achieve workforce gender diversity of 50% across all employee categories

### 2023-24

#### Strengthening Communities



Double the coverage of the community outreach program in aspirational districts

### 2025-26

#### Empowering Aspirational Districts



Achieve 50% representation from candidates in aspirational districts through the education assistance program

### 2030

#### Climate Champions



Absolute greenhouse gas (GHG) emissions to be reduced by 50% from facilities and operations

## Environment

### Driving Environmental Stewardship for a Sustainable Future

Climate change is the existential crisis of our time. Climate change is also the greatest threat to achieving our mission of making people's lives better by powering a more prosperous world. Guided by our purpose, we understand the imperative of addressing environmental challenges with utmost urgency and decisive action. Our environmental goals and targets serve as guiding stars for driving innovation and responsible practices, closely aligning with 12 out of the 17 UN Sustainable Development Goals (SDGs).

Driven by our desire to make a positive impact, we work with our employees, local governments, esteemed NGOs, and academic institutions on afforestation, solid waste management, water conservation, air pollution control and renewable energy advancements.

To minimize our environmental footprint, we invest in product innovation, low-carbon technologies, fully comply with latest emission norms, and ensure sustainable water management. We recognize water as the lifeblood of our planet. Not only are we net water neutral as a company, but address water shortage and pollution by employing scientific approaches, engaging experts, and generating awareness among citizens to revive water bodies, improve local biodiversity and prevent water pollution.

With a resolute vision and result-oriented approach towards reducing our environmental footprint, we aim to leave behind a healthier planet for future generations.

## WASTE MANAGEMENT: FROM TRASH TO TREASURE

For us, environmental stewardship begins from within. Every person has the power to make a difference. Every action and every decision must bring us a step closer to a cleaner, healthier environment.



Facilities



Communities

### 100% waste recycling:

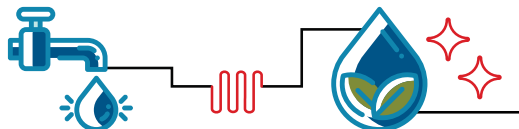


All our sites practice 100% recycling of waste ensuring none is sent to the landfill. This is achieved through various environmental projects on the principle of use less, use better and use again.

### 100% waste water reuse

within our premises to ensure

### Zero Liquid Discharge



### Reduce, Reuse, Recycle, and Recover:



Our cross-functional strategy encompasses manufacturing process redesign, enhanced waste segregation, heightened employee engagement, and proactive supplier partnerships. We consistently invest in waste reduction tools to boost our recycling capabilities and surpass our goals.

Embracing principles of the waste management hierarchy of

### Reduce, Reuse, Recycle, and Recover

### Organic Festival Waste Management:



Our **Nirmalya** and **Patravali** programs address waste generation during two major annual festivals in Maharashtra. The Nirmalya project, a multidimensional and multi-stakeholder initiative, requires meticulous planning, logistics, and coordination during the annual Ganesh and Wari festivals.

- **380 Metric Tons** of Nirmalya converted into organic compost was distributed to **320 farmers**.
- **163,607 people** engaged for organic waste awareness and collection

### Zero Waste Slum Project:



Our project focuses on enhancing the waste management system and helping communities become zero waste communities. It encompasses awareness campaigns for waste segregation at the source, efficient waste collection, scientific waste disposal, and fostering a mindset shift toward maintaining clean and healthy surroundings.

- **80%** door-to-door coverage achieved
- **Elimination of two major** chronic spots in the area
- **4,066 residents** positively impacted

## ENERGY CONSERVATION: BRIGHT IDEAS CREATE BIG IMPACT

A range of innovative energy conservation processes and initiatives were introduced in FY 2022-23 to propel us toward a greener, more sustainable future.

- 01 Energy audits, and associated training
- 02 Unplugged Challenge\*
- 03 Compressed air optimization
- 04 Replacement of non-energy efficient motors with energy efficient motors
- 05 Replacement of light fixtures with LED lamps, etc.

### ENERGY CONSERVATION IMPACT IN NUMBERS: FY 2022-23

**15,000 kWh**

of energy saved by **Compressed Air System** at the **High Horsepower Rebuilt Center (HHP RC)** at Phaltan and **IFC<sup>1</sup> controller**

**7.2 lakh units**

of electricity saved by the installation of **energy efficient fans and occupancy sensors** at the Kothrud Engine Plant (KEP)

**6,000 kWh units**

saved by replacing **Paint Booth Blower** with **VFD<sup>2</sup> Blower (HHP RC)**



### POWER OF SOLAR

**53.07 lakh units** of electricity generated from the on site solar installations across CIL facilities



\*Unplugged Challenge is a great energy-saving idea to minimize the **at rest** (energy use when the facility is not in use) **energy state** of a facility by powering down whenever possible, and not just during national holiday, e.g., Diwali holidays, weekends, non-working hours etc.



**Monsoon Resilient Maharashtra**

### STRENGTHENING COMMUNITIES THROUGH ENVIRONMENTAL STEWARDSHIP

We are dedicated to driving environmental sustainability through dedicated corporate responsibility projects.

<sup>1</sup> Intermediate Flow Controller

<sup>2</sup> Variable Frequency Drive



## CLEANER AIR BETTER LIFE INITIATIVE (CABL):

Focused on giving the local community a cleaner environment, this project has four taskforces:



Clean Fuel



Clean Transport



Biomass Management



Clean Industry

After the success of CABL initiative in Delhi and NCR region, we implemented the project in Indore.



## URBAN WATERSHED MANAGEMENT:

Our energy and environment initiatives prioritize urban watershed management and aim to enhance water storage capacity, prevent water pollution, conserve water, and raise awareness about the importance of biodiversity. Our recent accomplishments include creating two new lakes in Aundh and Dehu, and desilting a stretch at Khadakwasla in phases.



## MONSOON RESILIENT MAHARASHTRA (MRM):

MRM empowers empowers rural communities in Maharashtra to tackle water scarcity challenges caused by droughts and unpredictable monsoons. By building community capabilities and creating alternative sources of income, we aim to enhance resilience and reduce dependence on seasonal rainfall for agriculture.

Impact Numbers FY 2022-23

## CORPORATE RESPONSIBILITY ENVIRONMENT PROJECTS



**215,694**

people benefited from CR projects



**7,646**

benefited from **Monsoon Resilient Maharashtra**

**3,200**

people received clean drinking water through **Water Neutrality Projects**



**167,673**

people helped through **Solid Waste Management initiatives**

**11,230**

people benefited from **Cleaner Air Better Life initiative**



**725** million gallons of water conserved

**25,945**

people supported through **Holistic Rural Development\***



\*Holistic Rural Development is part of the Equality of Opportunity focus area. Environment is an integral component of the program along with focus on education, social engineering, and livelihood.

# Social

## Empowering People and Communities

At Cummins, we embrace social responsibility as the cornerstone of our business. It goes beyond mere compliance or philanthropy; it inspires responsible business action and guides our commitment to the well-being of the communities we serve. Corporate responsibility (CR) is ingrained in our culture and permeates every aspect of our operations, from fostering employee volunteering to partnering with organizations that support disadvantaged groups to promoting diversity, equity, and inclusion across our workplaces and communities. By championing diversity, sustainability, and community development, we strive to make a meaningful and lasting difference.



### CORPORATE RESPONSIBILITY PRIORITY AREAS

Our corporate social responsibility activities are carried out through the **Cummins India Foundation**. Supporting a wide array of community initiatives in India since 1962, we focus our resources on:

#### THREE GLOBAL PRIORITIES CRITICAL TO HEALTHY COMMUNITIES



Impact Numbers FY 2022-23  
**260K+** people benefited through **11** Corporate Responsibility projects



### CORPORATE RESPONSIBILITY PROJECTS

The **Nurturing Brilliance** program provides scholarships to meritorious students from disadvantaged backgrounds for engineering degree and diploma courses. Starting with just 13 students in Pune, the program supported 321 students (new and existing) in FY 2022-23.



**Technical Education for Communities (TEC)** is a global initiative that aims to address the skills gap between vocational training and industry requirements by training low-income youth in employable technical skills and increasing representation of female students in technical education.

**Cummins India Limited TEC Sites**



**Phaltan Maharashtra**  
*in collaboration with Government*



**Kolhapur Maharashtra**  
*in partnership with our reliable suppliers*



The **Phaltan Town Development** project aims to transform Phaltan into the best town for living and working in its category and size in India. Guided by the vision to create a ‘Clean, Green, and Smart’ town, we have actioned multi-faceted initiatives to enhance solid waste management and sanitation, creating green spaces, and implementing smart infrastructure in the town and schools. Our efforts have significantly improved the town’s **Swachh Survekshan ranking to 29**, from 264 earlier.

Through our **Local Community Care** initiative, we partner with organizations focused on disadvantaged sections of society such as the hearing impaired, visually impaired, orphans and elderly. Our comprehensive approach follows a playbook with four key areas of development: infrastructure, health and safety, resource conservation, and education and training.



**DIVERSITY, EQUITY AND INCLUSION: WINNING WITH THE POWER OF DIFFERENCE**

For more than a century, Diversity and Inclusion has remained a fundamental value of our company. We recognize that diversity, equity, and inclusion (DEI) are vital for fostering innovation, achieving business success, and making a positive impact on our communities. Cummins India’s legacy of over 60 years exemplifies our relentless focus on building and empowering workplaces and communities, which are truly diverse, equitable, and inclusive.

