



Ref: STEX/SECT/2021

July 16, 2021

The Relationship Manager BSE Limited P. J. Towers Dalal Street, Fort Mumbai 400001  BSE Scrip Code: <b>500480</b>	National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor Plot No. C/1, G Block, Bandra – Kurla Complex Bandra (East) Mumbai 400051  NSE Symbol: <b>CUMMINSIND</b>
---	--

**Subject: Submission of Notice of the 60<sup>th</sup> Annual General Meeting and Annual Report for the Financial Year 2020-21**

Dear Sir/ Madam,

We wish to inform you that the Sixtieth Annual General Meeting (“AGM”) of Members of the Company is scheduled to be held on Thursday, August 12, 2021 at 3.30 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 60<sup>th</sup> AGM Notice and Annual Report of the Company for financial year 2020-21 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 truly,

For Cummins India Limited

Vinaya A. Joshi  
Company Secretary & Compliance Officer  
Membership No. A25096  
Encl: As above

*(This letter is digitally signed)*

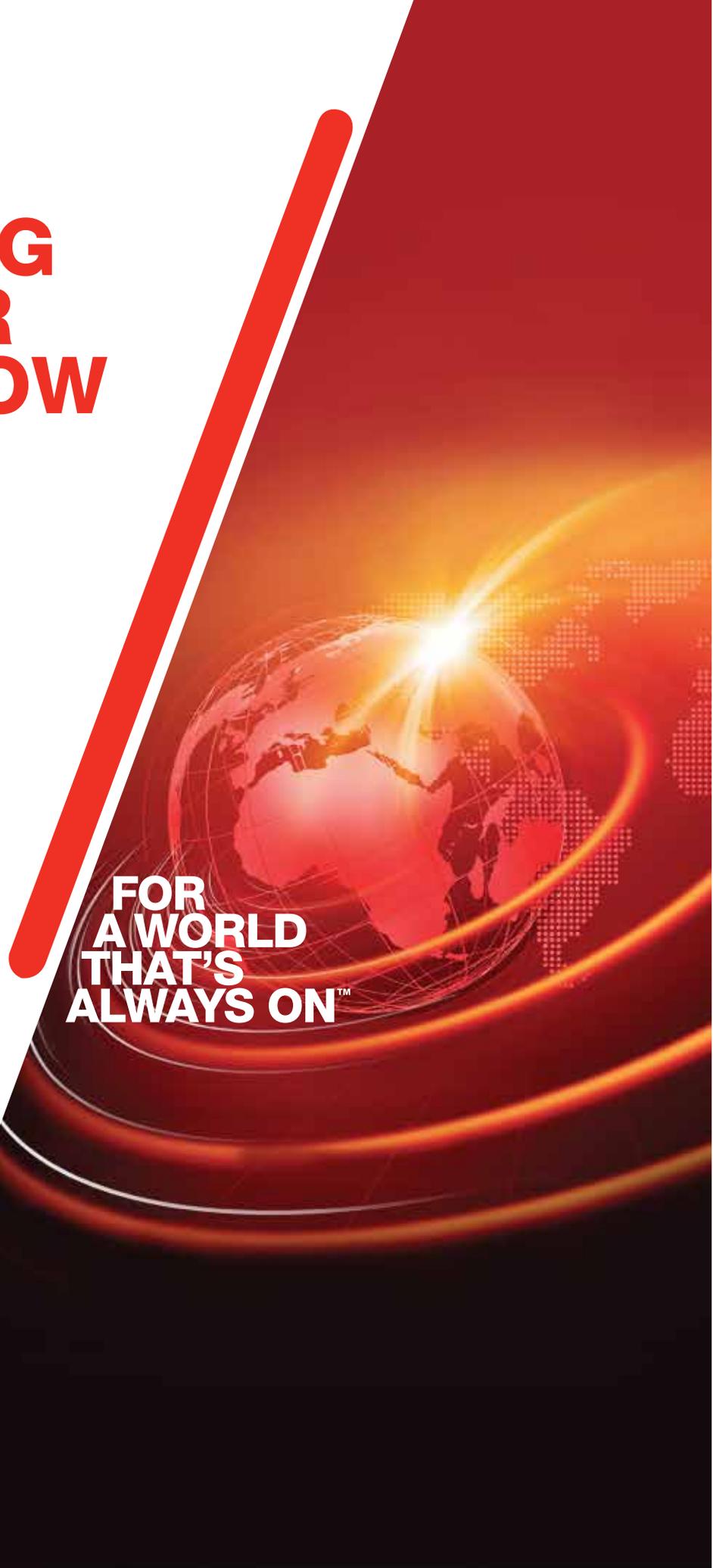
Cummins India Limited  
Registered Office  
Cummins India Office Campus  
Tower A, 5<sup>th</sup> Floor, Survey No. 21, Balewadi  
Pune 411 045 Maharashtra, India  
Phone +91 20 67067000 Fax +91 20 67067015  
cumminsindia.com  
cil.investors@cummins.com

CIN : L29112PN1962PLC012276

Cummins India Limited

Annual Report 2020-21

# POWERING A BETTER TOMORROW



FOR  
A WORLD  
THAT'S  
ALWAYS ON™



# TABLE OF CONTENTS

**01** **Chairman's Letter**  
to the Shareholders .....01

**05** **Directors' Report**  
and Annexure ..... 14

**02** **Our Story**  
and Top 3 priorities..... 02

**06** **Standalone and Consolidated**  
Financial Statements ...91

**03** **Managing Director's Letter**  
to the Shareholders ..... 03

**07** **Business Responsibility**  
Report .....237

**04** **Board of Directors** ..... 12

**08** **Cummins Group in India**  
COVID-19 Vaccination Drive

## About the cover

The Earth's rotation never stops under any circumstances as it is very important to the life of the Earth and its survival. It is this concept that is the inspiration of our cover of the CIL Annual Report 2020-21.

Cummins never stops powering an unstoppable world. FOR A WORLD THAT'S ALWAYS ON is our 'why.' The reason we do all we do. It echoes the truth all our stakeholders understand – that the pursuit of success never rests, that to stand still is to fall behind. It is customer-centric, future-facing and indicates that we are endlessly responsive to our stakeholders' needs and that we will keep them ahead of change.



## Steven M. Chapman

Chairman,  
Cummins India Limited (CIL)

### *Dear Shareholders,*

I hope this note finds you and your families healthy and safe, especially in these current times of unprecedented health challenges.

Following my appointment as Chairman of Cummins India Limited, it is my pleasure to introduce myself to you. Prior to my current role, I have been with Cummins for over 35 years, serving in various capacities, the most recent one being Group Vice President of China and Russia. I had the opportunity to work with India for about a third of my Cummins career, and I consider it my privilege to be part of an organization whose very purpose of existence is to make people's lives better.

In 2019, our 100<sup>th</sup> year of sustainability, Cummins globally delivered record performance, and we followed this by 2020 marking the 100<sup>th</sup> anniversary of Cummins Power Generation business. This sustainability has been built on a bedrock of our core values that have helped us deliver on our brand promise of innovation and dependability in everything we do. Among the many strengths that have helped us meet our goals is the balance we strike between the needs and interests of all our stakeholders, including customers, employees, shareholders, communities, partners and suppliers. It is this approach that has not only differentiated us throughout our history, but continues to be central to our strategy for success.

Even before the onset of the COVID-19 pandemic, the global economy had begun confronting turbulence due to disruptions in trade flow and diminishing growth. This situation has been further aggravated by the pandemic, resulting in an unprecedented decline in demand and facility shutdowns for ourselves, our customers and suppliers. As we continue operating amid a pandemic, demand is slowly recovering in many of our key geographies worldwide. In these challenging times, our customers and business partners relied on us to help them power their customers' success. It is especially during such times that we feel so proud of living our mission.

Our approach to corporate responsibility is firmly grounded in a stakeholder model articulated by former Cummins Global Chairman J. Irwin Miller, who believed



that businesses have a responsibility to help create healthy communities. The tools and actions that define our work to remain a responsible company may have changed over the years, but the underlying principles have not. While we augmented our community relief efforts to support the COVID-19 impacted and front-line warriors, we made sure we did not lose sight of our ongoing programs. Our flagship project to accelerate gender equality, the Cummins Powers Women program, has funded training resulting in the launch of over 60 advocacy projects globally. These projects have changed laws and policies that benefit 17 million women and girls across globe and 1.9 million in India.

The past year has been wrought with challenges, but Cummins' century-old history shows that we have been through several downturns in the past and have a great track record of navigating them and emerging even stronger. As we navigate through the current challenges, I am confident that with your trust and support, the dedication and hard work of our people and the collective experience of our leaders, we are ready to embark on a new journey of sustainability.

In closing, I urge you and your families to continue to follow COVID-19 appropriate protocols. Together, let's win this war against the virus.

Thank You,

**Steven M. Chapman**

Chairman, Cummins India Limited

## OUR **STORY**

- **Our Mission**

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

- **Our Vision**

Innovating for our customers to power their success

- **Our Values**

Integrity, Diversity & Inclusion, Excellence, Caring and Teamwork

## TOP 3 **PRIORITIES**

1

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

2

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

3

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

## Ashwath Ram

Managing Director,  
Cummins India Limited (CIL)

*Dear Shareholders,*

2020 is a year that we will never forget. We experienced a pandemic, a healthcare crisis, and the economic fallout of COVID-19. Even today, through the second wave of the pandemic, many companies continue to experience economic and operational uncertainty.

At Cummins, nothing has been more important to us than keeping our employees safe and continuing to deliver value to our stakeholders.

We have always believed that our ability to innovate is one of our greatest strengths, and that we are only as strong as the communities we serve. From introducing new products and services to power our customers' success, to providing aftermarket support through the lockdown, and serving communities through our relief effort, we have tried our best to follow through on our commitment of making people's lives better.

Cummins has been around for over a hundred years globally, and close to sixty years in India. We have survived many crises and taken away valuable lessons from them each time. So, amid the economic headwinds, decline in demand, and supply chain disruptions, we remained disciplined and focused on fulfilling customer commitments, and controlling our costs. We had to take some exceedingly tough decisions and temporarily reduced employee headcount and salaries.

Even as I write this, uncertainties continue to prevail as India is still reeling under the effect of the pandemic.



This may take longer than we anticipated, but I believe that as more vaccinations are being made available to larger sections of our population, India will be successful in fighting the pandemic. Cummins Group in India conducted vaccination drives at our plants and regional offices. Efforts are on to extend this to other locations in India. I am pleased to share that we received an overwhelming response to the drive.

As Cummins shareholders, you can feel confident in the knowledge that Cummins has amazing products, technology and people, and nothing can keep us from growing. Thank you for your continued support and trust in us.

As part of the Cummins India 2020 overview, I would like to share news and updates on our awards, innovation and business growth, quality, and corporate responsibility with you.

### COVID-19 vaccination drive conducted by Cummins Group Entities in India including CIL



**14,000+** vaccines administered till date  
**300+** on-ground volunteers  
**25+** sites pan India

To catch a glimpse of the COVID-19 vaccination drive, kindly view the back cover.

*The Company's best-in-class products and processes backed by our Mission, Vision, and Values translated into these awards and recognitions for Cummins*

- **Outstanding Contribution Award in CSR** by Karve Institute of Social Sciences, Pune and The International Association of LION's Club, Pune during LION's CSR Conclave 2020.

#### **Cummins India Foundation**

Accolades in BRICS Solutions Awards (Category: **Living Standards and Demographics**) for 'Masti ki Pathshala' project.

#### **Kothrud Engine Plant**

- **ACMA (Automotive Component Manufacturers Association of India) Award** for reduction of water footprint.
- **New Normal Award** for implementation of physical controls to curb COVID-19 for smooth operation startup.

**Integral Coach Factory-** Chennai Project Site (PSBU – Project Business): Customer award for the "**Best Contribution in HSE Initiatives**" and implementation in 2019-2020.

## FINANCIAL PERFORMANCE 2020-21

An interim dividend of ₹ 7 per fully paid-up equity share of ₹ 2 each (350%) was disbursed in Q4 FY2021.

The 2020-21 financial year concluded with the Board recommending a final dividend of ₹ 8 per share of ₹ 2 fully paid-up (400%) aggregating to ₹ 15 per share of ₹ 2 each fully paid-up (750%), subject to your approval at the Annual General Meeting.



# ALWAYS **CUSTOMER-DRIVEN.** ALWAYS **INNOVATING.**

The Company continued to deliver value successfully to its stakeholders. We were able to do this by putting our customers' business first.



## Industrial Business

### Railways

#### Supporting Indian Railways (IR) in achieving its growth plans

- Despite supply challenges, the Company ensured seamless supplies of Diesel Electric Tower Cars (DETC) thereby supporting Indian Railways in its 100% electrification of broad-gauge network.
- Aligning with Indian Railways' initiatives to promote international cooperation, we supplied engines for export of rail equipment to Mozambique, Nepal, and Sri Lanka.

### Mining

#### Strengthening our presence across varied mining applications

- We continued to consolidate our position in the 60 ton dump truck segment, made further inroads in 150 ton and 205 ton segment and expanded into new applications like the 100 ton excavator and underground mining dump trucks.

### Marine and Defense

#### Continuing our strong partnership with the Indian Navy

- We continued our long-standing relationship with the Indian Navy through the timely delivery of fully integrated 1MW gensets for the Navy's stealth missile destroyer vessel and survey vessels. These were specially designed to meet exacting naval standards.

### Oil and Gas

#### Catering to an increased demand in the City Gas Distribution

- We added a new Original Equipment Manufacturer (OEM) and delivered record growth in gas compressors to the city gas distribution infrastructure.