With our DEI endeavors prioritizing empowering women in our workplaces and communities, we have implemented a number of initiatives to leverage the unique talents and skills possessed by half of our population.

# A COMPELLING LEGACY OF PIONEERING WOMEN ADVANCEMENT ACROSS OUR WORKPLACES

**Gender Diversity**

Promoting gender diversity is a top priority for us, and we have achieved remarkable progress, particularly in our leadership roles.

**Employees and Workers (Permanent)**

|       |       |
|-------|-------|
| MEN   | 78.7% |
| WOMEN | 21.3% |

**Our Board Of Directors\***

|       |     |
|-------|-----|
| MEN   | 60% |
| WOMEN | 40% |

**Gender inclusive policies and facilities**

- Maternity leaves
- Menstrual leave for women employees working on the shopfloor
- Childcare facilities

**Women Empowerment (WE) Network**

An **Employee Resource Group** dedicated to enhance gender diversity and foster an inclusive work environment through focused efforts on the Empowerment, Development, and Safety of women in our workforce

\*As of March 31, 2023

## COMMUNITIES



### Cummins College of Engineering for Women

- India's first engineering college only for women
- Established in Pune in 1991
- 1,691** girls graduated in FY 2022-23

- Powering women's financial inclusion and independence across Cummins India model villages in the country
- 400+** women provided entrepreneurship training on eco-friendly sanitary pad production, Water ATM management, tailoring, papad and roti making, chick incubation center, and more

### EmpowHER



Note: Above numbers are for FY 2022-23










**Cummins Powers Women supported**

- **22** leaders
- **16,150** girls and women

**OUR INITIATIVES ALSO SUPPORT VARIOUS EMPLOYEE RESOURCE GROUPS (ERG) FOCUSING ON THE VARIOUS DIMENSIONS OF DIVERSITY, NAMELY:**




-  Gender
-  Generation
-  Culture
-  Persons with Disability (PwD)
-  LGBTQ+

**TRANSFORMING HEALTH AND SAFETY WITH A SHARED RESPONSIBILITY**

The health and safety of our employees is our **topmost priority** and a **shared responsibility**, derived from our core **value of CARING**. At Cummins, we continuously strive to enhance our holistic health and safety system, encompassing not only physical safety but also excellence in product and psychological safety. Our employees actively contribute to fostering a robust safety culture at our workplace and manufacturing facilities through consultation, participation and feedback.

To ensure the highest standards, we benchmark world-class practices in **Health, Safety and Environment Management System (HSEMS)** through our **dedicated HSE department**. Most of our manufacturing locations in India are certified for **ISO 45001** and **ISO 14001** standards, recognized internationally as frameworks to mitigate health, safety and environmental risks. Our HSE department also plays a key role in driving our **PLANET 2050** sustainability goals and 2030 targets by regularly organizing environmental initiatives across our plants.

**EMPLOYEES ARE THE DRIVING FORCE IN ADVANCING THE HEALTH, SAFETY AND ENVIRONMENT CULTURE**

- 
  - **Hazard Identification and Risk Assessment (HIRA)** process helps identify and address work-related hazards and risks, as part of routine or non-routine tasks
- 
  - **Health and Safety committees** across plant locations are supported by the leadership to sponsor key risk reduction projects. Employees and trade unions are actively engaged across site-level risk reduction initiatives, specifically targeting:
    - Serious Injury and Fatality (SIF) Prevention
    - HSE Risk Assessment Tools
- 
  - **Employee Engagement initiatives**
    - Lead It. Live It.
    - Find It. Fix It.

Note: Above numbers are for FY 2022-23

# Governance

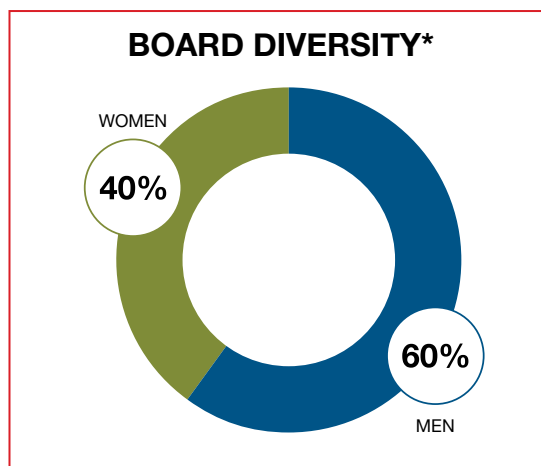
## Building Trust Through Transparency

At Cummins, we embrace a straightforward and principled approach to governance. Our focus on integrity, transparency and compliance underpins all our engagements with government bodies, customers, suppliers, employees and other stakeholders. We are committed to doing business the right way, competing fairly, honestly and following the law. The Company believes ethical behavior on the part of every employee is foundational to Cummins' sustainability.

Our strong belief in diversity and inclusion is evident in our Board of Directors, which boasts a 40% women representation. We firmly believe that embodying the principles we function by at the leadership level will ensure that the very fabric of the company is infused with the right objectives.

As a company, we hold ourselves to the highest ethical standards. Our operations reflect the values of fairness, trust and environmental awareness. We are dedicated to conducting business with integrity and transparency, fostering ethical behavior across all aspects of our company. These principles extend not only to our internal teams but also to our global supplier community, ensuring a shared commitment to responsible practices.

Cummins' ethics and governance initiatives are built around 10 ethical principles, beginning with the simple but all-encompassing directive that "We will follow the law everywhere." The principles touch on nearly every aspect of working at Cummins, from embracing diverse perspectives to safeguarding the company's technology and intellectual property, to protecting the environment and strengthening the communities where Cummins does business.



## CUMMINS' 10 ETHICAL PRINCIPLES

Cummins' ethics and governance initiatives are built around the 10 Statements of Ethical Principles in the **Code of Business Conduct**:

**1** We will follow the law everywhere.

**2** We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect.

**3** We will compete fairly and honestly.

**4** We will avoid conflicts of interest.

**5** We will demand that everything we do leads to a cleaner, healthier and safer environment.

**6** We will protect our technology, our information and our intellectual property.

**7** We will demand that our financial records are accurate and that our reporting processes are clear and understandable.

**8** We will strive to improve our communities.

**9** We will communicate honestly and with integrity.

**10** We will create a culture where employees take responsibility for ethical behavior.

\*As of March 31, 2023

# Powering People, Planet and Prosperity

## through Environmental, Social and Governance Excellence

For more than 60 years, Cummins India has been an epitome of trust, a catalyst for progress, and a vanguard of positive transformation. We relentlessly pursue **Environmental, Social and Governance (ESG) excellence**, to envision a sustainable and brighter future for all. We recognize that how we work in the future will be different from how we have worked in the past. But we will always power a more prosperous world with a resolute commitment to **'Power with Purpose'** as we champion positive change and create a compelling and distinguished legacy. Our decisive purpose, actions and initiatives, will continue to advance us on our mission to make people's lives better and safeguard the planet, while driving meaningful progress.



### Our Values



**Our long-standing commitment to deliver value to our stakeholders - our communities, customers, employees, partners and shareholders - remains a top priority for us. We thank our stakeholders who have been instrumental in powering our success for over six decades, embracing our core values of Integrity, Diversity and Inclusion, Caring, Excellence, and Teamwork. Fortifying these partnerships is integral to our purpose as we progress on our transformative path toward an extraordinary tomorrow.**



## Cummins India Limited

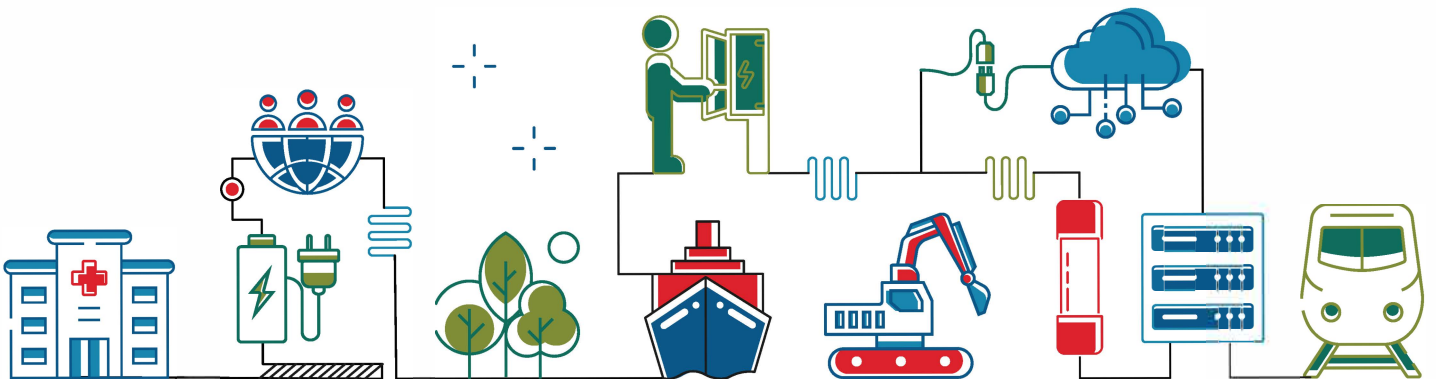
**Registered Office:**

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*This annual report is printed on recycled paper.*





## **Cummins India Limited**

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Website: [www.cumminsindia.com](http://www.cumminsindia.com)  
E-mail: [cil.investors@cummins.com](mailto:cil.investors@cummins.com)

### **NOTICE OF THE 62<sup>nd</sup> ANNUAL GENERAL MEETING**

To,

The Members of Cummins India Limited,

**NOTICE** is hereby given that the Sixty-second Annual General Meeting of the Members of Cummins India Limited will be held on Thursday, the 3<sup>rd</sup> day of August 2023, at 4.00 p.m. Indian Standard Time (I.S.T.) through Video Conference ("VC") / Other Audio Visual Means ("OAVM") facility, to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited standalone financial statements of the Company for the Financial Year ended March 31, 2023, the reports of the Board of Directors and Auditors thereon.
2. To receive, consider and adopt the audited consolidated financial statements of the Company for the Financial Year ended March 31, 2023 and the report of the Auditors thereon.
3. To declare final dividend on equity shares for the Financial Year ended March 31, 2023 and to confirm the payment of interim dividend for the Financial Year 2022-23.
4. To appoint a Director in place of Mr. Steven Chapman (DIN: 00496000) who retires by rotation and being eligible, offers himself for re-appointment.

#### **SPECIAL BUSINESS:**

5. **To ratify remuneration payable to the Cost Auditor, M/s. C S Adawadkar & Co., for the Financial Year 2023-24**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration not exceeding ₹ 9,50,000/- (Rupees Nine Lacs Fifty Thousand only) plus applicable taxes and reimbursement of out-of-pocket expenses payable to the Cost Auditor, M/s. C S Adawadkar & Co, Cost Accountants, (Firm Registration Number: 100401) for the year ending March 31, 2024, as recommended by the Audit and Compliance Committee and approved by the Board of Directors, be and is hereby ratified."

## 6. To approve material related party transaction(s) with Cummins Technologies India Private Limited

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 188 of Companies Act, 2013 (“the Act”) read with the Rules framed thereunder, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (including any statutory modification(s) or re-enactment thereof, for the time being in force), Company’s Policy on Related Party Transactions, and such other applicable provisions and as recommended by Audit and Compliance Committee and approved by Board of Directors, approval of the Members be and is hereby accorded for the Company to enter into Material Related Party Transaction(s)/ Contract(s)/ Arrangement(s)/ Agreement(s) with **Cummins Technologies India Private Limited**, a related party under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations (whether by way of an individual transaction or transactions taken together or a series of transactions or otherwise), for Financial Year 2023-24 upto maximum aggregate value of ₹ 2,555 Crores (Rupees Two Thousand Five Hundred Fifty Five Crores only), in the nature of:

- a) purchase of engines, gensets, turbochargers, their parts, components and spares by the Company;
- b) sale of engines/ gensets, their parts, accessories, and spares by the Company;
- c) availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations (‘Other RPTs’);

on such terms and conditions as detailed in the explanatory statement to this Resolution and as may be mutually agreed between the Company and related party.

RESOLVED FURTHER THAT the Board or Key Managerial Personnel of the Company, be and is hereby authorised to sign, execute, alter and/or negotiate all such deeds, agreements, contracts, transactions, applications, documents, papers, forms and writings that may be required, for and on behalf of the Company and to do all such acts, deeds, matters and things including delegation of such authority, as it may deem fit at its absolute discretion to give effect to this Resolution and for resolving all such issues, questions, difficulties or doubts, whatsoever that may arise in this regard, without being required to seek further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in this resolution, be and are hereby approved, ratified and confirmed in all respects.”

## 7. To approve material related party transaction(s) with Tata Cummins Private Limited

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 188 of Companies Act, 2013 (“the Act”) read with the Rules framed thereunder, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (including any statutory modification(s) or re-enactment thereof, for the time being in force), Company’s Policy on Related Party Transactions, and such other applicable provisions and as recommended by Audit and Compliance Committee and approved by Board of Directors, approval of the Members be and is hereby accorded for the Company to enter into Material Related Party Transaction(s)/ Contract(s)/ Arrangement(s)/

Agreement(s) with **Tata Cummins Private Limited**, a related party under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations (whether by way of an individual transaction or transactions taken together or a series of transactions or otherwise), for Financial Year 2023-24 upto maximum aggregate value of ₹ 2,004 Crores (Rupees Two Thousand Four Crores only) in the nature of:

- a) purchase of internal combustion engines including but not limited to B, C and L series engines, their parts and accessories thereof by the Company;
- b) sale of internal combustion engines, their parts and accessories thereof by the Company;
- c) availing/ rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');

on such terms and conditions as detailed in the explanatory statement to this Resolution and as may be mutually agreed between the Company and related party.

RESOLVED FURTHER THAT the Board or Key Managerial Personnel of the Company, be and is hereby authorised to sign, execute, alter and/or negotiate all such deeds, agreements, contracts, transactions, applications, documents, papers, forms and writings that may be required, for and on behalf of the Company and to do all such acts, deeds, matters and things including delegation of such authority, as it may deem fit at its absolute discretion to give effect to this Resolution and for resolving all such issues, questions, difficulties or doubts, whatsoever that may arise in this regard, without being required to seek further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in this resolution, be and are hereby approved, ratified and confirmed in all respects."

#### 8. To approve material related party transaction(s) with Cummins Limited, UK

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Section 188 of Companies Act, 2013 ("the Act") read with the Rules framed thereunder, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (including any statutory modification(s) or re-enactment thereof, for the time being in force), Company's Policy on Related Party Transactions, and such other applicable provisions and as recommended by Audit and Compliance Committee and approved by Board of Directors, approval of the Members be and is hereby accorded for the Company to enter into Material Related Party Transaction(s)/ Contract(s)/ Arrangement(s)/ Agreement(s) with **Cummins Limited, UK**, a related party under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations (whether by way of an individual transaction or transactions taken together or a series of transactions or otherwise), for Financial Year 2023-24 upto maximum aggregate value of ₹ 1,870 Crores (Rupees One Thousand Eight Hundred Seventy Crores only) in the nature of:

- a) sale of engines/gensets, their parts, accessories, and spares by the Company;
- b) purchases of engines/ gensets, their parts, accessories or spares by the Company;
- c) availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');

on such terms and conditions as detailed in the explanatory statement to this Resolution and as may be mutually agreed between the Company and related party.

RESOLVED FURTHER THAT the Board or Key Managerial Personnel of the Company, be and is hereby authorised to sign, execute, alter and/or negotiate all such deeds, agreements, contracts, transactions, applications, documents, papers, forms and writings that may be required, for and on behalf of the Company and to do all such acts, deeds, matters and things including delegation of such authority, as it may deem fit at its absolute discretion to give effect to this Resolution and for resolving all such issues, questions, difficulties or doubts, whatsoever that may arise in this regard, without being required to seek further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in this resolution, be and are hereby approved, ratified and confirmed in all respects.”

#### 9. To approve material related party transaction(s) with Cummins Inc., USA

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 188 of Companies Act, 2013 (“the Act”) read with the Rules framed thereunder, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (including any statutory modification(s) or re-enactment thereof, for the time being in force), Company’s Policy on Related Party Transactions, and such other applicable provisions and as recommended by Audit and Compliance Committee and approved by Board of Directors, approval of the Members be and is hereby accorded for the Company to enter into Material Related Party Transaction(s)/ Contract(s)/ Arrangement(s)/ Agreement(s) with **Cummins Inc., USA**, a related party under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations (whether by way of an individual transaction or transactions taken together or a series of transactions or otherwise), for Financial Year 2023-24 upto maximum aggregate value of ₹ 1,129 Crores (Rupees One Thousand One Hundred Twenty Nine Crores only) in the nature of:

- a) sale of engines/gensets, their parts, accessories, and spares by the Company;
- b) purchases of engines/ gensets, their parts, accessories or spares by the Company;
- c) availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations (‘Other RPTs’).

on such terms and conditions as detailed in the explanatory statement to this Resolution and as may be mutually agreed between the Company and related party.

RESOLVED FURTHER THAT the Board or Key Managerial Personnel of the Company, be and is hereby authorised to sign, execute, alter and/or negotiate all such deeds, agreements, contracts, transactions, applications, documents, papers, forms and writings that may be required, for and on behalf of the Company and to do all such acts, deeds, matters and things including delegation of such authority, as it may deem fit at its absolute discretion to give effect to this Resolution and for resolving all such issues, questions, difficulties or doubts, whatsoever that may arise in this regard, without being required to seek further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.



RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in this resolution, be and are hereby approved, ratified and confirmed in all respects.”

**10. Appointment of Ms. Lira Goswami (DIN: 00114636) as a Non-Executive Independent Director**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 and any other applicable provisions of the Companies Act, 2013 (“the Act”) read with Schedule IV of the Act and Rules framed thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Article 110 of the Articles of Association of the Company and such other provisions as may be applicable, **Ms. Lira Goswami (DIN: 00114636)**, who was appointed by the Board of Directors of the Company as an Additional Director (Non- Executive and Independent) of the Company with effect from May 24, 2023, in terms of Section 161(1) of the Act and pursuant to the recommendation of Nomination and Remuneration Committee and the Board of Directors and in respect of whom the Company has received a notice in writing under Section 160 of the Act, from a Member proposing her candidature for the office of the Director, be and is hereby appointed as an Independent Director of the Company to hold office for a period of five (5) consecutive years with effect from May 24, 2023 to May 23, 2028 and is not liable to retire by rotation.”