Fully integrated marine DG set for Indian Navy

### Pumps

#### Foraying into new segments

- We successfully completed FM/UL certification testing of 5.9 liter and 6.7 liter engine platforms for the global fire pumps segment.



QSB6.7 fire pump drive

### Construction segment

#### Continued focus on improving our share in the Construction segment

- The Company improved its volume share through strong customer partnerships. We were able to take advantage of the strong industry recovery we saw which was fueled by the Government's impetus on economic recovery and infrastructure investment.

- With a commitment to power a cleaner India, Cummins has now moved from mechanical to new-generation electronic 4-cylinder and 6-cylinder engines to address the onset of Bharat Stage IV (BSIV) emission norms from April 2021 for Construction Equipment Vehicle (CEV) applications. These new engines are certified ahead of launch timelines.



The Cummins QSB4.5 engines are CEV BSIV compliant that come with Single Module aftertreatment systems for enhanced performance and productivity.

- We continue to make sustained efforts to improve volumes through engagement with OEMs, by integrating our engines into OEM equipment across applications.

**Compressor segment**

**Maintained volumes in Water Rig segment**

- With significant recovery in volumes post lockdown, the Compressor segment witnessed an increase in demand. This demand improvement trend is expected to continue with support from replacement demand.



Supporting Indian Railways in its **100% electrification of broad-gauge network**



Strengthening our position in the dump truck segment with **150T and 205T and 100T excavator** and underground mining dump trucks



Successfully completed FM/UL certification testing of **5.9 liter and 6.7 liter engine** for fire pumps segment

**DRIVEN BY GROWTH**



Power Generation

Effectively tiding over the challenges posed by COVID-19, the Company is on a strong path to recovery. Data Center, Infrastructure, Healthcare, Rental and Retail segments led the rebound in the power generation industry in India.



New and improved Cummins 250 kVA Genset with Synchronization Ready Controller and low total cost of ownership.

**We introduced the following products that delivered better value to customers across fast-growing segments:**

- In the High Horsepower segment, the Company was awarded the full execution of gensets for a large hyperscale Data Center coming up in India. This is an excellent opportunity which has huge business potential.
- Further strengthening ties with India's Defense sector, we launched a compact 50 kVA genset for a special purpose defense application.
- We also launched a feature rich PSO600 controller for the Low Horsepower range of 82.5-125 kVA gensets that enables intelligent fault detection, and provides better shielding of genset against voltage or current surge, irregular loads and more.
- The Power Generation emission norms (for the <1010 kVA range) is under revision. Your Company – through its well-established technology leadership, is well equipped to meet the new emission norms.



Genset installation for a global Data Center company in Hyderabad.

## Exports

### Meeting the needs of specific power generation segments

- The Company launched fit-for-market products like the B3.3 and QSB7 gensets in the unregulated regions.
- Though global markets were impacted by the COVID-19 pandemic, power generation segments such as Data Centers, Healthcare, Telecom and Rental offered growth opportunities and we catered to these segments by maximizing delivery/ramping up capacity. We also clinched major deals for the supply of low kVA Gensets for the 5G telecom network upgrade in the Asia Pacific region.



## Distribution Business

### Living up to our brand promise of dependability

- In a year marked with economic shock and COVID-19 linked disruption to businesses, our aftermarket and dealership teams provided unconditional support to our customers.
- From enabling the continuity of healthcare services at hospitals, to supporting Indian Railways for freight of goods, and ensuring uptime for essential service providers like electricity boards and mines, the team worked relentlessly to provide best-in-class customer support.
- Over 98% of the 4.5 lakh service calls registered during the lockdown period were resolved and the team received appreciation letters from 350+ customers.
- We also announced the “Dealer Support Package” to inject liquidity into the 4S channel, which helped our dealer partners stay afloat. To ensure that the maximum possible workforce was available to support customers, we devised and implemented a policy that allowed engineers to work from their home locations.

### Focusing on growth

- The Company focused on enhancing reach in the on-highway segment via channel footprint expansion; and reached 58 distributors with 92 primary and 5,400+ secondary (Retailers) touch points by the end of 2020, as compared to 32 distributors in 2019.

- To retain our post-warranty Power Generation customers, we launched Cummins Ashwasan - a comprehensive package providing service coverage for five years.
- Our focus on customer engagement also resulted in our achieving a breakthrough in content growth through full equipment maintenance of Tower Wagon for Railways and BSVI engines, and aftertreatment systems for the automotive bus segment.
- To increase penetration in high growth segments, we expanded our portfolio of clutches, filters, BSIV long blocks, coolants for the highway segment and launched special, fit-for-market 12K and 24K overhaul kits for gas compression customers.
- We have also been focusing on building a strong order board with parts order board at 2X times pre-COVID-19 levels.
- Our deep focus on repowering the competition engines by providing cost-effective solutions in segments like Defense, Railways, and Power Generation led to enhanced customer satisfaction and growth in the whole goods portfolio. We also expanded the first-fit Engine Business with new products and special packages developed specifically to cater to the need of Automotive, Industrial, and Agricultural segments.





Living our promise of dependability - supporting our customers

# ALWAYS INNOVATING. ALWAYS CUSTOMER-DRIVEN.

- In our constant pursuit of **continuous improvement**, we are always striving to exercise a more disciplined approach to quality enhancement, cost reduction initiatives and environmental stewardship in our daily operations.
- Various restructuring projects combined with cost reduction programs, which leverage the 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.
- Structured Level 9 risk based approach for plant start-up, Quality Management Systems external audit through a virtual platform, product testing and compliance through virtual modes were only a few of the critical initiatives which made us even more robust in our process excellence journey, and strengthened the customer-centric culture within the organization.
- 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.
- The Company ensures that all its sites comply with Health, Safety, and Environment Management System policies, procedures, and initiatives independent of certification status.
- The Company’s plants and sales offices generated 14,036 metric tons of Green House Gases (GHG), consumed 21,877 kilo gallons of water, and generated 3,777 metric tons of waste at a recycling rate of 99.58%.



Enhanced the reach in the **on-highway** segment via channel footprint expansion



Expanded our portfolio of **clutches, filters, BSIV long blocks, coolants** for the highway segment



Launched **Cummins Ashwasan** - a comprehensive package



Expanded the first fit Engines Business with **new products** and **special packages**

## ALWAYS DRIVEN

# ALWAYS RESPONSIBLE. ALWAYS TRUSTED.

At Cummins, we never forget that lives, communities, and our planet are affected by the choices we make. We constantly seek to support the groups that are marginalized with the belief that when even if one is unable to access basic economic or social opportunities, the entire community does not collectively progress. Our commitment to corporate responsibility continues to shape our business decisions.

## Higher Education

- **Nurturing Brilliance** commenced in 2006 with 13 students and has now ramped up to providing scholarships to 200 students per year. 1,739 students have benefitted so far. As per COVID-19 protocols, the entire scholarship cycle including the applications, aptitude tests and personal interviews have now been made paperless, and the entire process is being conducted virtually.

## Energy and Environment

- In 2020-21, the **Monsoon Resilient Maharashtra** project added 13 more villages, extending its reach to a total of 36 villages in a span of just four years. It has positively impacted more than 55,000 lives. More than 1 billion gallons of additional water has been generated.
- The **Clean Air Better Life** project has reached more than 1,57,924 acres of farmland across 172 villages in seven districts. In 2020-21 more than 27,863 farmers were trained and supported to reduce stubble burning.
- The **Water, Sanitation and Hygiene (WASH) at School** initiative in Pune and Phaltan helped city schools restart safely amid COVID-19, and also supported municipal schools with students from economically lower sections of society. This program covered 58 schools benefiting more than 29,000 students and 469 staff members.





- Under **Urban Watershed Management** initiatives, Cummins has developed a watershed development framework for urban areas. Through the Hydrogeological Survey, a phase wise implementation is underway for creating new water bodies, conserving and rejuvenating lakes and ponds with project partners – (The Indian Army, State Reserve Police Force, Pune and the Irrigation department). These interventions resulted in conservation of over **1,459 million gallons of water** in 2020.

### Equality of Opportunity

- As a part of **Model Village**, Cummins is helping 25 villages complete rural development work across all plant locations in India benefitting more than 51,000 lives. Currently, three model village projects are being implemented in partnership with National Bank for Agriculture and Rural Development (NABARD) with an agreement for 50:50 funding and joint monitoring.
- **Empower Her** replicated the **Udgam** project in two more locations in Maharashtra, taking the overall reach to 1,138 women.
- **Cummins Powers Women** in 2020 marked the one-year anniversary of Cummins India's first leadership and advocacy accelerator for 21 incredible

grassroot leaders. They are working on girls' and women's rights and collectively impacting close to 1.9 million girls and women in India by influencing changes in 4 laws and over 15 government policies.

- Building on the success of the first accelerator, 2020 also saw the successful launch and conclusion of Cummins India's second leadership and advocacy accelerator. This was conducted online because of the pandemic. We saw 19 amazing individuals from National Capital Region (NCR) take part in this journey that will further empower them to strengthen their leadership, drive strategies that increase girls' and women's access to education and opportunity, and be the ushers of change in their communities.
- **Supporting communities amid the COVID-19 pandemic**- From the start of the outbreak, Cummins has responded to the COVID-19 crisis through a series of immediate and emergency interventions addressing urgent and evolving needs on the ground. Through the crisis, we engaged with our partner organizations – governmental and non-governmental, to care for our communities. Through shared experiences of the pandemic, together, we discovered new and more meaningful ways to serve those most in need.



Community relief efforts during the COVID-19 pandemic



# THE FUTURE PULLS US FORWARD

## Key Focus Areas

**Health and safety**  
of our employees



**Agility**  
in supply chain

Investing in **future technologies**



Harnessing digital technology and **automation**

Building **cost efficiencies**



Powering prosperous **communities**

At Cummins, we create power solutions that people depend on. It is what we have done for 100 years globally. Our history makes us proud, but it is the future that pulls us forward. Cummins has always been at its best when industry and technology are changing.

Cummins is currently well positioned to capitalize on the revival in domestic and global economies. With one eye on profitable growth for our stakeholders and the other on powering prosperous communities, we are confident that our strategies will pay off. While we continue to invest our efforts in our core business, new stringent emission standards and digitalization will continue to be the key enablers of growth for us.

In closing, I would like to express my gratitude to our customers and investors who all continue to place their faith in us, our Board Members for their support and guidance, and our employees who put in countless hours of work to help us fulfill our commitments.

Stay healthy and safe through 2021.

Sincerely,

**Ashwath Ram**

# BOARD OF DIRECTORS



• **Steven M. Chapman**  
*Chairman*



• **Ashwath Ram**  
*Managing Director*



• **Rajeev B. Bakshi**  
*Independent Director*



• **Priya S. Dasgupta**  
*Independent Director*



• **Nasser M. Munjee**  
*Independent Director*



• **Prakash M. Telang**  
*Independent Director*



• **Rama Bijapurkar**  
*Independent Director*



• **Norbert Nusterer**  
*Non-Executive Director*



• **Lorraine Alyn Meyer**  
*Non-Executive Director*



• **Donald Jackson**  
*Non-Executive Director*

**BANKERS :**

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

ICICI Bank Limited

The Hongkong Shanghai Banking Corporation Limited

YES Bank Limited

J.P. Morgan Chase, N.A.

**AUDITORS :**

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

Chartered Accountants

C - 401, 4<sup>th</sup> Floor, Panchshil Tech Park,

Yerwada, (Near Don Bosco School),

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

Fax : (020) 67067015

E-mail : [cil.investors@cummins.com](mailto:cil.investors@cummins.com)

Website : [www.cumminsindia.com](http://www.cumminsindia.com)

## DIRECTORS' REPORT

The Directors take pleasure in presenting the Sixtieth Annual Report together with *inter-alia* its annexures and audited financial statements for the year ended March 31, 2021. 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 2020-21, revenue from operations was ₹ 432,924 Lacs as compared to ₹ 515,773 Lacs during the previous year (16.06% lower). Profit after tax decreased to ₹ 61,787 Lacs from ₹ 62,934 Lacs recorded for the previous year (1.82% lower).

#### On Consolidated basis:-

During the Financial Year 2020-21, revenue from operations was ₹ 436,008 Lacs as compared to ₹ 519,145 Lacs during the previous year (16.01% lower). Profit after tax decreased to ₹ 63,503 Lacs from ₹ 70,561 Lacs recorded for the previous year (10.00% lower).

#### Financial Summary

	Standalone		Consolidated	
	2020-21 (₹ in Lacs)	2019-20 (₹ in Lacs)	2020-21 (₹ in Lacs)	2019-20 (₹ in Lacs)

#### APPROPRIATION OF PROFIT:

Profit before taxation	<b>80,796</b>	75,906	<b>82,500</b>	80,748
Net Profit for the year after tax	<b>61,787</b>	62,934	<b>63,503</b>	70,561
Tax on dividend	-	9,687	-	9,687
Dividend	<b>38,808</b>	47,124	<b>38,808</b>	47,124

### 2. RESERVES:

The closing balance of reserves, including retained earnings, of the Company as at March 31, 2021 was ₹ 435,133 Lacs.

### 3. COVID-19:

The outbreak of COVID-19 turned into a global pandemic and impacted the ability to do business starting in the quarter ending June 2020. Consequent lockdowns announced across India, resulted in temporary suspension of operations and temporary closure of offices and plants/manufacturing facilities of the Company in line with the government/local authorities' directions. During the lockdown, your Company continued to provide support to customers who were providing essential services. Your Company as a part of its safety policies ensured that its employees are working from home and necessary facilities as feasible were provided. As the restrictions eased during the year, your Company resumed its operations following safety guidelines at all its plant locations. The corporate office(s) continued to remain closed. The Company continues to closely monitor the second wave of COVID 19 for any future impact on the operations of the Company. The Company is also monitoring the situation in the communities where it operates and focusing its CSR activities on COVID-19 pandemic related support and relief.