Registered Office:  
Cummins India Office  
Campus, Tower A,  
5<sup>th</sup> Floor, Survey no. 21,  
Balewadi,  
Pune 411 045

Place: Pune  
Date: July 07, 2023

By Order of the Board,  
For Cummins India Limited,

Vinaya Joshi  
Company Secretary  
Membership No.: A25096

**NOTES:**

- A.** The Statement of additional information pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) in respect of Item Nos. 4 to 10 and the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (“the Act”), in respect of Special Business at Item Nos. 5 to 10 of the Notice, is annexed hereto.
- B.** Additional information in respect of Director seeking appointment/ re-appointment at the 62<sup>nd</sup> AGM is annexed to the Notice.
- C. General instructions to the Members participating in the 62<sup>nd</sup> AGM through VC / OAVM facility:**
1. In compliance with the various circulars issued by Ministry of Corporate Affairs (“MCA”) i.e. circular dated December 28, 2022 read with circulars dated May 05, 2022, January 13, 2021, December 14, 2021, April 08, 2020, April 13, 2020 and May 05, 2020 (collectively referred to as “MCA Circulars”) and SEBI vide its Circular dated January 05, 2023 (referred to as “SEBI Circular”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and SEBI Circular, Companies are permitted to conduct their AGM on or before September 30, 2023 in accordance with the requirements provided in paragraphs 3 and 4 of the General Circular No. 20/2020 dated May 05, 2020. In compliance with the provisions of the Act, SEBI Listing Regulations, MCA Circulars and SEBI Circular, the 62<sup>nd</sup> AGM of the Company is being held through VC / OAVM facility, without the physical presence of Members at a common venue. The deemed venue for the 62<sup>nd</sup> AGM shall be the Registered Office of the Company.
  2. In terms of the MCA Circulars and SEBI Circular, since the physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 62<sup>nd</sup> AGM. Hence, the Proxy Form and Attendance Slip are not annexed to the Notice. However, in pursuance of Section 112 and Section 113 of the Act, representatives of the Members may be appointed for the purpose of voting through remote e-voting and / or for participation in the 62<sup>nd</sup> AGM through VC/OAVM facility and e-voting during the 62<sup>nd</sup> AGM.
  3. Institutional / Corporate Shareholders (i.e., other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/ Authorization etc., authorizing its representative to attend the 62<sup>nd</sup> AGM through VC / OAVM facility on its behalf and to vote either through remote e-voting or during the AGM. The said resolution/authorization should be sent electronically through their registered email address to the Scrutinizer at [info@csladda.com](mailto:info@csladda.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) and [cil.investors@cummins.com](mailto:cil.investors@cummins.com). Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on “**Upload Board Resolution / Authority Letter**” displayed under “**e-Voting**” tab in their login.
  4. Members attending the AGM through VC/OAVM facility shall be counted for the purpose of reckoning the quorum for 62<sup>nd</sup> AGM as per Section 103 of the Act.
  5. Since the AGM will be held through VC/OAVM facility, the Route Map is not annexed to the Notice.
  6. National Securities Depository Limited (“NSDL”) will be providing facility for voting through remote e-voting, for participation in the 62<sup>nd</sup> AGM through VC/OAVM facility and e-voting during the 62<sup>nd</sup> AGM.
  7. In line with the MCA Circulars and SEBI Circular, the Notice of the 62<sup>nd</sup> AGM along with the

Annual Report for FY 2022-23 is being sent by electronic mode to the members on their registered email ID with the Depositories/ RTA, unless any Member has requested for a physical copy of the same. Member may note that the same will also be available on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com), on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and on the website of NSDL at [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

8. Members may join the 62<sup>nd</sup> AGM through VC/OAVM facility by following the procedure as mentioned in Point 'D'. The facility for joining the meeting shall open for Members from 03.45 p.m. IST i.e., 15 minutes before the time scheduled to start the 62<sup>nd</sup> AGM and the Company may close the window for joining the VC/OAVM facility 15 minutes after the scheduled time to start the 62<sup>nd</sup> AGM.
9. Members may note that the VC/OAVM facility, provided by National Securities Depository Limited (NSDL) allows participation of at least 1,000 Members on a first-come-first-served basis. The large shareholders (i.e., shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit and Compliance Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the 62<sup>nd</sup> AGM without any restriction on account of first-come first-served principle.
10. The Company has fixed Thursday, July 27, 2023 as the 'Cut-off Date' for the purpose of remote e-voting and Wednesday, July 26, 2023 as 'Record Date' for determining entitlement of Members to final dividend for the Financial Year ended March 31, 2023, if approved at the 62<sup>nd</sup> AGM.
11. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the Cut-off Date only shall be entitled to avail the facility of remote e-voting or e-voting during the AGM. A person who is not a Member as on the Cut-off Date should treat this Notice for information purposes only.
12. In case of joint shareholders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. Pursuant to MCA Circulars and SEBI Circulars dated May 05, 2020, and January 05, 2023, the Notice of the 62<sup>nd</sup> AGM along with the Annual Report for FY 2022-23 are being sent only by email to the Members, whose email addresses are registered with the Company/ Depositories. Therefore, those Members, whose email address is not registered with the Company or with their respective Depository Participant/s, and who wish to receive the Notice of the 62<sup>nd</sup> AGM and the Annual Report for FY 2022-23 and all other communication sent by the Company, from time to time, can get their email address registered by following the steps as given below:
  - (i) For Members holding shares in physical form, please send scan copy of a signed request letter mentioning your folio number, complete address, email address to be registered along with scanned self-attested copy of the PAN and any document (such as Driving License, Passport, Bank Statement, AADHAAR) supporting the registered address of the Member, by email to the Company's email address [cil.investors@cummins.com](mailto:cil.investors@cummins.com). All these details can be uploaded on the given link in one go [https://web.linkintime.co.in/EmailReg/Email\\_Register.html](https://web.linkintime.co.in/EmailReg/Email_Register.html).
  - (ii) For the Members holding shares in demat form, please update your email address through your respective Depository Participant/s.
14. The Company has appointed Link Intime India Private Limited, Mumbai, as its Registrar and Transfer Agent. All correspondence relating to transfer and transmission of shares, sub-division of shares, issue of duplicate share certificates, change of address, dematerialization of shares,

payment of dividend etc. will be attended to and processed at the office of the Registrar and Transfer Agent at the following address:-

Link Intime India Private Limited  
 Unit: Cummins India Limited  
 C-101, 1<sup>st</sup> Floor, 247 Park  
 L.B.S. Marg, Vikhroli (West)  
 Mumbai 400083, Maharashtra  
 Phone No.: 8108116767  
 Fax No.: (022) 49186060  
 Contact person: Ms. Sayali Borchate  
 E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

15. The Board of Directors of the Company in their meeting held on May 24, 2023, has recommended Final Dividend of Rs. 13/- per equity share. The Record Date for final dividend for the Financial Year 2022-23 will be Wednesday, July 26, 2023. The final dividend once approved, by the Members in the ensuing AGM, will be paid on August 31, 2023, electronically through various online transfer modes to those Members who have updated their bank account details. For Members who have not updated their bank account details, dividend warrants/ demand drafts/ cheques will be dispatched to their registered address by post subject to availability of the postal services. To avoid delay in receiving the dividend, shareholders are requested to update their Bank account details along with the documents mentioned therein, at: [https://linkintime.co.in/emailreg/email\\_register.html](https://linkintime.co.in/emailreg/email_register.html).
16. Pursuant to Finance Act, 2020, dividend income is taxable in the hands of Members w.e.f. April 01, 2020, and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. For Resident Members, taxes shall be deducted at source under Section 194 of the Income Tax Act, 1961, as follows –

|  |   |
|--|---|
| Shareholders having valid PAN  | 10% or as notified by the Government of India |
| i. Shareholders not having PAN / valid PAN<br>or<br>ii. A shareholder who has not furnished (both filed and verified) income tax return for the immediately preceding financial year for which the time limit for furnishing the income tax return (as per Section 139(1) of the Income Tax Act, 1961) has expired and TDS in this case exceeds ₹ 50,000 in the said financial year. List of such cases to be provided by validation through the Income Tax Department's utility to the Company (As per Section 206AB of the Income Tax Act, 1961) | 20% or as notified by the Government of India |

A Resident Individual Member with PAN will not be liable to pay income tax if the total dividend to be received during Financial Year 2023-24 does not exceed ₹ 5,000 and also in case where the Member provides a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source, on the given link: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>.

Non-resident shareholders can avail beneficial rates of withholding under tax treaty between

India and their country of residence, subject to providing necessary documents i.e. copy of PAN (if available), No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F and any other document which may be required to avail the tax treaty benefits, on the given link: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>.

Pursuant to the Finance Act, 2021 as amended vide Finance Act, 2022, Section 206AB of Income Tax Act, 1961 is also applicable to non-resident shareholders who have not furnished (both filed and verified) their income tax return for the immediately preceding financial year for which the time limit for furnishing return of income as per Section 139(1) has expired and:

- a) if such shareholders have a Permanent establishment in India; and
- b) Tax deducted at source in their case exceeds ₹ 50,000 in the said financial year.

According to Section 206AB of Income Tax Act, 1961, tax would be deducted at twice the rate applicable to the respective non-resident shareholder satisfying the above conditions.

The last date for submission of required documentation for the purpose of final dividend for the Financial Year ended March 31, 2023 is Wednesday, July 26, 2023. Please note that submission of documents post July 26, 2023, shall not be considered for the purpose of final dividend to be declared in the 62<sup>nd</sup> AGM.

17. Dividend, subject to deduction of tax at source, will be preferably paid through National Electronic Clearing Services (NECS), under separate intimation to the Members, wherever the facility is available. In other cases, Dividend will be paid by account payee or non-negotiable banking instruments, through postal services subject to availability. To ensure timely payment of dividend, the Members are requested to correctly update their respective bank account details either with Depository Participant or Registrar and Transfer Agent, from time to time.
18. Transfer of Unclaimed / Unpaid amounts to the Investor Education and Protection Fund (IEPF):

Pursuant to Sections 205A and 205C, and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed / unpaid dividend, remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, were required to be transferred to the IEPF. Sections 124 and 125 of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 07, 2016, also contain similar provisions for transfer of such amounts to the IEPF. Accordingly, all unclaimed / unpaid dividend remaining unclaimed / unpaid for a period of seven (7) years from the date of transfer to the Company's Unpaid Dividend Account, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the amounts so transferred.

As per Section 124(6) of the Act read with the IEPF Rules as amended, all the shares in respect of which dividend has remained unpaid/unclaimed for seven (7) consecutive years or more are required to be transferred to an IEPF Demat Account. Accordingly, all the shares in respect of which dividend has remained unclaimed / unpaid for seven (7) consecutive years or more, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the shares so transferred.

In the event of transfer of shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF Authority by submitting an online application in the prescribed Form IEPF-5 available on the website: [www.iepf.gov.in](http://www.iepf.gov.in) and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF-5. The procedure for claiming the unpaid dividend and equity shares transferred to the

IEPF Authority is provided on the following link: <http://www.iepf.gov.in/IEPF/refund.html>. The Members are requested to contact RTA in case of any queries on the same. The details of the unclaimed dividends are available on the website of the Company at <https://www.cummins.com/en/in/investors/india-dividend> and Ministry of Corporate Affairs at [www.iepf.gov.in](http://www.iepf.gov.in).

19. Unclaimed dividends for the Financial Year 2015-16, 2016-17 and those declared thereafter can be claimed from the Company by completing the requisite formalities. To claim final dividend for the Financial Year 2015-16 and interim dividend for the Financial Year 2016-17, the requisite formalities are required to be completed prior to September 06, 2023, and March 04, 2024, respectively. Thereafter the unclaimed dividend for the said years is liable to be transferred to the Investor Education and Protection Fund established by the Central Government as per Section 125 of the Act. For details of unclaimed dividend(s), the Members are requested to write to Link Intime India Private Limited, Mumbai, at the above given address.
20. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts, if not given already. Members holding shares in physical form can submit their PAN to the Company / Link Intime India Private Limited.
21. In accordance with the proviso to Regulation 40(1) of the Listing Regulations, effective from April 01, 2019, transfer of shares in physical mode is prohibited and mandates holding in demat except in case of transmission and transposition. Accordingly, Members are requested to convert physical holding to demat through depository participant. Members may contact the Company/ RTA for any assistance in the said process of physical to demat of shares.
22. Pursuant to Section 72 of the Companies Act, 2013, Shareholders holding shares in physical form may file nomination in the prescribed Form SH-13 with the Company's Registrar and Transfer Agent. In respect of shares held in electronic / demat form, the nomination form may be filed with the respective Depository Participant. The Nomination Form SH-13 prescribed by the Government can be obtained from the Registrar and Share Transfer Agent or from the Company at <https://www.cummins.com/en/in/investors/india-investors-notices>.

Registration of nomination makes easy for dependents to access your investments and set out proportion of your benefits to the nominees. Registration and/or updation of bank mandate ensures the receipt of dividend and/or any other consideration timely, faster and easier and more important avoids fraudulent encashment of warrants. Members are requested to submit their bank registration documents i.e., request letter, cancelled cheque and self-attested photocopy of PAN Card and address proof with the Company and/or Depository Participants.

23. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2022/8 dated January 25, 2022 has mandated the listed companies to issue securities in dematerialized form only while processing service requests viz. Issue of duplicate securities certificate; claim from unclaimed suspense account; renewal/ exchange of securities certificate; endorsement; sub-division/splitting of securities certificate; consolidation of securities certificates/folios; transmission and transposition. Accordingly, Members are requested to make service requests by submitting a duly filled and signed Form ISR – 4, the format of which is available on the Company's website at <https://www.cummins.com/en/in/investors/india-investors-notices> and on the website of the Company's Registrar and Transfer Agents, Link Intime India Private Limited at <https://www.linkintime.co.in>. It may be noted that any service request can be processed only after the folio is KYC Compliant.
24. SEBI vide its notification dated January 24, 2022 has mandated that all requests for transfer of securities including transmission and transposition requests shall be processed only in

dematerialized form. In view of the same and to eliminate all risks associated with physical shares and avail various benefits of dematerialisation, Members are advised to dematerialise the shares held by them in physical form. Members can contact the Company or Link Intime India Private Limited, for assistance in this regard.

25. The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 04, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Members who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each. Members who have not so far surrendered their old certificates in exchange for new certificates for sub-divided Shares of the face value of ₹ 2/- each, are requested to do so immediately.
26. The Company on September 26, 2011, allotted Bonus shares in the ratio of 2:5. Members holding shares in physical form, to whom shares certificates were sent by post and but returned unclaimed by postal authorities are requested to contact the Registrar and Transfer Agent of the Company immediately.
27. Members requiring information on the audited financial statement for the year ended March 31, 2023 are requested to write to the Company on email address [cil.investors@cummins.com](mailto:cil.investors@cummins.com) at least seven (7) days before the date of the meeting to enable the Company to furnish the information in suitable manner.
28. During the 62<sup>nd</sup> AGM, Members may access the statutory registers and electronic copy of the documents referred to in the accompanying Notice of the AGM and the Explanatory Statement electronically under the 'AGM Documents' available on the link <https://www.evoting.nsdl.com/>. Members seeking to inspect such documents before the AGM can send an email request on [cil.investors@cummins.com](mailto:cil.investors@cummins.com).
29. Mr. Pramodkumar Ladda (Membership No. FCS 7326 and CP No. 8006) Partner of M/s Ladda Bhutada & Associates, Company Secretaries, Pune, has been appointed as the Scrutinizer to scrutinize the e-voting process and vote casted through remote e-voting and voting at the meeting, in a fair and transparent manner. Members may note that the scrutinizer will provide consolidated report for the votes casted through remote e-voting and voting at the meeting.

#### **D. Instructions for voting through electronic means by Members:**

1. In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, the provisions of Regulation 44 of SEBI Listing Regulations, and in terms of SEBI vide Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 09, 2020 in relation to the 'e-Voting Facility to be provided by Listed Entities', the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by National Securities Depository Limited ("NSDL") on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (remote e-voting).
2. The remote e-voting period commences on Monday, July 31, 2023 (9.00 a.m. IST) and ends on Wednesday, August 02, 2023 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the Cut-off Date i.e., Thursday, July 27, 2023, may cast their votes electronically as per the process detailed in this Notice. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently. A person who is not a Member as on the Cut-off Date should treat this Notice for information purposes only.

3. The details of the process and manner for login and remote e-Voting are explained herein below:

Step 1: Access to NSDL e-Voting system

Step 2: Cast your vote electronically and join virtual meeting on NSDL e-Voting system.

**Details on Step 1 are mentioned below:**





**I. Login method for remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**

Pursuant to SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 09, 2020 in relation to the 'e-Voting Facility to be provided by Listed Entities', e-Voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-Voting process.

Shareholders are advised to update their mobile number and email ID with their DPs in order to access e-Voting facility.

| Type of shareholders  | Login Method   |
|---|--|
| Individual Shareholders holding securities in demat mode with NSDL. | <p><b>A. NSDL IDeAS facility</b></p> <p><b>If you are already registered, follow the below steps:</b></p> <ol style="list-style-type: none"> <li>1. Visit the e-Services website of NSDL. Open the web browser by typing the following URL: <a href="https://eservices.nsd.com">https://eservices.nsd.com</a> either on a Personal Computer or on a mobile.</li> <li>2. Once the homepage of e-Services home page is launched, click on the “<b>Beneficial Owner</b>” icon under “<b>Login</b>” which is available under ‘<b>IDeAS</b>’ section.</li> <li>3. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services under the value added services.</li> <li>4. Click on “<b>Access to e-Voting</b>” appearing on the left hand under e-Voting services and you will be able to see e-Voting page.</li> <li>5. Click on options available against the Company name or <b>e-Voting service provider - NSDL</b> and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and e-voting during the meeting.</li> </ol> <p><b>If you are not registered, follow the below steps:</b></p> <ol style="list-style-type: none"> <li>1. Option to register is available at <a href="https://eservices.nsd.com">https://eservices.nsd.com</a>.</li> </ol> |