Your Company during the Financial Year has made disclosures on impact of COVID-19 on the operations of the Company, pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Advisory dated May 20, 2020. The disclosures are available on the website of the Company at the link <https://www.cummins.com/en/in/investors/india-investors-notice>.

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

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

#### 5. DIVIDEND:

Your Directors have recommended a final dividend of ₹ 8 /- per equity share of ₹ 2/- each fully paid-up share in their meeting held on May 26, 2021 in addition to the interim dividend of ₹ 7/- per equity share of ₹ 2/- each fully paid-up share declared on January 28, 2021, aggregating to ₹ 15/- (i.e. 750 %) per equity share of ₹ 2/- each fully paid-up share for the year ended March 31, 2021 (previous year ₹ 14/- per equity share i.e. 700%). 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.

#### 6. SHARE CAPITAL:

The paid-up share capital of the Company is ₹ 554,400,000/- divided into 277,200,000 equity shares of ₹ 2/- each as on March 31, 2021. 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 2020-21.

#### 7. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

Your Board is pleased to provide details of the following subsidiary, joint ventures and associates as on March 31, 2021 : -

##### 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 ₹ 8,672 Lacs from its operations for the year ended March 31, 2021, as compared to ₹ 10,549 Lacs during the previous year (17.79% lower).

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

CRTI is a 50:50 joint venture between Cummins Inc., USA and your Company, which was formed in 2003 with an intent to provide Information Technology enabled Mechanical Engineering development services primarily to Cummins Inc., USA, its subsidiaries and joint ventures in all parts of the world. Since, April 01, 2016, CRTI closed its operations and your Board of Directors decided that the activity carried out by CRTI for your Company, shall be undertaken in-house by absorbing the appropriate number of employees from CRTI in your Company. The revenue from operations for the year ended March 31, 2021, and for the previous year was Nil.

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

VCPL, a 50:50 joint venture between Valvoline International Inc., USA, a global leader in lubricants and engine oils, and your Company, VCPL generated a revenue of ₹ 134,104 Lacs from its operations for the year ended March 31, 2021, as compared to ₹ 129,544 Lacs during the previous year (3.52% higher).

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

Your Company owns 48.54% shareholding in the Associate Company namely CGT which is in the business of design, manufacturing, marketing, sales and service of alternators and related spare parts. CGT generated revenue of ₹ 75,339 Lacs from its operations for the year ended March 31, 2021, as compared to ₹ 79,089 Lacs during the previous year (4.74% lower).

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 the request by any Member of the Company. These financial statements will also be kept open for inspection by any Member at the Registered Office of the Company and of CSSPL. Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate financial statements in respect of CSSPL, are available on the website of the Company.

## **8. 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.

## **9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

No loan or guarantee was given, or investment was made by your Company during the Financial Year 2020-21 pursuant to Section 186 of the Companies Act, 2013.

## **10. DEPOSITS:**

Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013 during the Financial Year 2020-21.

## **11. 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.

## **12. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:**

During Financial Year 2020-21, 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 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.

## **13. CONSERVATION OF ENERGY:**

During the Financial Year 2020-21 your Company has strived to imbibe energy conservation principles and initiatives across all its facilities.

The Company at its SEZ and Pirangut locations has installed and started the operation of 400 KWp and 150 KWp solar PV plant in April 20 and July 20 which has resulted in generation of 2.36 lacs and 1.33 lacs of unit electricity. HHP Rebuild Centre has generated 7.67 lac units of electricity from their 625 KWp Solar Photovoltaic (PV) Plant installed in 2017. The Solar PV Plant installed last year at Kothrud has generated around 12.6 lacs units of electricity.

The other key initiatives across multiple areas are highlighted below –

**Heating Ventilation and Air Conditioning (HVAC)** – Your Company has undertaken initiatives such as Installation of Variable Frequency Drive (VFD) with solenoid valves for Compressor cooling water system, new efficient equipment for effective utilization of compressed air and induction heater for piston heaters.

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

**Awareness Generation** – This included improving awareness amongst employees to switch off major energy consuming equipment or units when idle as well as employing an energy review tool and energy balance tool to identify projects. The sites also conduct the unplugged challenge to switch off the equipment on holidays or non-production days

These key initiatives resulted in annual energy savings of approximately 5.78 Lacs units of electricity.

#### 14. 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;
5. To enhance the position of Cummins in the Low kVA segment, your Company has introduced a new 40 kVA genset with X2.7 litre engine; and
6. Your Company continues to strengthen its channel presence through its GOEM partners who have added 12 number of additional sales dealers across various geographies.

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

1. Enhanced product and service capabilities through use of electronic tools and simulation software to deliver improved engine performance;
2. Enhanced capability to tailor engine designs to improve value proposition for customers through delivering superior power output, fuel economy, transient response and reduced emissions;
3. Enhanced product and service capabilities through use of electronic tools and simulation software to control the engine performance and combustion process;

4. Enhanced capability to tailor engine designs to improve the value proposition for customers through delivering superior power output, fuel economy, transient response and reduced emissions;
5. Product and component availability to meet the new emission norms ahead of implementation;
6. Safer, recyclable, reliable, durable and performance-efficient products and critical components;
7. Component indigenization capability was improved through enhanced test capability, rig test and flow bench development and availability; and
8. Significant enhancements in measurement capability were made to pursue business opportunities in non-diesel 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:-

	<b>2020-21</b> <b>(₹ Lacs)</b>	2019-20 (₹ Lacs)
Capital	<b>1,677</b>	14,534
Recurring	<b>5,749</b>	4,470
Total	<b>7,426</b>	19,004
Total R&D expenditure as a percentage of total sales turnover	<b>1.72%</b>	3.68%

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

Your Company continues to be Net Foreign Exchange Earner. During the year under review, your Company exported 6,176 engines and 4,027 generator sets. Foreign exchange earned in terms of actual inflows during the year 2020-21 and foreign exchange outgo in terms of actual outflows during the year 2020-21 were as follows:-

Particulars	<b>FY 2020-21</b> <b>(₹ Lacs)</b>	FY 2019-20 (₹ Lacs)
Foreign exchange earnings*	<b>134,025</b>	155,025
Foreign exchange outgo*	<b>106,376</b>	103,391

\* Equivalent value of various currencies

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

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

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

The Company has 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 '6'** which forms part of this Report.

**17. EXTRACT OF THE ANNUAL RETURN:**

As per the requirement under Section 92(3) of the Companies Act, 2013, the draft Annual Return for FY 2020-21 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 12, 2021, the Company shall upload a copy of Annual Return for Financial Year 2020-21 as soon it has filed the said Annual Return with Registrar of Companies."

**18. RISK MANAGEMENT:**

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks and also to identify business opportunities. As a process, the risks associated with the business are identified and prioritized based on severity, likelihood and effectiveness of current detection. Such risks are reviewed by the Senior Management on a quarterly basis. Process owners are identified for each risk and metrics are developed for monitoring and reviewing the risk mitigation through Six Sigma Projects.

Risk Management Committee of the Board of Directors of your Company assists the Board in (a) overseeing and approving the Company's enterprise wide risk management framework including the risk management processes and practices of the Company; and (b) overseeing that all the existing risks and potential risks that the organization faces including cyber security risks have been identified and assessed, and (c) overseeing that there are adequate of Company's resources to perform risk management responsibilities and achieve its objectives. Further details on Risk Management Committee is included in the Corporate Governance Report.

The development and implementation of risk management policy has been covered in the Management Discussion and Analysis, which forms part of Annual Report.

**19. 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.

**20. 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 stabilized well governed ethics investigations process. Regular workshops and awareness programmes against sexual harassment are conducted across the organization. During the year under review, two complaints pertaining to sexual harassment of woman employee were reported to the Committee and the same were investigated in accordance with the procedures prescribed and resolved accordingly. No complaints were pending as on March 31, 2021.

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

## **21. COMPLIANCE WITH THE CODE OF CONDUCT:**

All Directors on the Board and Senior Management have affirmed compliance to the Code of Conduct for the Financial Year 2020-21. 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 2020-21 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.

## **22. DIRECTORS' RESPONSIBILITY STATEMENT:**

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2020-21.

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, 2021, 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, 2021 and of the profit for the period April 01, 2020 to March 31, 2021;
- (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.

## 23. DIRECTORS:

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

#### Appointments and Re-appointments

Ms. Rama Bijapurkar (DIN: 00001835), was appointed as Director (Non-Executive and Independent) of the Company for her first term of five consecutive years at the 59<sup>th</sup> Annual General Meeting, effective June 17, 2020.

Mr. Ashwath Ram (DIN: 00149501) was appointed as a Director designated as Managing Director of the Company in the 59<sup>th</sup> Annual General Meeting of the Company held on August 25, 2020, effective August 17, 2019 for term of three years.

Ms. Lorraine Alyn Meyer (DIN: 08567527) was appointed as a Director (Non-Executive and Non-Independent) of the Company in the 59<sup>th</sup> Annual General Meeting of the Company held on August 25, 2020, effective October 01, 2019.

Mr. Steven Chapman (DIN: 00496000) was appointed as Additional Director and Chairman of the Board of Directors effective October 01, 2020. On recommendation of the Nomination and Remuneration Committee, the Board of Directors have proposed appointment of Mr. Steven Chapman as a Director (Non-Executive and Non-Independent) and Chairman of the Board, liable to retire by rotation. A resolution seeking shareholder's approval for his appointment forms part of the Notice.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Donald Jackson (DIN: 08261104), Director (Non-Executive and Non-Independent) of the Company, retires by rotation and is eligible for re-appointment. The proposal seeking shareholder's approval for his re-appointment forms part of the Notice.

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

Mr. Antonio Leitao (DIN: 05336740) resigned as Director (Non-Executive and Non-Independent) of the Company effective September 01, 2020 on account of personal reasons. Further, there were no other material reasons for the resignation.

Mr. Venu Srinivasan (DIN: 00051523) resigned as Director (Non-Executive and Independent Director) of the Company effective September 01, 2020 on account of personal reasons. He had confirmed that there were no other material reasons for his resignation.

Mr. Mark Levett (DIN: 00368287) resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 on account of time constraints arising out of pre-occupancy and personal reasons. Further, there were no other material reasons for the resignation.

The Board places on record its appreciation for their invaluable contribution and guidance during their 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 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 '7'** 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, the Independent Directors have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Companies

Act, 2013 along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and adherence to Schedule IV of the Companies Act, 2013. 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 Certificate(s) were taken on record by the Board after requisite assessment.

#### 24. NUMBER OF MEETINGS OF THE BOARD:

Seven 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.

#### 25. KEY MANAGERIAL PERSONNEL:

Mr. Ashwath Ram (DIN: 00149501) was appointed as a Director designated as Managing Director and Key Managerial Personnel of the Company in the 59<sup>th</sup> Annual General Meeting of the Company held on August 25, 2020, effective August 17, 2019 for term of three years.

Mr. Ajay S. Patil was appointed as the Chief Financial Officer and Key Managerial Personnel of the Company effective April 01, 2020.

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

#### 26. 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 '9'** 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.

#### 27. INDUSTRIAL RELATIONS:

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

#### 28. AUDITORS:

##### STATUTORY AUDITORS:

At the 55<sup>th</sup> Annual General Meeting held on August 04, 2016, M/s. S R B C & Co. LLP (Firm Registration No. 324982E), were appointed as Statutory Auditors of the Company to hold office till the conclusion of 60<sup>th</sup> Annual General Meeting. In terms of the Section 139(1) of the Companies Act, 2013, the appointment of statutory auditors does not require ratification by the shareholders in Annual General Meeting. Accordingly, the Board noted the continued appointment of M/s. S. R. B. C. & Co. LLP as the Statutory Auditors of the Company for the Financial Year 2020-21. The Company Auditors M/s. S R B C & Co. LLP have completed 5 years as Statutory Auditors of the Company.

There are no qualifications, reservations, adverse remarks or disclaimers made by the auditors in the Audit Report for the Financial Year 2020-21.

In view of the provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and on the recommendation of the Audit Committee, it is proposed to appoint M/s. Price Waterhouse & Co

Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 304026E/E-300009) (“PWC”) from the conclusion of this Annual General Meeting till the conclusion of 60<sup>th</sup> Annual General Meeting. PWC have informed the Company vide letter dated May 13, 2021, that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PWC have confirmed that they have subjected themselves to the peer review process of Institute of Chartered Accountants of India (ICAI) and hold valid certificate issued by the Peer Review Board of the ICAI.

#### **SECRETARIAL AUDITOR:**

M/s Pramod Shah & Associates, (FCS 334), was appointed to conduct the secretarial audit of the Company for the Financial Year 2020-21, as required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report in Form MR-3 and Secretarial Audit Report pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Financial Year 2019-20 is appended as **Annexure ‘10’** 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 Committee has re-appointed M/s Pramod Shah & Associates to conduct the secretarial audit of the Company for the Financial Year 2021-22.

Further, during the FY 2020-21 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. Your Directors, on the recommendation of the Audit Committee, had appointed M/s. Ajay Joshi & Associates (Firm Registration No. 101542), Pune, to audit the cost accounts of the Company for the Financial Year 2020-21 at a remuneration of ₹ 950,000 plus taxes as applicable and re-imbursalment of out of pocket expenses. The remuneration was ratified by shareholders in the 59<sup>th</sup> Annual General Meeting held on August 25, 2020.