| Type of shareholders | Login Method  |
|----------------------|---|
|                      | <ol style="list-style-type: none"> <li data-bbox="725 163 1406 244">2. Select “<b>Register Online for IDeAS Portal</b>” or click at <a href="https://eservices.nSDL.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nSDL.com/SecureWeb/IdeasDirectReg.jsp</a>.</li> <li data-bbox="725 271 1406 306">3. Please follow steps given in points 1-5 above.</li> </ol> <p data-bbox="725 323 1406 354"><b>‘NSDL Speede’ : NSDL Mobile App</b></p> <p data-bbox="725 364 1406 464">Members may download the mobile app “<b>NSDL Speede</b>” by scanning the QR code mentioned below for seamless voting experience.</p> <div data-bbox="837 478 1271 747" style="text-align: center;"> <p data-bbox="837 478 1271 513">NSDL Mobile App is available on</p> <div data-bbox="837 534 1271 586">   </div> <div data-bbox="884 607 1240 741">   </div> </div> <p data-bbox="725 799 1406 830"><b>B. e-Voting website of NSDL</b></p> <ol style="list-style-type: none"> <li data-bbox="725 841 1406 938">1. Open web browser by typing the following URL: <a href="https://www.evoting.nSDL.com/">https://www.evoting.nSDL.com/</a> either on a personal computer or on a mobile phone.</li> <li data-bbox="725 948 1406 1046">2. Once the home page of e-Voting system is launched, click on the icon “<b>Login</b>” which is available under ‘Shareholder/Member’ section.</li> <li data-bbox="725 1056 1406 1183">3. A new screen will open. You will have to enter your User ID (<i>i.e. your sixteen digit demat account number held with NSDL</i>), Password/OTP and a Verification Code as shown on the screen.</li> <li data-bbox="725 1193 1406 1450">4. After successful authentication, you will be redirected to NSDL website wherein you can see e-Voting page. Click on options available against company name or <b>e-Voting service provider - NSDL</b> and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and e-Voting during the meeting.</li> </ol> |

| Type of shareholders   | Login Method  |
|--|---|
| Individual Shareholders holding securities in demat mode with CDSL                                     | <ol style="list-style-type: none"> <li>Existing users who have opted for <b>Easi / Easiest</b>, can login through their user ID and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasinew/home/login">https://web.cdslindia.com/myeasinew/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on <b>New System Myeasi</b>.</li> <li>After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of <b>e-Voting service provider i.e., NSDL</b>. Click on <b>NSDL</b> to cast your vote.</li> <li>If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasinew/Registration/EasiRegistration">https://web.cdslindia.com/myeasinew/Registration/EasiRegistration</a>.</li> <li>Alternatively, the User can directly access e-Voting page by providing Demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e., <b>NSDL</b> where the e-Voting is in progress.</li> </ol> |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | <ol style="list-style-type: none"> <li>You can also login using the login credentials of your Demat Account through your DP registered with NSDL/CDSL for e-Voting facility.</li> <li>Once logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature.</li> <li>Click on options available against the Company Name or e-Voting service provider i.e., NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and e-voting during the meeting.</li> </ol>   |

**Important note:** Members who are unable to retrieve User ID / Password are advised to use Forgot User ID and Forgot Password option available at respective websites.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e., NSDL and CDSL.**

| Login Type                | Helpdesk Details  |
|---------------------------|---|
| Securities held with NSDL | Please contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no. 022 – 4886 7000 and 022 - 2499 7000      |
| Securities held with CDSL | Please contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at toll free no. 1800 22 55 33 |

**II. Login method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**Steps to Log-in to NSDL e-Voting website:**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon “**Login**” which is available under ‘Shareholder/Member’ section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.
4. Alternatively, if you are registered for NSDL eservices i.e., IDeAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDeAS Login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e., Cast your vote electronically.
5. **Your User ID details are given below :**

| <b>Manner of holding shares<br/>i.e., Demat (NSDL or<br/>CDSL) or Physical</b> | <b>Your User ID is:</b>  |
|--|--|
| For Members who hold shares in demat account with NSDL.                        | 8 Character DP ID followed by 8 Digit Client ID<br><br>For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.   |
| For Members who hold shares in demat account with CDSL.                        | 16 Digit Beneficiary ID<br><br>For example, if your Beneficiary ID is 12***** then your user ID is 12*****.  |
| For Members holding shares in Physical Form.                                   | EVEN Number followed by Folio Number registered with the company<br><br>For example, if folio number is 001*** and EVEN is 123456 then user ID is 123456001*** |

6. Your password details are given below:
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you by NSDL. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
  - c) How to retrieve your ‘initial password’?
    - i) If your email ID is registered in your demat account or with the Company, your ‘initial password’ is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox from [evoting@nsdl.com](mailto:evoting@nsdl.com). Open the email and open the attachment i.e., a .pdf

file. Open the .pdf file. The password to open the .pdf file is your 8-digit client ID for NSDL account, last 8-digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

- ii) If case you have not registered your email ID with the Company/ Depository, please follow the instructions mentioned below in the notice.
7. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
    - a) Click on "**Forgot User Details/Password?**" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - b) "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/ folio number, your PAN, your name and your registered address.
    - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
  8. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
  9. Now, you will have to click on "Login" button.
  10. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 are mentioned below:**

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of the Company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join Meeting".
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e., assent or dissent, verify/ modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for Members:**

1. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password.

In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.

2. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) and e-voting user manual available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on : 022 – 4886 7000 and 022 – 2499 7000 or send a request to Mr. Amit Vishal at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
3. Members may send a request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for procuring user id and password for e-voting by providing Demat Account Number / Folio Number, Client Master or copy of Consolidated Account Statement, PAN (self-attested scanned copy of PAN card), Aadhaar (self-attested scanned copy of Aadhaar Card). If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained above.
4. The instructions for members for e-Voting on the day of the AGM are mentioned in Point ‘D’.

**E. Instructions for Members for attending the AGM through VC:**

1. Member will be provided with a facility to attend the AGM through VC/OAVM through NSDL e-Voting system. Members may access the meeting by following the steps mentioned above for access to NSDL e-Voting system. After successful login, you can see link of VC/OAVM link placed under “**Join Meeting**” menu against the Company Name. Members are requested to click on the VC/OAVM link placed under Join Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed.

Members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the Notice to avoid last minute rush. Further, Members can also use the OTP based login for logging into the e-Voting system of NSDL.

2. Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM i.e., 03.45 p.m. IST and shall be closed after the expiry of 15 minutes after such scheduled time.
3. Members are encouraged to join the Meeting through Laptops for better experience. Further, Members will be required to grant access to the web-cam/ camera to enable two way video conferencing.
4. Members are advised to use stable Wi-Fi or LAN connection to participate at the AGM through VC in a smooth manner. Participants may experience audio/video loss due to fluctuation in their respective networks.
5. During the AGM, the Chairman will announce the start of voting through e-voting facility provided at the AGM.

6. Members who need assistance before or during the AGM, can contact Mr. Amit Vishal, Assistant Vice President or Ms. Pallavi Mhatre, Senior Manager, NSDL on email ID: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or call on .: 022 – 4886 7000 and 022 – 2499 7000.
7. Members who would like to express their views or ask questions during the AGM may post their queries in the window '**Ask Your Question**', by mentioning their name and demat account number/folio number.
8. In addition to the above-mentioned step, the Members may register themselves as a speaker for the AGM to express their views / ask questions during the AGM. Accordingly, the Members may follow the steps as mentioned in Point 'D' under "Step 1: Access to NSDL e-Voting system" between Monday, July 31, 2023 (9.00 a.m. IST) and ends on Wednesday, August 02, 2023 (5.00 p.m. IST) i.e., the remote e-voting period. After successful login, Members will be able to register themselves as a speaker shareholder by clicking on the Speaker registration link available against the EVEN (124463) of Cummins India Limited and entering their contact details. The Company reserves the right to restrict the speakers at the AGM to only those Members who have registered themselves, depending on the availability of the time at the AGM.

**F. Voting at the Annual General Meeting:** Those Members who are present in the Meeting through VC/OAVM facility and have not casted their vote on the resolutions through remote e-voting, can vote through e-voting facility available at the Meeting. Members who have already cast their votes through remote e-voting are eligible to attend the Meeting. However, those Members are not entitled to cast their vote again at the Meeting.

**G. Other instructions:**

1. The voting rights of Members shall be in proportion to their share of the paid-up equity share capital of the Company as on the Cut-off Date i.e., Thursday, July 27, 2023.
2. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at [Cil.Investors@cummins.com](mailto:Cil.Investors@cummins.com). The same will be replied by the Company suitably.
3. Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes Member of the Company after the dispatch of notice but on or before the Cut-off Date for e-voting i.e. Thursday, July 27, 2023, may obtain the User ID and Password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA. However, if the Member is already registered with NSDL for remote e-voting, then existing User ID and Password can be used for casting votes. Members who have forgotten the User ID and Password can reset their Password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on.: 022 – 4886 7000 and 022 – 2499 7000. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after the dispatch of notice but on or before the Cut-off Date for e-voting i.e., Thursday, July 27, 2023 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system".
4. The Scrutinizer will submit his consolidated Report to the Chairman after the completion of scrutiny and the result of the voting will be declared within two working days of conclusion of the meeting. The declared results along with the Scrutinizer Report will also be displayed on the website of the Company at [www.cumminsindia.com](http://www.cumminsindia.com) and will simultaneously be communicated to BSE Limited and National Stock Exchange of India Limited where equity shares of the Company are listed.

## ANNEXURE TO THE NOTICE

**Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 read with Rule 22 of the Companies (Management And Administration) Rules, 2014 and statement of additional information as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) with respect to following items of the Notice:**

### Item No. 4

**To appoint a Director in place of Mr. Steven Chapman (DIN: 00496000), who retires by rotation and being eligible, offers himself for re-appointment.**

Mr. Steven Chapman (DIN: 00496000) joined the Board of Cummins India Limited as a Chairman effective from October 01, 2020.

Mr. Chapman (aged 69 years) holds Bachelor’s Degree in Asian Studies from St. Olaf College in Northfield, Minnesota, and a Master’s Degree in Public and Private Management from the Yale University School of Management.

Mr. Chapman worked with Cummins Group for 35 years, globally. Since joining the Group in 1985, he has held various roles across geographies including Director – International Business Development, Vice President – Southeast Asia and China, Vice President – International, President – International Distributor Business, Group Vice President — Emerging Markets and Businesses, and Group Vice President – China and Russia. He has also served on the global Cummins Leadership Team and its predecessors since 2002. Currently, he is also on the Board of other public companies and colleges in USA.

The details of directorship or membership of Committees of Mr. Steven Chapman forms part as Annexure to the Notice. For Mr. Steven Chapman’s attendance at the meetings of the Board of Directors, Members may refer to the Corporate Governance Report appended as Annexure ‘4’ to the Directors’ Report for Financial Year 2022-23.

The Nomination and Remuneration Committee and the Board of Directors of the Company have approved re-appointment of Mr. Steven Chapman at their meeting held on May 23, 2023 and May 24, 2023 respectively and proposed the same for the approval of the Members of the Company.

The Company has received the relevant disclosures from Mr. Steven Chapman *inter-alia* including the following:

- (i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Mr. Steven Chapman does not hold any shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company.

Except Mr. Steven Chapman or his relatives no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board recommends the Ordinary Resolution at set out as Item No. 4 of the Notice for approval of the Members.

**Item No. 5****To ratify remuneration payable to the Cost Auditor, M/s. C S Adawadkar & Co., for the Financial Year 2023-24**

The Board of Directors of the Company on the recommendation of the Audit and Compliance Committee, have approved the appointment of M/s. C S Adawadkar & Co., Pune, (Firm Registration Number: 100401) to conduct the audit of the cost records of the Company for the Financial Year 2023-24 at the remuneration not exceeding ₹ 950,000/- (Rupees Nine Lacs Fifty Thousand only) plus applicable taxes and re-imbursalment of out of pocket expenses.

In terms of the provisions of Section 148 of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company.

The Board is of the opinion that the fees quoted by M/s. C S Adawadkar & Co., Pune, and agreed by the Company fees are as per prevailing industry standards for the similar assignments and in line with time and efforts involved in the audit.

No Director or Key Managerial Personnel, or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board recommends the Ordinary Resolution as set out at Item No. 5 of the Notice for approval by the Members.

**Item Nos. 6, 7, 8 and 9****To approve material related party transaction(s) with Cummins Technologies India Private Limited, Tata Cummins Private Limited, Cummins Limited, UK and Cummins Inc., USA**

Pursuant to Section 188 of the Companies Act, 2013 ('the Act') and the applicable Rules framed thereunder read with Regulation 23 of the Listing Regulations, all Related Party Transactions ('RPTs') shall require prior approval of the Audit and Compliance Committee and all material Related Party Transactions shall require prior approval of the Shareholders.

SEBI vide its notification dated November 09, 2021, has notified SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 ('Amendments'). Accordingly, the threshold for determination of Material Related Party Transactions under Regulation 23(1) of the Listing Regulations has been reduced with effect from April 01, 2022. The amended definition of the term 'Material' is as follows:

"a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand (1,000) crore or ten percent of the annual consolidated turnover of the company as per the last Audited Financial Statements of the Company."

Amongst the transactions that Company enters into with its related parties, the estimated value of the contract(s)/ arrangement(s)/ transaction(s) with Cummins Technologies India Private Limited ('CTIPL'), Tata Cummins Private Limited ('TCPL'), Cummins Limited, UK ('CL') and Cummins Inc., USA ('CMI'), may exceed the threshold limits of Material Related Party Transactions during Financial Year 2023-24 within the meaning of amended Regulation 23(1) of the Listing Regulations w.e.f. April 01, 2022.

The proposed transactions, being of operational and critical nature, play a significant role in Company's business and help the Company achieve economies of scale. Further, the objectives of the above RPTs are as follows:

- Achieving synergies and economies of scale;



- Bring efficiency in operational and logistics costs;
- Strengthen sustainability;
- Stronger opportunities for talent growth and retention;
- Leverage knowledge pool across functions;

Therefore, in order to secure continuity of operations, the Company is proposing to seek approval of the Shareholders for the potential quantum of transactions with CTIPL, TCPL, CL and CMI, respectively bifurcated into indicative categories, as mentioned below:

|   | (₹ in Crores)   |
|---|---|
| <b>Category of Transactions</b>   | <b>Cummins Technologies India Private Limited ('CTIPL')</b> |
| a. Purchase of engines, gensets, turbochargers, their parts, components and spares by the Company | 1,439   |
| b. Sale of engines/ gensets, their parts, accessories, and spares by the Company                  | 508   |
| c. Other RPTs*  | 608   |
| <b>Total</b>  | <b>2,555</b>  |

\* as specified in Ordinary Resolution set out as Item No. 6 of the Notice.

|  | (₹ in Crores)                                |
|--|--|
| <b>Category of Transactions</b>  | <b>Tata Cummins Private Limited ('TCPL')</b> |
| a. Purchase of internal combustion engines including B, C and L series engines, their parts and accessories thereof by the Company | 1,859  |
| b. Sale of internal combustion engines, their parts and accessories thereof by the Company   | 25   |
| c. Other RPTs*   | 120  |
| <b>Total</b>   | <b>2,004</b>                                 |

\* as specified in Ordinary Resolution set out as Item No. 7 of the Notice.

|   | (₹ in Crores)                     |
|---|-----------------------------------|
| <b>Category of Transactions</b>   | <b>Cummins Limited, UK ('CL')</b> |
| a. Purchases of engines/ gensets, their parts, accessories or spares by the Company | 615                               |
| b. Sale of engines/gensets, their parts, accessories, and spares by the Company     | 1,205                             |
| c. Other RPTs*  | 50                                |
| <b>Total</b>  | <b>1,870</b>                      |

\* as specified in Ordinary Resolution set out as Item No. 8 of the Notice.

| Category of Transactions  | (₹ in Crores)                |
|---|------------------------------|
|   | Cummins Inc.,<br>USA ('CMI') |
| a. Purchases of engines/ gensets, their parts, accessories or spares by the Company | 390                          |
| b. Sale of engines/gensets, their parts, accessories, and spares by the Company     | 255                          |
| Other RPTs*   | 484                          |
| <b>Total</b>  | <b>1,129</b>                 |

\* as specified in Ordinary Resolution set out as Item No. 9 of the Notice.

Members may importantly note that the Company has been undertaking such transactions of similar nature with the said related parties in the past financial years, on arms' length basis. The maximum annual value of the proposed transactions with aforesaid related parties is estimated on the basis of Company's current transactions with them and future business projections for the Financial Year 2023-24.

Details of the transactions and other particulars thereof as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 188 the Act, as amended till date and SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021:

| Sr. No. | Name of Related Party  | Cummins Limited, UK ('CL')  | Tata Cummins Private Limited ('TCPL')  | Cummins Technologies India Private Limited ('CTIPL')                             | Cummins Inc., USA ('CMI')      |
|---------|--|---|--|--|--------------------------------|
| 1.      | Nature of relationship   | Subsidiary of Cummins Inc., USA which is the holding company of the Company   | 50:50 joint venture company between Cummins Inc., USA and Tata Motors Limited, India | Subsidiary of Cummins Inc., USA which is also the holding company of the Company | Holding company of the Company |
| 2.      | Name of Director(s) or Key Managerial Personnel who is related, if any | None of the Directors, Key Managerial Personnel of the Company or their respective relatives is concerned or interested financially or otherwise in Item no. 7 to 10 of the Notice.<br><br>The Company has the following Director/ KMP as Directors of TCPL:<br><br>- Mr. Ashwath Ram, Managing Director of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is Managing Director of TCPL.<br><br>- Mr. Ajay S. Patil, Chief Financial Officer of the Company (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) is a Director of TCPL. |  |  |                                |