Pursuant to recommendation of the Audit Committee, the Board in its meeting held on May 26, 2021 has appointed M/s C S Adawadkar & Co. (Firm Registration No. 100401), Pune to audit the cost accounts of the Company for the Financial Year 2021-22 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 and the Rules framed thereunder, have furnished a certificate of their eligibility and consent for appointment.

## **29. 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.

In the ongoing crisis of COVID-19, your Company undertook a series of immediate and emergency interventions to address urgent and evolving needs of the communities and various stakeholders. The relief and support initiatives included but were not limited to partnerships with State, Central, Local Government Bodies, donation of life saving equipments, support to frontline COVID warriors and working with Organizations to provide immediate relief etc.

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.

### 30. BUSINESS RESPONSIBILITY REPORT:

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

### 31. SECRETARIAL STANDARDS:

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

### 32. DIVIDEND DISTRIBUTION POLICY:

The Board of Directors of the Company have formulated a Dividend Distribution Policy which is appended as **Annexure '8'** and forms part of this Report. The policy is also available on our website <https://www.cummins.com/en/in/investors/india-corporate-governance>

### 33. 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 01, 2013	Final Equity Dividend	8,740,008	3,290
February 04, 2014	Interim Equity Dividend	5,567,870	2,905

### 34. GENERAL:

Further, your 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. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries;
- d. No frauds were reported by Auditors under Section 143(12) of the Companies Act, 2013;
- e. 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
- f. No material changes and commitments occurred during April 01, 2021 till the date of this Report which would affect the financial position of your Company.

## ACKNOWLEDGEMENT:

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

On behalf of the Board of Directors,

Place : Pune  
Date : May 26, 2021

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.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period :	Financial Year 2020-21
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries :	Indian Rupees (₹)
4.	Share capital :	₹ 1,200.00 Lacs
5.	Reserves & surplus :	₹ 684.32 Lacs
6.	Total assets :	₹ 3,803.49 Lacs
7.	Total Liabilities :	₹ 1,918.87 Lacs
8.	Investments :	Nil
9.	Turnover :	₹ 8,672.32 Lacs
10.	Profit before taxation :	₹ 99.83 Lacs
11.	Provision for taxation :	₹ (2.16) Lacs
12.	Profit after taxation :	₹ 101.99 Lacs
13.	Proposed Dividend :	Not Applicable
14.	% of shareholding :	100

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

## Annexures to the Directors' Report

### Part "B": Associates and Joint Ventures :-

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

Name of Associates / Joint Ventures	Cummins Research and Technology India Private Limited	Valvoline Cummins Private Limited	Cummins Generator Technologies India Private Limited
<b>1. Date of the latest audited Balance Sheet</b>	March 31, 2021	March 31, 2021	March 31, 2021
<b>2. Shares of Associates / Joint Ventures held by the Company on the year end</b>			
No. of Shares	114,600 equity shares of ₹ 10/- each	9,500,000 equity shares of ₹ 10/- each	779,997 equity shares of ₹ 10/- each
Amount of Investment in Associates / Joint Ventures	₹ 11 Lacs Please refer note no. 3)	₹ 804 Lacs (Please refer note no. 1)	₹ 1,720 Lacs (Please refer note no. 2)
Extent of holding %	50%	50%	48.54%
<b>3. Description of how there is significant influence</b>	Joint Venture	Joint Venture	Associate Company with control of more than 20% of total share capital
<b>4. Reason why the associates / joint ventures is not consolidated</b>	NA	NA	NA
<b>5. Net worth attributable to Shareholding as per latest audited Balance Sheet</b>	₹ 279 Lacs	₹ 11,829 Lacs	₹ 14,612 Lacs
<b>6. Profit/Loss for the year</b>			
i. Considered in Consolidation	₹ 8.00 Lacs	₹ 8,027.50 Lacs	₹ 3,277.00 Lacs
ii. Not Considered in Consolidation	₹ 8.00 Lacs	₹ 8,027.50 Lacs	₹ 3,475.00 Lacs

**Notes: -**

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

**For and on behalf of the Board**

Steven Chapman  
Chairman  
DIN: 00496000

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180

Vinaya A. Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay S. Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place : Pune

Date : May 26, 2021

## 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, 2021, which were not at arm's length basis.

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

(₹ in Lacs)

Nature and Particulars of transactions	Name of the Related Party/s	Nature of Relationship	Salient Terms	Amount of the transaction
Purchase of internal combustion engines, their parts and accessories for the Financial Year 2020-21	Tata Cummins Private Limited (TCPL)	<ul style="list-style-type: none"> <li>- 50-50% joint venture company between Cummins Inc., USA and Tata Motors Limited. Cummins Inc., USA is the parent company of Cummins India Limited.</li> <li>- Mr. Ashwath Ram, Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also Managing Director of TCPL.</li> <li>- Mr. Ajay S. Patil, Chief Financial Officer (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also a Director of TCPL. w.e.f. January 07, 2021.</li> </ul>	Purchase of B, C & L series engines, their parts and accessories in the ordinary course of business based on the Purchase Orders raised from time to time.	72,180

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

Company transacts with various companies owned or managed under Cummins Group for sale and/ or purchase of different series of internal combustion engines along with parts and accessories. Out of such companies, the transactions with TCPL are Material RPT. It may be noted that during the FY 2020-21 the total annual consolidated turnover of the Company was ₹ 428,749 Lacs and that the Company had transactions with TCPL of ₹ 72,180 Lacs (i.e. of 16.84%). A similar trend of transactions with TCPL is expected in the current year. Therefore, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee and the Board of Directors have approved these transactions on January 28, 2021 and shall present the same for approval by the shareholders at the ensuing Annual General Meeting.

On behalf of the Board of Directors,

Place : Pune  
Date : May 26, 2021

Steven Chapman  
Chairman  
DIN: 00496000

Ashwath Ram  
Managing Director  
DIN: 00149501

## Annexures to the Directors' Report

### Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### 1. Industry Structure and Developments

##### Economic Trends and Implications

- The year 2020 was an unprecedented year and has tested the world in ways few anticipated. The coronavirus pandemic (COVID-19) has had a considerable impact on society, business and the world economy.
- In early 2020, the COVID-19 struck India, presenting enormous challenges to health systems and spurring widespread shutdowns, business closures, and job losses. The dent on the Indian economy was evident with the GDP contracted by 7.3% in FY 2020-21.<sup>1</sup>
- To revive India's shrinking economy, Government of India announced a slew of economic measures – 'Atmanirbhar Bharat' package, Production Linked Incentive (PLI) scheme, relaxation of FDI norms in select sectors and Vehicle Scrappage Policy. These measures are expected to boost economic growth in India in the future.
- The Indian economy witnessed pick-up in demand and expansion in business activities in last two quarters of the fiscal year. However, the renewed jump in infections due to second wave of COVID-19 had resulted in localised lockdowns in certain parts of the country that could dampen the rate of economic recovery in India. The Reserve Bank of India (RBI) has cut its projection for GDP growth for FY 2021-22 to 9.5% from the earlier forecast of 10.5%.<sup>2</sup>
- As India cautiously recover from the second wave of COVID-19, rapid vaccination and quick ramp up of healthcare infrastructure will be critical not only to preserve the lives and livelihoods but also to prevent a resurgence in new waves of infections. Thus, policy support from all sides – fiscal, monetary and sectoral – will be essential to expedite the recovery.

##### Sources:

1. Ministry of Statistics and Programme Implementation (MOSPI)
2. Reserve Bank of India

#### 2. Opportunities and Threats

##### Key Opportunities

##### Power Generation

- While the first two quarters of FY 2020-21 were severely impacted by the pandemic induced lockdowns, the economy started gaining traction from Q3 2020-21 with the return of the demand for power back-up solutions in key segments such as Data Centers, Healthcare, Infrastructure, Rental and Retail.
- Your Company expects the Power Generation business to grow owing to increased spending on Infrastructure and Healthcare. Data Centers and Telecom Segments are also expected to provide high potential opportunities for Power Generation business. Increasing demand for Work From Home (WFH) is also fuelling the need for more reliable power.
- With the emission norms getting more stringent due to the implementation of upcoming CPCB IV+ norms, your Company considers itself well-positioned to introduce best-in-class products to its 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 dedicated freight corridors becoming operational, coupled with expanding rail networks, there is a major thrust on track safety, thereby stimulating growth in the track maintenance sector.

With an objective of moving towards a green economy, Indian Railways is also evaluating hydrogen fuel cell solutions for Diesel Electric Multiple Unit (DEMU) and other short-distance mainline applications, pioneering adoption of new technologies in rail applications. Cummins is actively exploring ways to partner with Indian Railways on this initiative.

- **Mining:** In order to accomplish its ambitious target of 1-billion-ton annual coal production by 2024, Coal India Ltd is planning to invest 87,000 Cr by FY 2023-24 in projects related to coal evacuation and mining infrastructure. Additionally, commercial coal blocks are offered to private players to enhance productivity. Your Company anticipates this will positively impact the Heavy Earth Moving Machinery (HEMM) industry.
- **Marine:** In line with the Indian Navy's fleet expansion plan backed by 'Atmanirbhar Bharat' initiative, there is a robust tender pipeline from PSU shipyards until 2025. Increased opportunities for India-built tugs, barges and passenger vessels are leading to a surge in commercial marine segment.

Under the Blue Revolution Scheme, investments worth 20,000 Cr are planned to increase fish production, including subsidies for fishing boat building industry. Spearheaded by Tamil Nadu fisheries, these initiatives are likely to extend to other states such as Karnataka, thereby boosting the demand for fishing boat engines.

- **Oil & Gas:** With a target of increasing the share of natural gas in India's energy basket from 6% to 15% by 2030, Government plans to invest 4 lakh Cr over next 5 years to develop gas supply and distribution infrastructure. In line with this, your Company expects strong demand for gas compression engines.
- **Defence:** Increasing capital expenditure for equipment upgradation and ban on import of 101 defence equipment are expected to provide impetus to Make-In-India defence equipment such as infantry vehicles and artillery. Your Company is strongly positioned for the upcoming growth opportunities.
- **Pumps:** Your Company anticipates opportunity for export of FM / UL certified pump packages to global OEMs.
- **Construction:** Under "National Infrastructure Pipeline", government has made an investment plan of ₹ 102 lac crore spreading over the next five years, whereby more than 60% of infrastructure projects are from construction intensive sectors like Roads, Railways, Irrigation, Urban infrastructure and Ports. The same can already be seen in action as the road project awards has increased by 23% in FY 2020-21 and announcement of 23 Expressways with target completion dates between March 2023 and March 2025. These would contribute to the growth of Construction and Earth moving equipment on sustained basis.

Your Company is a leading engine supplier in the Construction equipment segment. To cater to the new emission norms for wheeled equipment – Construction Equipment vehicle (CEV) BS IV from April 2021, and for tracked equipment - Construction, Earthmoving, Material Handling and Mining Equipment (CEMM) BS IV under discussion, your Company will launch the new 4-cylinder and 6-cylinder engines. With the two new engines, your Company will strengthen its leadership position by leveraging global experience, technology leadership and strong partnerships with all major equipment manufacturers.

*\*Sources: Ministry of Railways, IROAF - Indian railways Organization for Alternate fuels, Ministry of Coal, Ministry of Fisheries, Animal Husbandry & Dairying, 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 Powergen business on the back of strong demand for maintenance of Data Centers as remote working has become the new normal.

- Your Company expects to maintain its position in the aftermarket for infrastructure sector as utilization of equipment is expected to increase on the back of increased government spending, foreign investments, and product change with the implementation of CEV BSIV emission norms.
- Outlook for Mining sector remains positive driven by the increase in asset base due to sale of high tonnage dump trucks to Coal India. Focus is on increasing penetration in private mining, which is expected to grow with the auction of 38 coal blocks for commercial mining\* and the growth of Mine Developer and Operator (MDO) model.
- Execution of Dedicated Freight Corridors (DFC) project by Railways and strengthening of track network across the country would lead to higher usage of overhead cranes and track maintenance equipment.
- Domestic gas pipeline extension under City Gas Distribution (CGD) plan to various cities and green initiatives by the Government of India would lead to increased demand for Gas Compressor Engines and Parts.
- Focus on substitution of diesel with natural gas would result in growth in dual fuel gas kits for On-highway and Powergen segments.
- With changes in On-highway vehicle emission norms (BSVI), focus on auto Distributor OEMs (DOEMs) is expected to yield positive results.

*\*Source: Ministry of Coal*

## Exports

- The roll out of faster and reliable 5G mobile network as well as expansion of Internet of Things (IoT) infrastructure offers growth prospects for Power Generation products. Especially in Asia Pacific and Africa regions, your Company has opportunities for growth in Telecom segment.
- Your Company is also tapping into opportunities available in Industrial segments such as Rail, Marine amongst others in Asia Pacific, building upon our existing presence in the region.
- While Powergen segment was impacted by COVID-19, segments such as Healthcare, Telecom and Rental offered growth opportunities.

## Key Threats

### Power Generation

- With the domestic players expanding their product ranges and international players gaining foothold in the region, competition is rising in the Powergen segment.
- Global rise in commodity prices coupled with intense competition in the market has led to increased pressure on product prices.

### Industrial

- **Railways:** Due to the negative impact of COVID-19 on public travel, Indian Railways passenger service operations were severely impacted resulting in cash flow issues and reprioritization of freight investments over passenger investments. This has negatively impacted production of power cars and Diesel Electric Multiple Unit (DEMU).
- **Mining:** Considering the high growth foreseen in the coal mining activity, competitor activity in the mining equipment segment is expected to intensify.
- **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. Delay in clarity in norms' implementation timeline could defer the launch of these products.