| Sr. No. | Name of Related Party  | Cummins Limited, UK ('CL')  | Tata Cummins Private Limited ('TCPL')   | Cummins Technologies India Private Limited ('CTIPL')   | Cummins Inc., USA ('CMI')   |
|---------|--|---|---|--|---|
| 3.      | Type, material terms, tenure and particulars of the proposed transaction | <p>As part of regular business operations:</p> <ol style="list-style-type: none"> <li>1. purchases of engines/gensets, their parts, accessories or spares by the Company;</li> <li>2. (a) sale of engines/gensets, their parts, accessories, and spares by the Company;</li> <li>3. availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> | <p>As part of regular business operations:</p> <ol style="list-style-type: none"> <li>1. purchase of internal combustion engines including B, C and L series engines, their parts and accessories thereof by the Company;</li> <li>2. sale of internal combustion engines, their parts and accessories thereof by the Company;</li> <li>3. availing/rendering of any kind of service(s), reimbursements received/ paid, rent received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> | <p>As part of regular business operations:</p> <ol style="list-style-type: none"> <li>1. purchase of engines, gensets, turbochargers, their parts, components and spares by the Company;</li> <li>2. (b) sale of engines/gensets, their parts, accessories, and spares by the Company;</li> <li>3. availing/rendering of any kind of service(s), reimbursements received/ paid, rent received/ paid purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> | <p>As part of regular business operations:</p> <ol style="list-style-type: none"> <li>1. purchases of engines/gensets, their parts, accessories or spares by the Company;</li> <li>2. sale of engines/gensets, their parts, accessories, and spares by the Company;</li> <li>3. availing/rendering of any kind of service(s), reimbursements received/ paid, purchase/ sale/ exchange/ transfer/ lease of business asset(s) and/ or equipment(s), purchase and sale of export incentive licenses or any other transaction(s) for transfer of resources, services, technology, or obligations ('Other RPTs');</li> </ol> |

| Sr. No. | Name of Related Party  | Cummins Limited, UK ('CL')   | Tata Cummins Private Limited ('TCPL')   | Cummins Technologies India Private Limited ('CTIPL')  | Cummins Inc., USA ('CMI')   |
|---------|--|--|---|---|---|
|         |  | These transactions are proposed to be undertaken during Financial Year 2023-24, depending on business operations   |   |   |   |
| 4.      | Value of the proposed transaction  | ₹ 1,870 Crores   | ₹ 2,004 Crores  | ₹ 2,555 Crores  | ₹ 1,129 Crores  |
| 5.      | The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction | Approximately 24% of annual consolidated turnover of the Company for the Financial Year 2022-23  | Approximately 26% of annual consolidated turnover of the Company for the Financial Year 2022-23 | Approximately 33% of annual consolidated turnover of the Company for the Financial Year 2022-23 | Approximately 15% of annual consolidated turnover of the Company for the Financial Year 2022-23 |
| 6.      | Details about valuation/ arm's length and ordinary course of business  | All contracts with related party defined as per Section 2(76) of the Act are reviewed for arm's length testing internally basis the international and domestic transfer pricing study. Further, all the transactions are in the ordinary course of business of the Company and at arm's length expect transactions related to rent with Cummins Group entities, which are not in ordinary course of business and in the nature of 'Other RPTs'   |   |   |   |
| 7.      | Rationale, benefit/ justification as to why the transaction with respective related parties are in the interest of the Company   | Cummins India Limited is a subsidiary of Cummins Inc., USA and a part of the Cummins Group comprising of seven legal entities in India (including one entity under voluntary liquidation). Purchase and Sale RPTs within group companies helps your Company leverage economies of scale and aids to improve quality of products and meet demand/ customer expectations for the Company. Other RPTs brings in operational efficiencies/ synergies in business. These transactions will mainly be on the basis of regular business requirements. |   |   |   |

| Sr. No. | Name of Related Party   | Cummins Limited, UK ('CL')   | Tata Cummins Private Limited ('TCPL')   | Cummins Technologies India Private Limited ('CTIPL') | Cummins Inc., USA ('CMI') |
|---------|---|--|---|--|---------------------------|
| 8.      | If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary |  | Not Applicable for proposed transaction |  |                           |
| 9.      | Any advance paid or received for the contract or arrangement, if any  |  | Nil                                     |  |                           |
| 10.     | Any other information that may be relevant  | All relevant/ important information forms a part of this Explanatory statement setting out material facts pursuant to Section 102(1) of the Companies Act, 2013. |   |  |                           |

The Audit and Compliance Committee and the Board of Directors of the Company have approved the said material related party transactions at their meeting held on February 08, 2023 and May 24, 2023 and proposed the same for approval of the Members of the Company.

The RPTs carried out with the above said related parties will be reported and reviewed on a quarterly basis to the Audit and Compliance Committee and the Board of Directors of the Company.

The Members' approval to the above material related party transactions is sought in terms of Regulation 23(4) of Listing Regulations.

Except Mr. Ashwath Ram, Managing Director and Mr. Ajay S. Patil, Chief Financial Officer, being interested in the TCPL ongoing transactions at Item No. 7 as Managing Director of TCPL and Director of TCPL respectively, no other Director, Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 6, 7, 8 and 9 of the Notice.

The Board recommends the Ordinary Resolution as set out at Item Nos. 6, 7, 8 and 9 of the Notice for approval of the Members.

**Item No. 10****Appointment of Ms. Lira Goswami (DIN: 00114636) as a Non-Executive Independent Director**

Ms. Lira Goswami (aged 64 years) holds a Bachelor's Degree of law from Delhi University and a Master's Degree from Columbia University, New York. Ms. Goswami has over 30 years of experience in corporate, commercial and regulatory work including international business transactions, strategic advisory, mergers and acquisitions, regulatory compliance in various sectors including in the defence, energy, pharma, food and other sectors.

Ms. Goswami is a founding partner of Associated Law Advisers (ALA). She heads the Corporate and Regulatory vertical at ALA and has advised several multinational clients doing business in India. Presently the Boards that she serves on include Maruti Suzuki India Limited, Blackberry India Private Limited and PM Control Systems India Private Limited.

Ms. Goswami is a regular speaker on foreign investment, defense procurement, trade, regulatory and compliance issues including at ACI's anti-corruption conferences in India and in the USA and C5's Defence Procurement seminars in Washington and Paris.

Based on the recommendations of Nomination and Remuneration Committee, the Board of Directors appointed Ms. Lira Goswami (DIN: 00114636), as an Additional Director in the capacity of Independent Director of the Company in their meeting held on May 24, 2023, with effect from May 24, 2023, for a consecutive period of five years, under Article 110 of the Articles of Association of the Company.

In accordance with the provisions of Section 149 read with Schedule IV to the Companies Act, 2013, appointment of Independent Directors requires approval of the members of the Company. Further, pursuant to amendment to Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective January 01, 2022, a listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier. Ms. Goswami is eligible to be appointed as Non-Executive Independent Director of the Company. A notice has been received from a Member, as required under Section 160 of the Companies Act, 2013, proposing the candidature of Ms. Goswami for office of the Director of the Company.

Ms. Goswami has given a declaration to the Board that she meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In the opinion of the Board, Ms. Goswami fulfills the conditions specified in the Act and the rules framed thereunder for appointment as an Independent Director and that she is independent of the Management.

No Board Meeting of the Company was held after the period May 24, 2023 (effective date of appointment of Ms. Goswami) till date of this Notice and consequently, Ms. Goswami has not attended any Board Meeting of the Company as an Additional Director (Non- Executive and Independent) of the Company.

In compliance with the provisions of Section 149 read with Schedule IV of the Companies Act, 2013 the appointment of Ms. Goswami as Independent Director is now being placed before the Members for their approval.

The Company has received the relevant disclosures from Ms. Goswami *inter-alia* including the following:

- (i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; and
- (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Ms. Goswami does not hold any shares in the Company and is not related to any Directors, Managers or Key Managerial Personnel in the Company. Further, she does not hold any directorship or membership of Committees in other Companies.

Except Ms. Goswami, no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out in the Notice.

The Board recommends the Special Resolution as set out at Item No. 10 of the Notice for approval by the Members.

Registered Office:  
Cummins India Office  
Campus, Tower A,  
5<sup>th</sup> Floor, Survey no. 21,  
Balewadi,  
Pune 411 045

Place: Pune  
Date: July 07, 2023

By Order of the Board,  
For Cummins India Limited,

Vinaya Joshi  
Company Secretary  
Membership No.: A25096

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

| Name                                  | Age (Years) | Educational Qualifications  | Experience/ Expertise/ Brief Resume/ Skills and Capabilities                        | Relationship with other Directors/ Key Managerial Personnel (KMP) | Directorships and No. of Membership/ Chairmanship of Committees in other entities*                   | Shareholding as on March 31, 2022 |
|---------------------------------------|-------------|---|---|---|--|-----------------------------------|
| Mr. Steven Chapman<br>(DIN: 00496000) | 69          | Holds Bachelor's degree in Asian Studies from St. Olaf College in Northfield Minnesota, and a Master's degree in Public and Private Management from the Yale University School of Management. (USA) | Refer Item no. 4 of the explanatory statement of the Notice convening this meeting  | Not related to any Director/ KMP of the Company                   | NIL  | NIL                               |
| Ms. Lira Goswami<br>(DIN: 00114636)   | 64          | Holds Bachelor's degree of Law from Delhi University and Master's Degree of Law from Columbia University  | Refer Item no. 10 of the explanatory statement of the Notice convening this meeting | Not related to any Director/ KMP of the Company                   | 1. Maruti Suzuki India Limited – Member of Audit Committee and Nomination and Remuneration Committee | NIL                               |

\* Includes directorship of Listed entities/ Public Companies in India

#### Notes on Terms and conditions of appointment or re-appointment including remuneration:

- Mr. Steven Chapman, Non-Executive and Non-Independent Director is liable to retire by rotation and not entitled to any remuneration from the Company.
- Ms. Lira Goswami, Independent Director, is not liable to retire by rotation. The terms of remuneration including sitting fees for attending Board and Committee meetings, reimbursement of expenses and the profit related commission as permissible under law from time to time, are as approved by Members.