### Distribution

- Growing environment concerns leading to bans on the use of DG sets in other cities, in line with the DG ban in Delhi-NCR region, and better availability and quality of grid power could result in lower utilization of DG sets.
- Reduced usage of Diesel engines/Powercars by Railways due to replacement of Diesel Electric Multiple Units (DEMUs) with Main Electric Multiple Units (MEMUs) and Electric Multiple Units (EMUs) and adoption of head-on-generation as a step towards electrification of broad-gauge network completion by 2023.

### Exports

- Your Company anticipates volatility in demand due to COVID-19 induced uncertainty, rising geopolitical tension and supply and logistical challenges.
- The Company is experiencing strong competitive activity in the Powergen segment. Global OEMs as well as Genset assemblers are driving increased competition.
- Higher input costs including increased commodity prices are driving the cost of our products higher.

## 3. Product-wise Performance

### Power Generation

- Your Company continues to improve and enhance current product offering across all nodes to bring best-in-class products to our customers.
- Further strengthening ties with India's defence sector, your Company launched a compact 50 kVA genset for a special purpose defence application. This genset has an optimized footprint and compact size.
- In the low horsepower segment, PSO600 controller was introduced by your Company in the 82.5-125 kVA range of gensets. This controller enables intelligent fault detection and genset health monitoring, providing better shielding of genset against anomalous voltage or current surge and irregular loads amongst others.
- Your Company introduced synchronization ready PSO600 controller on 250 kVA genset powered by 8.9 litre mechanical engine to enhance the overall product.

### Industrial

- **Mining:** The segment recorded strong growth of 28% in FY 2020-21 on the back of increased demand for dump trucks to accomplish 1-billion-ton annual coal production target of Coal India.
- **Oil and Gas:** The segment grew by record 48% in FY 2020-21 due to higher impetus on City gas distribution infrastructure.
- **Construction:** The sales in H1 2020-21 got significantly impacted due to COVID-19 induced lockdown. However strong rebound in H2 2020-21 helped to recover the full year FY 2020-21 closer to the previous year.

### Distribution

- Witnessed growth in whole goods portfolio due to strong focus on re-powering competition engines by providing cost-effective solutions in segments like Defence, Railways and Powergen.
- Your Company launched fit-for-market 12K and 24K overhaul kits to meet the demand of gas compression customers.
- To increase penetration in high growth On-highway segment, your Company expanded its portfolio of Allied Products likes clutches, filters, BS-IV long blocks, Coolants and Diesel Exhaust Fluid (DEF).

## Exports

- High Horsepower Powergen engines such as K50, V28 and Q50 witnessed decline in demand from intercompany plants due to COVID-19 impact, in addition to factors outlined in the 'Threats' section of this Report. These factors have resulted in decline in revenue.

## 4. New Business initiatives for Financial Year 2020-21

### 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.
- Rigorous programs were undertaken by your Company to develop products for upcoming CPCBIV+ emission norms in power generation.

### Industrial

- After successful field validation of proto units, your Company has initiated regular supplies of high horse power Q50 and Q60 engines for BEML's high tonnage 150T and 205T dump trucks respectively.
- Your Company continues to innovate, develop fit-for-market products and make further inroads in the stone crusher segment. Your Company entered new applications in mining segment through 100T excavator and underground dump trucks.
- The Company has successfully completed FM/UL certification testing of 5.9 litre and 6.7 litre engine platforms for global pumps segment in FY 2020-21.
- Your Company has launched BSIV certified electronic engine platforms to address the upcoming CEV BSIV emission norms for the Off-highway Wheeled segment in India. The Company is working with key Off-Highway OEMs in India to offer the new 4-cylinder and 6-cylinder engines.

### Distribution

- Your Company is focussed on retaining Powergen customers post warranty by launching 'Cummins Ashwasan', a comprehensive package providing service coverage for 5 years.
- The Company launched 'ReCon First' initiative to drive domestic consumption of re-conditioned parts for in-warranty replacements and 'ReCoin' scheme for channel partners to incentivize the commercial sale of ReCon products.
- As a step towards expanding our services portfolio, your Company made a breakthrough in content growth through full equipment maintenance of Tower Wagon for Railways.
- The Company upgraded the existing Cummins Dealer Operating System (CDOS) to make it more versatile, fast, and cloud-ready for future requirements.

## Exports

- Your Company has undertaken several product improvement initiatives to strengthen its position in the marketplace. This includes enhancements to existing products, cost optimization and launch of Fit-For-Market (FFM) products like B3.3 and QSB7 gensets for unregulated regions.
- Your Company has launched KTA19-G4 18.9 litre displacement 6-cylinder Diesel Engine for specific power generation regions with ratings of 550kVA/500kWe.
- In addition, your Company is leveraging channel synergy and assisting customers in Asia Pacific region in 5G telecom network upgrade.

## 5. Achievements

### Power Generation

- Your Company achieved volumes of nearly 15,000 generator sets in FY 2020-21, providing nearly 2,100 MW power to customers across India.
- In the high horsepower segment, your Company won an order for sale and execution of six 78 litre gensets for a prestigious customer in Data Center segment in Hyderabad.

### Industrial

- Your Company has won the Safety Award for FY 2020-21 from Integral Coach Factory (ICF) for the second consecutive year for outstanding contribution in on-site safety initiatives and sustainable adherence.
- The Company also supported Indian Railways' electrification drive of broad-gauge network by ensuring continued supplies of Diesel Electric Tower Cars (DETC) despite supply constraints during COVID-19.
- Your Company maintains strong partnership with Indian Railways to supply India-built rail products to other geographies such as Mozambique, Nepal and Sri Lanka.
- The Company continues its long-standing relationship and commitment with the Indian Navy by timely delivery of fully integrated 1 MW gensets for the Navy's stealth missile destroyer vessel and survey vessels, completely compliant with stringent naval standards. Your Company has also received its largest ever order from Indian Navy for supply of 400 kWe gensets for anti-submarine warfare vessels.
- Your Company certified two new engine platforms, 4-cylinder and 6-Cylinder, for the upcoming CEV BS IV norms for wheeled construction equipment for a timely launch. Your Company has already partnered with multiple OEMs to launch these Best in Class fuel efficient engines.

### Distribution

- Your Company continued to provide support to its customers during the challenging times of COVID-19. Over 98% of the 4.5 lacs service calls registered during the lockdown period were resolved and the Team received appreciation letters from 350+ customers.
- Despite the pandemic, the Company focused on increasing its reach to On-highway customers by expanding channel footprint, which stands at 58 parts-only dealers having 92 primary and 5400+ secondary touchpoints (Retailers).
- Your Company made Cummins Dealer Operating System (CDOS) platform compliant with the E-Invoicing regulation of Government of India.

### Exports

- Your Company won a major deal in the Asia pacific region for the 5G telecom network upgrade.
- The Low kVA Fit-for-Market products for unregulated regions were well received and orders of 90 units were received from Africa, Asia Pacific and Latin America regions in the first 2 months of the launch.

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

### Power Generation

- Focus on enhancing current products particularly in medium and high horsepower range and developing value added offerings for the customers.

- Alternate energy sources fuelled power back-up solutions are expected to enter the power generation landscape in the coming years. Your Company sees these technologies as opportunities to serve customers as they become more viable.
- With greater focus on more stringent environmental norms in the future, your Company is positioned favourably as a pioneer in producing engines with cleaner technology.

### **Industrial**

- As Indian Railways continues its drive towards 100% electrification of broad-gauge network, your Company is looking to leverage the growth in electric propulsion segment by pursuing opportunities in auxiliary power for locomotives, EMUs (Electric Multiple Units), MEMUs (Mainline Electric Multiple Units) and train sets.
- Your Company aims to forward integrate with content growth to deliver complete propulsion package for Diesel Electric Tower Cars (DETCs) for Indian Railways.
- The Company continues to invest in new technologies in mining segment for higher capacity equipment and upcoming emission regulations CEMM IV (Construction, Earthmoving, Material handling and Mining machinery).
- Your Company aims to strengthen its relationship with the Indian Navy and Coast Guard as well as major shipyards to offer integrated genset packages for upcoming naval projects. Your Company also intends to expand its presence in the fishing boats market with fit-for-market products.
- Continuing the foray into FM/UL certified pumps segment, your Company is planning to expand product portfolio with high-speed engines for export opportunities.
- Construction equipment segment is undergoing emission norm changes. Your Company is committed to strengthen its position as technology leader and partner with major equipment manufacturers for their new product launches catering to the upcoming CEV BSIV and expected CEMM emission norms changes. Business development is being pursued actively with current and new OEMs to power existing and new applications with Cummins engines.

### **Distribution**

- Your Company built a strong order board with parts order board at 2X times pre-covid levels and going forward the focus will be on ramping up order execution.
- 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.

### **Exports**

- Your Company is focused on increasing the exports of its products and is positioned strongly in the marketplace.
- Focusing on customer needs, your Company took significant steps to improve the development of Fit for Market products for Latin America, Asia pacific, Africa and Middle East regions.
- Your Company is working on additional Fit for Market products in the Low Horsepower segment that will be introduced later this year.
- Your Company continues to improve the support provided to its customers and distributors located around the world 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 exports business performance due to the ongoing economic uncertainty and aftereffects of the pandemic in partner countries. Because of our international business presence, we are exposed to foreign currency exchange rate risks.

- Towards the end of Q4 2020-21, India was hit by the second wave of COVID-19 with cases rising at an exponential rate. Your Company has been following instructions given by various State and Central Government and implemented all the best practices to ensure business continuity without risking the lives of employees and other stakeholders.
- Throughout FY 2020-21, the Company experienced challenges in its Supply Chain due to lockdowns and business restrictions. A few of the suppliers experienced issues with labour, liquidity, working capital management, and successful re-opening of the businesses. The availability of raw material, Bought-Out-Finished (BOF) parts as well as their movement also got impacted due to the lockdowns.

#### **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's utmost priority continues to be safety and well-being of its employees and other stakeholders. Your Company continues to closely monitor the economic impact of COVID-19 and its impact on revenue growth rates. Your Company is taking appropriate measures to ensure that ensuing economic impact is effectively managed. While economic implications of COVID-19 are evolving, your Company believes that there are no significant risks associated with the assets, including property, plant and equipment, receivables and inventories among others.
- 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 remove Supply Chain bottlenecks created due to COVID-19.

#### **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 the Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit Committee. As an ongoing program, for the reinforcement of the Cummins Code of Conduct is prevalent across the organization. The Code covers transparency in financial reports, ethical conduct, regulatory compliance, conflicts of interests review and reporting of concerns. Anti-fraud programs including whistle blower mechanisms are operative across the Company.

The Board and Risk Management Committee takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management program, the Company's business units and corporate functions address opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. The business risk is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the Senior Management. The Risk Management

Committee reviews business risk areas covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, legal & environmental compliances, data security, product quality and product planning.

## 9. Key Financial Ratios

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

Particulars	FY 2020-21	FY 2019-20	Explanation for significant change
Debtor Turnover	<b>3.86</b>	4.21	NA
Inventory Turnover	<b>4.88</b>	5.62	NA
Interest Coverage Ratio	<b>86.05</b>	56.49	PBIT Increased as compared to Previous Year and Interest exposure has reduced resulting in higher Interest coverage ratio
Current Ratio	<b>2.94</b>	2.16	The ratio has increased due repayment of borrowings by redemption of Investments
Debt Equity Ratio	<b>0.29</b>	0.43	The Ratio has reduced due reduction in Current Liabilities
Operating Profit Margin (%)	<b>19.04%</b>	15.11%	The Increase is due to PBT increase and reduction in Finance Cost as compare to last year
Net profit Margin (%)	<b>14.27%</b>	12.20%	NA

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

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
Return on Net Worth (%)	<b>14.40%</b>	15.15%	<b>14.03%</b>	16.25%

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

## 10. Human Resources Development and Industrial Relations

The total number of employees stands at 3,237 as on March 31, 2021.

### 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 building leadership excellence across the organization, 261 managers underwent the 'Cummins Environment & You' sessions and 20 managers underwent the 'Leadership Conversations – Building Success in Others' program. 35 employees from the pilot batch of the three and a half years BITS (Pilani) B.Tech. in Manufacturing Technology completed their degree program.

In FY 2020-21, virtual contact classes were conducted for the 119 employees pursuing the Company sponsored M.Tech. in Automotive Engineering and B.Tech. in Manufacturing Technology offered by BITS Pilani, and Executive MBA program offered by SPJIMR. 3 employees were enrolled in the CII – Visionary Leaders for Manufacturing (VLFM) Program.

Your Company continued investing in programs focused on functional leadership development such as FALCON (Finance), QLDP (Quality) and Daksh (PSBU).

### **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 156 professional employees have moved into different roles or functions within the organisation. There were 16% 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, it becomes increasingly important to get visibility to talent insights. By standardizing, integrating and automating talent management processes, your Company has provided Leaders with an efficient technology-based process called Integrated Talent Management (ITM). ITM touches the key stakeholders - employees, managers and businesses and enables all to work together to achieve their goals and helps employees reach their full potential with a two-way communication and feedback.

In your Company, we are working on 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 88 entry level professionals supplemented with 26 experienced hires.

Around 56 women were hired (which is 49% of total professional hires in FY 2020-21), thus showcasing the commitment towards gender equality. Your Company has increased its focus on diversity beyond gender by hiring workforce from diverse backgrounds.

Your Company has made some good investments in attracting talent from the industry and hired great talents including Functional Leaders for Information Technology and Strategy in the India Leadership team.

The Company initiated 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.

This year your Company has continued its focus on increasing brand presence on social media platforms viz. LinkedIn, Facebook, and Instagram and will continue to focus on increasing our engagement with the digital media. This will help us enhance our 'Employer Brand Image' on digital platforms and to attract potential talent for your Organization.

In a Survey conducted by an external body, your Company was rated as the 'Second Best' Employer of Choice in the Manufacturing Industry. We will continue our efforts in increasing the brand value to maintain your Company as a preferred 'Employer of Choice' and attract diverse talent from all regions and geographies.

### **Diversity and Inclusion**

Diversity and Inclusion is in the DNA of your Company. Your Company had launched four Employee Resource Groups (ERGs) focusing on the primary dimensions of diversity namely: Generation, Culture, Person with Disability (PwD), and

LGBTQ+ in the year 2018. Promoting the Organisation's Diversity and Inclusion agenda, these ERGs work on initiatives that contribute in making the Organisation's environment 'Inclusive' in every sense so that the employees bring in their full potential at workplace. Projects and initiatives undertaken by these ERGs include revisiting internal policies and processes, introducing new policy or guidelines to support a diverse dimension, rolling out effective workshops and awareness events focusing on 'inclusion', conducting infrastructural audits and recommending workplace adjustments amongst others. We continue to focus on increasing our gender (female) talent, which is today at 33%. As the next step, your Company is working to achieve gender parity in our workforce, by moving the needle to 50% representation of female talent. In this journey, the WE Network (Women Empowerment Network) ERG will continue to be a strong partner with the business. As we continue the hiring primarily through our campus and lateral hiring, we would also focus on the pool of talent who have taken a career break but are now all geared up to restart their career.

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

Your Company continues to be sensitive to the fact that today's working couples live in nuclear family setups and depend a lot on the Corporate on-site child-care facility. The Creche facility at all our sites are in demand demonstrating how much trust our employees have on the operations of these centres. For your Company, 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 stimulates the child's development and also gives opportunity to the parent (employee) in participating and playing an active role in the same, thus making them feel engaged in their child's key growing years. These onsite creche facilities contribute greatly in attracting and retaining talent. This year, due to pandemic and government regulations, the day care centres were not operational since 24<sup>th</sup> March 2020.

During these testing times, WE Network organized webinars on Psychological Safety. Despite the pandemic, Ekam, the ERG focussed on Culture, rolled out awareness sessions for North and North-East regions. Wings, the ERG for Person with Disability, rolled out the policy for Equal Employment Opportunity. Nexus, the ERG focussed on Generation, organized a webinar on 'Dealing with Change – Generation Perspective' and the India Pride ERG launched Pride Ally Programme and India Pride Handbook.

### **Megasite Update**

At the Cummins Megasite, Phaltan, living up to the spirit of 'One Cummins', your Company continues to move talent seamlessly within all the plants based on employee 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 20.5% female representation amongst the shop-floor employees and 21.5% female representation amongst the professional employees. During the pandemic, your Company took all the precautions related to social distancing, sanitisation, and use of mask to ensure employee safety. Motivated employees supported local management team to ensure business continuity in the pandemic. Employees' well-being was ensured through various measures from workplace related changes to awareness across Megasite.

### **Right Environment**

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

employees unleash their full potential. In addition to the other policy awareness and trainings, the Company also focusses its efforts in creating awareness, through training, posters, email communications etc. in the area of “Prevention of Sexual Harassment” (POSH) under the Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (“POSH Act”).

#### **Other Update**

During FY 2020-21, your Company had announced a restructuring for the Human Resources function in line with the strategic initiative of Reimagine HR. The objective was to optimize the HR structures across the organization and ensure that our work is conducted by the right teams and in a manner that help us achieve our HR vision.

#### **11. Cautionary Statement**

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

## Annexures to the Directors' Report

### Annexure 4 – CORPORATE GOVERNANCE REPORT

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

Corporate Governance is a set of principles, processes and systems to be followed by the Directors, Management and all employees of the Company for enhancement of shareholder value, keeping in view interests of other stakeholders. Integrity, transparency and compliance with regulations in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency and accountability at all levels in the Organization. Your Company believes that Corporate governance is instilled in our values/ principles and reflects continued commitment to ethical business practices across our operations. It inspires Company to set standards which not only meet applicable legislation but go beyond its scope.

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

#### 2. BOARD OF DIRECTORS:

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

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors. As on the date of this report, the Board comprises of 10 Directors, with 1 Promoter (Executive) Director, 4 Promoter (Non-Executive) Directors, 5 Independent (Non-Executive) Directors that include 1 Woman Independent Director.

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) is the Managing Director of the Company effective August 17, 2019.

During the Financial Year under review, seven Board Meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on April 04, 2020, June 17, 2020, August 12, 2020, September 28, 2020, October 28, 2020, January 28, 2021 and March 26, 2021 for which requisite quorum were present.

All Independent Directors attended the separate meeting of Independent Directors held on January 28, 2021 in compliance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Name of the Director	Date of the Board Meeting							Date of the AGM
	April 04, 2020	June 17, 2020	August 12, 2020	September 28, 2020	October 28, 2020	January 28, 2021	March 26, 2021	August 25, 2020
Chairman (Non- Executive Director)								
Mr. Steven Chapman (DIN: 00496000)	NA	NA	NA	NA	✓	✓	✓	NA

Name of the Director	Date of the Board Meeting							Date of the AGM
	April 04, 2020	June 17, 2020	August 12, 2020	September 28, 2020	October 28, 2020	January 28, 2021	March 26, 2021	August 25, 2020
<b>Chairman (Non-Executive Director)</b>								
Mr. Steven Chapman <sup>9</sup> (DIN: 00496000)	NA	NA	NA	NA	✓	✓	✓	NA
Mr. Mark Levett <sup>8</sup> (DIN: 00368287)	✓	✓	✓	✓	NA	NA	NA	✓
<b>Managing Director (Executive Director)</b>								
Mr. Ashwath Ram <sup>3</sup> (DIN: 00149501)	✓	✓	✓	✓	✓	✓	✓	✓
<b>Non-Executive Directors</b>								
Mr. Donald Jackson (DIN:08261104)	✓	✓	✓	✓	✓	✓	✓	✓
Ms.Lorraine Alyn Meyer <sup>5</sup> (DIN: 08567527)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Norbert Nusterer (DIN: 07640359)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Antonio Leitao <sup>6</sup> (DIN: 05336740)	x	✓	✓	NA	NA	NA	NA	✓
<b>Independent Directors</b>								
Mr. Nasser Munjee (DIN: 00010180)	✓	✓	x	✓	✓	✓	✓	✓
Mr. Prakash Telang (DIN: 00012562)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Rajeev Bakshi (DIN:00044621)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. P.S. Dasgupta (DIN: 0012552)	✓	✓	✓	✓	✓	x	✓	✓
Ms. Rama Bijapurkar <sup>4</sup> (DIN: 00001835)	NA	✓	✓	✓	✓	✓	✓	✓
Mr. Venu Srinivasan <sup>7</sup> (DIN: 00051523)	✓	✓	✓	NA	NA	NA	NA	x
Ms. Anjuly Chib Duggal <sup>2</sup> (DIN: 05264033)	x	NA	NA	NA	NA	NA	NA	NA

**Notes: -**

1. Mr. Nasser Munjee, Director (Non-Executive and Independent), attended the Annual General Meeting in capacity as the Chairperson of Audit Committee of the Board of Directors of the Company. Mr. Prakash Telang, Director (Non-Executive and Independent), attended the Annual General Meeting in capacity as the Chairperson of Nomination and Remuneration Committee, Mr. P.S. Dasgupta Director (Non-Executive and Independent) attended the Annual General Meeting 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 Annual General Meeting in capacity as the Chairperson of Risk Management Committee of the Board of Directors of the Company.
2. Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020 on account of personal reasons. Further, she had confirmed vide resignation letter that there were no other material reasons for her resignation.
3. Mr. Ashwath Ram was appointed as a Director designated as Managing Director of the Company by the shareholders of the Company in the 59<sup>th</sup> Annual General Meeting of the Company held on August 25, 2020 effective from August 17, 2019 for a period of three years.
4. Ms. Rama Bijapurkar was appointed as Director (Non-Executive and Independent) of the Company for her first term of five consecutive years at the 59<sup>th</sup> Annual General Meeting, effective June 17, 2020.

5. Ms. Lorraine Alyn Meyer was appointed as Director (Non-Executive and Non-Independent) of the Company by the shareholders of the Company in the 59<sup>th</sup> Annual General Meeting of the Company held on August 25, 2020 effective from October 01, 2019.
6. Mr. Antonio Leitaó resigned as Director (Non-Executive and Non-Independent) of the Company effective September 01, 2020. There were no other material reasons for the resignation.
7. Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020 on account of personal reasons. Further, he had confirmed that there were no other material reasons for his resignation.
8. Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 on account of time constraints arising out of pre-occupancy and personal reasons. Further, he had confirmed vide resignation letter that there were no other material reasons for his resignation.
9. Mr. Steven Chapman was appointed as an Additional Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective October 01, 2020.

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

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

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

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

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)(iiiia) 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. Mark Levett <sup>1</sup> (DIN: 00368287)	Promoter, Non-Executive, Non- Independent	-	-	-	-	-
Mr. Steven Chapman <sup>2</sup> (DIN: 00496000)	Promoter, Non- Executive, 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	
Mr. Ashwath Ram (DIN: 00149501)	Promoter, Executive	-	-	-	-	-
Ms. Rama Bijapurkar <sup>3</sup> (DIN: 00001835)	Non-Executive, Independent	-	6	3	5	1. Nestle India Limited (Non-Executive, Independent) 2. Emami Limited (Non-Executive, Independent) 3. ICI Bank Limited (Non-Executive, Independent) 4. Mahindra & Mahindra Financial Services Limited (Non-Executive, Independent) 5. VST Industries Limited (Non-Executive, Independent) 6. Sun Pharmaceuticals Industries Limited (Non-Executive, Independent)
Mr. Nasser Munjee (DIN: 00010180)	Non-Executive, Independent	1	4	2	4	1. DCB Bank Limited (Chairman) 2. Ambuja Cements Limited (Non-Executive, Independent) 3. Housing Development Finance Corporation Limited (Non-Executive, Independent) 4. The Indian Hotels Company Limited (Non-Executive, Independent)
Mr. P. S. Dasgupta (DIN: 00012552)	Non-Executive, Independent	-	5	2	4	1. RSWM Limited (Non-Executive, Independent) 2. Maral Overseas Limited (Non-Executive, Independent) 3. Bhilwara Technical Textiles Limited (Non-Executive, Independent) 4. Ester Industries Limited (Non-Executive, Independent) 5. Timken India Limited (Non-Executive, Independent)
Mr. Prakash Telang (DIN: 00012562)	Non-Executive, Independent	-	-	-	-	-
Mr. Rajeev Bakshi (DIN: 00044621)	Non-Executive, Independent	-	1	-	-	1. Dalmia Bharat Sugar and Industries Limited
Mr. Venu Srinivasan <sup>4</sup> (DIN: 00051523)	Non-Executive, Independent	-	-	-	-	NA
Ms. Anjuly Chib Duggal <sup>5</sup> (DIN: 05264033)	Non-Executive, Independent	-	-	-	-	NA
Mr. Antonio Leitao <sup>6</sup> (DIN: 05336740)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Mr. Donald Jackson (DIN: 08261104)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Mr. Norbert Nusterer (DIN: 07640359)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-
Ms. Lorraine Alyn Meyer (DIN: 08567527)	Promoter, Non-Executive, Non-Independent	-	-	-	-	-

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

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

<sup>1</sup> Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020.

<sup>2</sup> Mr. Steven Chapman was appointed as an Additional Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board with effect from October 01, 2020.

<sup>3</sup> Ms. Rama Bijapurkar has been appointed as Director (Non-Executive and Independent) of the Company effective June 17, 2020.

<sup>4</sup> Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020

<sup>5</sup> Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020

<sup>6</sup> Mr. Antonio Leitao resigned as Director (Non-Executive and Non-Independent) of the Company effective September 01, 2020.

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

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

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

The Board has identified following core skills / expertise / competencies as required in the context of its business(es) and sector(s) for it to function effectively:

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

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

Sr.	Name of Directors	Expertise/Skills in specific functional area
1	Mr. Mark Levett <sup>1</sup>	General Management, Corporate Social Responsibility and Distribution
2	Mr. Steven Chapman	General Management, Corporate Strategy, International Business Development
3	Mr. Ashwath Ram	General Management, Operations and Corporate Strategy
4	Mr. Nasser Munjee	Finance and Accounting, Public Policy with specific reference to Public Finance and Corporate Affairs
5	Mr. P.S. Dasgupta	Mergers and Acquisitions, Reorganization & Restructuring, Infrastructural Project Development, Financing, Joint Venture, Licensing and Corporate Laws
6	Mr. Prakash Telang	Automotive Industry, General Management and Operations
7	Mr. Rajeev Bakshi	Marketing and Supply Chain Management
8	Mr. Venu Srinivasan <sup>2</sup>	Automotive Industry and General Management
9	Ms. Anjuly Chib Duggal <sup>3</sup>	Public Policy with specific reference to Public Finance and Corporate Affairs
10	Ms. Rama Bijapurkar <sup>4</sup>	Operations and Corporate Strategy, Finance and Accounting, Mergers and Acquisitions and Infrastructural Project Development

Sr.	Name of Directors	Expertise/Skills in specific functional area
11	Mr. Norbert Nusterer	Supply Chain Management, Turnaround Management and Business Process Transformation
12	Mr. Antonio Leitao <sup>5</sup>	Strategy and Management
13.	Mr. Donald Jackson	Finance and Corporate Treasury
14.	Ms. Lorraine Alyn Meyer	Human Resources and Talent Management

<sup>1</sup> Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020.

<sup>2</sup> Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020

<sup>3</sup> Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020

<sup>4</sup> Ms. Rama Bijapurkar was appointed as Director (Non-Executive and Independent) of the Company effective June 17, 2020.

<sup>5</sup> Mr. Antonio Leitao resigned as Director (Non-Executive and Non-Independent) of the Company effective September 01, 2020.

d) **Details of equity shares of the Company held by the Directors as on March 31, 2021 are given below:**

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

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

### 3. COMMITTEES OF THE BOARD:

a) **AUDIT COMMITTEE:**

As on the date of this report, the Audit Committee comprised of 5 Directors including 1 Promoter (Non-Executive) Director and Chairman of the Board – Mr. Steven Chapman and 4 Independent Directors – Mr. Nasser Munjee (Chairperson), Mr. Prakash Telang, Mr. P.S. Dasgupta and Mr. Rajeev Bakshi.

**Attendance at the Audit Committee meetings for F.Y. 2020-21:**

Name of Directors	Dates of Audit Committee Meeting			
	June 17, 2020	August 11, 2020	October 28, 2020	January 28, 2021
Mr. Mark Levett <sup>1</sup>	✓	✓	NA	NA
Mr. Nasser Munjee	✓	✓	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Prakash Telang	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Venu Srinivasan <sup>2</sup>	✓	✓	NA	NA
Mr. Steven Chapman <sup>3</sup>	NA	NA	NA	✓

<sup>1</sup>Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 and consequently ceased to be Member of the Committee

<sup>2</sup>Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020 and consequently ceased to be Member of the Committee.

<sup>3</sup>Mr. Steven Chapman, Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board was appointed as a Member of the Committee effective October 28, 2020.

The Committee reviewed the audited financial statements for the year ended March 31, 2021 and unaudited financial results for the quarters ended June 30, 2020, September 30, 2020 and December 31, 2020. 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 2019-20; (v) Acquisition/ sale of assets; (vi) Directors' Responsibility Statement; (vii) Related Party Transactions; (viii) Performance of Statutory and Internal Auditors; (ix) Legal Compliance Reports; (x) Major litigations; (xi) Monitoring of the Code of Conduct; (xii) Forex Policy; (xiii) Prohibition of Insider Trading Policies and (xiv) Ethics and related matters.

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

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

#### **Broad Terms of Reference of the Audit Committee:**

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

The Committee has been entrusted with following responsibilities:

- 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 of the Company and to approve payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- To review and monitor the auditor's independence, performance, experience, qualification, and effectiveness of audit process;
- To review with the Management, the annual financial statements and Auditor's Report thereon before submission to the Board for approval;
- 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;
- 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 and discuss with internal auditors of any significant findings and follow up there on;
- 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 after assessing the qualifications, experience and background, etc. of the candidate; and
- To review utilization of loans and/ or advances from/investment by the holding company in the subsidiary.

**b) NOMINATION AND REMUNERATION COMMITTEE:**

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

**Attendance at the Nomination and Remuneration Committee meetings for F.Y. 2020-21:**

Name of Directors	Dates of Noination & Remuneration Committee Meeting						
	April 04, 2020	June 16, 2020	August 12, 2020	September 28, 2020	October 27, 2020	December23, 2020	January 27, 2021
Mr. Prakash Telang	✓	✓	✓	✓	✓	✓	x
Mr. P.S. Dasgupta	✓	✓	✓	✓	✓	✓	✓
Mr. Nasser Munjee	✓	✓	x	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓	✓	✓	✓
Ms. Lorraine Allyn Meyer	✓	✓	✓	✓	✓	✓	✓
Mr. Steven Chapman <sup>1</sup>	NA	NA	NA	NA	✓	✓	✓
Mr. Mark Levett <sup>2</sup>	✓	✓	✓	✓	NA	NA	NA

<sup>1</sup>Mr. Steven Chapman, Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board was appointed as Member of the Committee effective October 28, 2020.

<sup>2</sup>Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 and consequently ceased to be Member of the Committee.

The Committee reviews appointment of Directors, Key Managerial Personnel and Senior Management. 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 and other employees of the Company. The Nomination and Remuneration Policy of the Company is available at <https://www.cummins.com/en/in/investors/india-corporate-governance>.

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

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

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- To formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 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;

- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- To facilitate diversity of Board of Directors; and
- To develop a succession plan for the Board and to regularly review the plan.

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

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

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

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

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

**Remuneration of Directors:**

The Non-Executive Independent Directors are paid sitting fees and annual commission. The annual commission is paid on an equal basis to all Non-Executive Independent Directors at a rate not exceeding 1% of Net Profits computed in accordance with Section 198 of the Companies Act, 2013 and pursuant to ordinary resolution passed by the Members at their 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, except Mr. P. S. Dasgupta, vis-à-vis the Company, apart from the remuneration as detailed in this Report or in the Note No. 41 of notes to accounts, if any.

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

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

**Details of Sitting Fees and Commission to Non-Executive Independent Directors for the year April 01, 2020 to March 31, 2021:**

(₹ in Lacs)

Name of Directors	Sitting fees	Annual Commission	Total
Mr. Nasser Munjee	6.60	13.67	20.27
Mr. P. S. Dasgupta	7.20	13.67	20.87
Mr. Prakash Telang	7.20	13.67	20.87
Mr. Rajeev Bakshi	7.20	13.67	20.87
Ms. Rama Bijapurkar <sup>1</sup>	5.70	10.99	16.68
Mr. Venu Srinivasan <sup>2</sup>	3.80	5.22	9.02
Ms. Anjuly Chib Duggal <sup>3</sup>	NA	0.25	0.25

<sup>1</sup>Ms. Rama Bijapurkar was appointed as Director (Non-Executive and Independent) of the Company effective June 17, 2020.

<sup>2</sup>Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020

<sup>3</sup>Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020

Note:

The Company paid ₹ 35,000 towards fees for professional services rendered by New Delhi Law Offices, a law firm of which Mr. P. S. Dasgupta is the Managing Partner, during the FY 2020-21 after obtaining prior approval of the Audit Committee of the Board of Directors of the Company. The same are not material in nature.

**Details of remuneration paid to Managing Director of the Company during the Financial Year April 01, 2020 to March 31, 2021:**

(₹ in Lacs)

Name	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
Mr. Ashwath Ram	-	240.78 <sup>^</sup>	-	-	-	-	-	240.78 <sup>^</sup>

<sup>^</sup>The value includes Long Term Retention Grant

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:**

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

**Attendance at the Stakeholders Relationship Committee meetings for F.Y. 2020-21:**

Name of Directors	Dates of Stakeholders Relationship Committee Meeting			
	June 16, 2020	August 12, 2020	October 27, 2020	January 27, 2021
Mr. Prakash Telang	✓	✓	✓	x
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Ashwath Ram	✓	✓	✓	✓
Mr. Venu Srinivasan <sup>1</sup>	✓	✓	NA	NA
Ms. Rama Bijapurkar <sup>2</sup>	NA	NA	NA	✓

<sup>1</sup>Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020 and consequently ceased to be Member of the Committee

<sup>2</sup>Ms. Rama Bijapurkar, Director (Non-Executive and Independent) of the Company was appointed as a Member of this Committee effective October 28, 2020.

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

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

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

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

The following shareholder complaints were received and resolved during the year April 01, 2020 to March 31, 2021:

Sr. No.	Nature of Complaint	No. of Complaints
1.	Non-receipt of Annual Reports	0
2.	Non- receipt of Dividend Warrants	0
3.	Non-receipt of Share Certificates	0
4.	Non-receipt of Bonus Certificates	0
5.	Others	8
	<b>Total</b>	<b>8</b>

**Number of complaints pending with the Company:**

One Complaint was received on March 22, 2021 which was pending as on March 31, 2021. However, the same was resolved by the Company on April 19, 2021, which was within the statutory timeline.

**Number of pending share transfers: NIL**

Pursuant to a Circular dated March 27, 2019, the Securities and Exchange Board of India (SEBI) had, effective from April 01, 2019, mandated the transfer of shares only in dematerialized form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior April 01, 2019 and returned due to deficiency in the document. SEBI vide circular dated September 07, 2020 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 2020-21 in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the circulars issued thereunder.

**Insider Trading 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 28, 2020. 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.

**Fair Disclosure Code:** The Company 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.

**d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:**

As on the date of the report, the Corporate Social Responsibility Committee comprised of 5 Directors including 1 Promoter (Executive) Director – Mr. Ashwath Ram and 4 Independent Directors – Mr. P. S. Dasgupta (Chairperson, Mr. Prakash Telang, Mr. Nasser Munjee and Ms. Rama Bijapurkar.

**Attendance at the Corporate Social Responsibility Committee meetings of F.Y. 2020-21:**

Name of Directors	Dates of Corporate Social Responsibility Committee Meeting				
	June 17, 2020	August 12, 2020	October 27, 2020	January 27, 2021	March 26, 2021
Mr. P. S. Dasgupta <sup>1</sup>	✓	✓	✓	✓	✓
Mr. Prakash Telang	✓	✓	✓	x	✓
Mr. Nasser Munjee	✓	x	✓	✓	✓
Ms. Rama Bijapurkar <sup>2</sup>	NA	NA	NA	✓	✓
Mr. Venu Srinivasan	✓	✓	NA	NA	NA
Mr. Mark Levett <sup>3</sup>	✓	✓	NA	NA	NA
Ms. Anjuly Chib Duggal <sup>4</sup>	NA	NA	NA	NA	NA

<sup>1</sup>Mr. P.S. Dasgupta, Director (Non-Executive and Independent) of the Company was appointed as Chairman of the Committee effective June 17, 2020

<sup>2</sup>Ms. Rama Bijapurkar, Director (Non-Executive and Independent) of the Company was appointed as a Member of the Committee effective October 28, 2020

<sup>3</sup>Mr. Mark Levett resigned as a Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 and consequently ceased to be Member of the Committee.

<sup>4</sup>Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020 and consequently ceased to be Member and Chairperson of the Committee.

<sup>5</sup>Mr. Ashwath Ram, Managing Director was appointed as Member of the Committee effective May 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 the 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.

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

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

#### **Attendance at the Risk Management Committee meetings for F.Y. 2020-21:**

Name of Directors	Dates of Risk Management Committee Meeting			
	June 16, 2020	August 12, 2020	October 27, 2020	January 27, 2021
Mr. Nasser Munjee	✓	x	✓	✓
Mr. P. S. Dasgupta	✓	✓	✓	✓
Mr. Rajeev Bakshi	✓	✓	✓	✓
Mr. Ashwath Ram	✓	✓	✓	✓
Ms. Rama Bijapurkar <sup>1</sup>	NA	NA	NA	✓

<sup>1</sup>Ms. Rama Bijapurkar, Director (Non-Executive and Independent) of the Company was appointed as a Member of the Committee effective October 28, 2020.

**Broad terms of reference to the Risk Management Committee:**

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

- To identify, assess, mitigate and monitor the existing as well as potential risks to the Company (including risks associated with cyber security and financial risk), to recommend the strategies to the Board to overcome them and review key leading indicators in this regard;
- To periodically review and approve the Risk Management Framework including the risk management processes and practices of the Company;
- To evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner;
- To develop and implement action plans to mitigate the risks;
- To co-ordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice);
- 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;
- To review and periodically re-assess the adequacy of its Charter and recommend any proposed changes to the Board for approval; and
- To perform such other activities related to Risk Management Plan as requested by the Board of Directors or to address issues related to any significant, subject within its term of reference.

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

<b>Particulars</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Date and Time</b>	August 09, 2018 At 12 noon	August 07, 2019 At 12 noon	August 25, 2020 At 3.30 P.M
<b>Venue</b>	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045	The Multifunctional Hall, Cummins India Office Campus, Survey No. 21, Balewadi, Pune 411 045	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	At the General Meeting of August 07, 2019, the Members of the Company passed the Special Resolutions for re-appointment of Mr. P. S. Dasgupta, Mr. Venu Srinivasan, Mr. Rajeev Bakshi, Mr. Nasser Munjee and Mr. Prakash Telang as Non-Executive Independent Directors of the Company.	No special resolution was passed

- b) **Postal Ballot:** No resolution was passed through Postal Ballot during the Financial Year 2020-21 or is being proposed at the ensuing Annual General Meeting.

## 5. DISCLOSURES:

- a) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large. The Company has disclosed the policy on dealing with Related Party Transactions on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>
- b) The Company has disclosed the Material Subsidiary Policy on its website and is accessible at <https://www.cummins.com/en/in/investors/india-corporate-governance>
- c) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last 3 years.
- d) The Company has complied with the mandatory Corporate Governance requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- e) The Company has not adopted any discretionary requirements mentioned in Regulation 27(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- f) The Company follows a Vigil Mechanism Policy (earlier known as Whistle Blower Policy) since Financial Year 2003-04 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No person has been denied access to the Audit Committee under the Vigil Mechanism Policy.
- g) The Managing Director and Chief Financial Officer of the Company have certified to the Board of Directors, *inter - alia*, 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 Obligations and Disclosure Requirements) Regulations, 2015.
- h) Foreign exchange risk and hedging activities:  
  
During the Financial Year 2020-21, the Company has managed foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of the sensitivity analysis on the foreign currency exposure are disclosed in Note No. 46(a)(i) to the Annual Accounts (Standalone Financial Statement).
- i) The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge, there are no deviations in the accounting treatments that require specific disclosure.
- j) There were no recommendations of Committees of the Board mandatorily required in a financial year which were not accepted by the Board.
- k) Details relating to fees paid to the Statutory Auditors are given in Note 31 to the Standalone Financial Statements and Note 31 to the Consolidated Financial Statements.
- l) In the opinion of the Board, the Independent Directors fulfill the conditions specified in these regulations and are independent of the Management.
- m) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013: The details of number of complaints filed and disposed of during the year and pending as on March 31, 2021 is given in the Directors' Report.

**6. MEANS OF COMMUNICATION:**

- a) The quarterly shareholding pattern and quarterly / half-yearly / yearly un-audited / audited financial results were posted on the Company's website [www.cumminsindia.com](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 2020 and quarters ended June, September and December 2020 were duly published in Business Standard (All editions) and Loksatta (Pune Edition).
- d) Transcript of Conference calls with the Analysts held on June 18, 2020, August 13, 2020, October 30, 2020 and January 29, 2021 and the Managing Director's Presentation to the Shareholders made at the Annual General Meeting held on August 25, 2020 were displayed on the Company's website <https://www.cumminsindia.com>

**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.cummins.com/en/in/company/cummins-india">www.cummins.com/en/in/company/cummins-india</a>	
Annual General Meeting	Date and Time : August 12, 2021 Mode : Video conference and other audio-visual means Venue : Deemed venue shall be Cummins India Office Campus, 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, 2021 – By second week of August, 2021</li> <li>■ Results for quarter and half year ending September 30, 2021 – By first week of November 2021</li> <li>■ Results for quarter and nine months ending December 31, 2021 – By first week of February 2022</li> <li>■ Results for the year ending March 31, 2022 – By third week of May, 2022</li> </ul>	
Interim dividend payment date	February 24, 2021	
Record Date	August 05, 2021	
Final Dividend payment date	September 07, 2021 (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 2021-22.	

Market price data: High, Low during each month in the FY 2020 – 21:

BSE			NSE		
Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
April 2020	426.05	281.60	April 2020	426.55	280.00
May 2020	382.00	312.85	May 2020	382.15	311.20
June 2020	417.00	368.20	June 2020	417.40	368.35
July 2020	439.10	373.60	July 2020	439.45	373.25
August 2020	483.00	395.70	August 2020	482.90	395.00
September 2020	495.00	437.85	September 2020	494.00	437.30
October 2020	475.65	425.25	October 2020	476.00	425.00
November 2020	597.10	429.00	November 2020	597.50	428.90
December 2020	615.85	552.90	December 2020	616.05	552.60
January 2021	688.65	572.00	January 2021	689.50	572.00
February 2021	822.85	653.70	February 2021	822.00	654.25
March 2021	924.85	786.50	March 2021	925.00	782.20

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, 2021.
--	--

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) 2020-21:



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

Distribution of shareholding as on March 31, 2021	Category	No. of shares of ₹ 2/- each	% of shareholding
	Promoters	141,372,683	51
	Mutual Funds	44,100,337	15.91
	Banks/ Financial Institutions/ Insurance Companies	25,897,340	9.34
	Foreign Institutional Investors (FIIs)	30,259,380	10.92
	Corporate Bodies	5,620,109	2.03
	Indian Public	22,770,162	8.21
	NRIs	1,402,861	0.51
	Others	5,777,128	2.08
	<b>TOTAL</b>	<b>277,200,000</b>	<b>100.00</b>

Distribution of shareholding within various categories (as on March 31, 2021)				
Category (shares)	No. of shareholders	No. of Shares	% of shareholders to total shareholders	% of shares to total shares
1-1,000	82,555	7,841,146	94.99	2.83
1,001-2,000	1,640	2,275,660	1.89	0.82
2,001-4,000	1,157	3,273,536	1.34	1.18
4,001-6,000	445	2,155,919	0.51	0.78
6,001-8,000	244	1,671,864	0.28	0.60
8,001-10,000	298	2,731,794	0.34	0.99
10,001-20,000	233	3,275,492	0.27	1.18
20,001 and above	334	253,974,589	0.38	91.62
<b>Total</b>	<b>85,569</b>	<b>277,200,000</b>	<b>100.00</b>	<b>100.00</b>
Dematerialisation of shares and liquidity (as on March 31, 2021).	99.17% 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	<p>Cummins India Office Campus, Tower A, 5<sup>th</sup> Floor, Survey no. 21, Balewadi, Pune – 411 045, Maharashtra, India.</p> <p>Tel: +91 20 6706 7000, 3019 7000 Fax : +91 20 6706 7011</p> <ol style="list-style-type: none"> <li>1. Ms. Vinaya Joshi, Company Secretary &amp; Compliance Officer E-mail <a href="mailto:Cil.Investors@cummins.com">Cil.Investors@cummins.com</a></li> <li>2. Registrar and Transfer Agent: Link Intime India Private Limited Please refer details above for address / contact details etc.</li> </ol>			

**8. COMPLIANCE CERTIFICATE OF THE AUDITORS:**

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

**9. CERTIFICATE FROM PRACTICING COMPANY SECRETARY:**

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

---

**Declaration – Code of Conduct**

As per Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the Financial Year 2020-21.

For Cummins India Limited

Place : Pune  
Date : May 26, 2021

Ashwath Ram  
Managing Director  
DIN: 00149501

## Annexures to the Directors' Report

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

I have examined compliance by **Cummins India Limited** (the Company) with the requirements under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, relating to corporate governance requirements for the year ended 31<sup>st</sup> March, 2021.

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

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

I further state that no investor's grievance is pending or remained unresolved by the Company beyond the statutory timeline as per the records maintained by the Stakeholders Relationship Committee.

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

Pramod S. Shah & Associates  
(Practicing Company Secretaries)

Pramod S. Shah -Partner  
Pramod S. Shah & Associates  
Membership No.: FCS 334  
C.P No.: 3804  
UDIN: F000334C000341554

Place : Mumbai  
Date : May 19, 2021

## Annexures to the Directors' Report

### Annexure 6 – CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

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

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

In my opinion and to the best of my information and according to the verifications [including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)] as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ended 31<sup>st</sup> March, 2021 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.

Sr. No.	Name of Directors	Director Identification Number	Date of appointment in the Company
1	Mr. Nasser Mukhtar Munjee	00010180	29.03.2001
2	Mr. Priya Shankar Dasgupta	00012552	26.02.1998
3	Mr. Prakash Manjanath Telang	00012562	31.01.2013
4	Mr. Rajeev Bakshi	00044621	20.10.2000
5	Ms. Rama Bijapurkar	00001835	17.06.2020
6	Mr. Ashwath Ram	00149501	17.08.2019
7	Mr. Steven Chapman	00496000	01.10.2020
8	Mr. Norbert Nusterer	07640359	26.10.2016
9	Mr. Donald Jackson Gray	08261104	30.10.2018
10	Ms. Lorraine Alyn Meyer	08567527	01.10.2019

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: F000334C000340982

Place : Mumbai  
Date : May 19, 2021

## Annexures to the Directors' Report

### Annexure 7 – NOMINATION AND REMUNERATION POLICY

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

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

#### 1. OBJECTIVES OF POLICY

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

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

#### 2. DEFINITIONS

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

### 3. ROLE OF COMMITTEE

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

##### The Committee shall:

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

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

##### 3.2.1. Appointment criteria and qualifications

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

##### 3.2.2. Term / Tenure

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

The Company shall appoint or re-appoint any person as its Chairman, 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.

### **3.2.3. Evaluation**

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

### **3.2.4. Removal**

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

### **3.2.5. Retirement**

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

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

### **3.3.1. General:**

- a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.
- d) 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.

### 3.3.2. 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.

### 3.3.3. Remuneration to Non- Executive / Independent Director:

#### a) Remuneration / Commission:

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

#### b) Sitting Fees:

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

#### c) Commission:

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

#### d) Stock Options:

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

#### **4. MEMBERSHIP**

- 4.1 The Committee shall consist of a minimum 4 non-executive directors, majority of them being independent.
- 4.2 Minimum three (3) members shall constitute a quorum for the Committee meeting.
- 4.3 Membership of the Committee shall be disclosed in the Annual Report.
- 4.4 Term of the Committee shall be continued unless terminated by the Board of Directors.

#### **5. CHAIRPERSON**

- 5.1 Chairperson of the Committee shall be an Independent Director.
- 5.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
- 5.3 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 5.4 Chairperson of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

#### **6. FREQUENCY OF MEETINGS**

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

#### **7. COMMITTEE MEMBERS' INTERESTS**

- 7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### **8. SECRETARY**

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

#### **9. VOTING**

- 9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- 9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

#### **10. NOMINATION DUTIES**

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

- 10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- 10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Act;
- 10.3 Identifying and recommending Directors who are to be put forward for retirement by rotation;

- 10.4 Determining the appropriate size, diversity and composition of the Board;
- 10.5 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 10.6 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- 10.7 Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 10.8 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- 10.9 Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- 10.10 Recommend any necessary changes to the Board; and
- 10.11 Considering any other matters, as may be requested by the Board.

## **11. REMUNERATION DUTIES**

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

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

## **12. MINUTES OF COMMITTEE MEETING:**

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

## **13. 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: May 26, 2021

## Annexures to the Directors' Report

### Annexure 8 – DIVIDEND DISTRIBUTION POLICY

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

#### Introduction

This Dividend Distribution Policy (hereinafter referred to as “the Policy”) has been adopted by the Board of Directors of Cummins India Limited (hereinafter referred to as “the Company”) in the meeting held on February 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 9 – INFORMATION AS REQUIRED UNDER THE PROVISIONS OF SECTION 197 (12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

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

- The Board of Directors of the Company consists of 1 Promoter (Executive) Director, 4 Promoter (Non-Executive) Directors and 5 Independent (Non-Executive) Directors.
- Details of remuneration paid to Managing Director of the Company :

(₹ in Lacs)

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ Water	Medical	Other Benefits	Total
<b>Mr. Ashwath Ram</b>								
2020-21	—	240.78 <sup>^</sup>	—	—	—	—	—	240.78 <sup>^</sup>
% increase in remuneration during the FY#								12%

<sup>^</sup>The value includes Long Term Retention Grant.

#The percentage increase in remuneration is computed based on actual increment on the guaranteed cash component effective January 01, 2021.

- Details of Sitting Fees and Commission to Non-Executive Independent Directors for the period April 01, 2020 to March 31, 2021:

(₹ in Lacs)

Name of the Director	2019-20		Total (2019-20)	2020-21		Total (2020-21)	% increase in remuneration over 2020-21
	Sitting fees	Annual Commission		Sitting fees	Annual Commission		
Mr. Nasser Munjee	4.75	15.00	19.75	6.60	13.67	20.27	-
Mr. P. S. Dasgupta	3.00	15.00	18.00	7.20	13.67	20.87	-
Mr. P. M. Telang	5.75	3.75	15.00	7.20	13.67	20.87	-
Mr. Rajeev Bakshi	4.75	15.00	19.75	7.20	13.67	20.87	-
<sup>3</sup> Mr. Venu Srinivasan	3.75	15.00	18.75	3.80	5.22	9.02	-
<sup>2</sup> Ms. Rama Bijapurkar	-	-	-	5.70	10.98	16.68	-
<sup>1</sup> Ms. Anjuly Chib Duggal	4.75	15.00	19.75	NA	0.25	0.25	-

<sup>1</sup>Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020.

<sup>2</sup>Ms. Rama Bijapurkar was appointed as Director (Non-Executive and Independent) of the Company effective June 17, 2020.

<sup>3</sup>Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020.

## d. Other details:

- The median remuneration of employees of the Company during the FY 2020-21 was ₹ 8,87,846/-
- The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2020-21:

Name of Directors	Designation	Ratio of remuneration to MRE*
<sup>6</sup> Mr. Steven Chapman	Chairman of the Board	-
Mr. Ashwath Ram	Managing Director	27.12
Mr. Nasser Munjee	Independent Director	2.28
Mr. P.S. Dasgupta	Independent Director	2.35
Mr. Rajeev Bakshi	Independent Director	2.35
Mr. Prakash Telang	Independent Director	2.35
<sup>2</sup> Ms. Rama Bijapurkar	Independent Director	NA
<sup>3</sup> Mr. Venu Srinivasan	Independent Director (Resigned)	NA
<sup>1</sup> Ms. Anjuly Chib Duggal	Independent Director (Resigned)	NA
<sup>5</sup> Mr. Mark Levett	Chairman (Resigned)	-
Mr. Norbert Nusterer	Non-Executive Director	-
Mr. Donald Jackson	Non-Executive Director	-
Ms. Lorrie Alyn Meyer	Non-Executive Director	-
<sup>4</sup> Mr. Antonio Leitao	Non-Executive Director (Resigned)	-

MRE – Median Remuneration of employees

Rounded-off to two decimals

The ratio of remuneration to MRE is provided only for those Directors who have drawn remuneration from the Company for the full FY 2020.

<sup>1</sup>Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020.

<sup>2</sup>Ms. Rama Bijapurkar was appointed as Director (Non-Executive and Independent) of the Company effective June 17, 2020.

<sup>3</sup>Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020.

<sup>4</sup>Mr. Antonio Leitao resigned as Director (Non-Executive and Non-Independent) of the Company effective September 01, 2020.

<sup>5</sup>Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020

<sup>6</sup>Mr. Steven Chapman was appointed as an Additional Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective October 01, 2020.

- Percentage increase in remuneration of Key Managerial Personnel (Chief Financial Officer and Company Secretary) in the Financial Year 2020-21:

(₹ in Lacs)

Name & Designation of other KMP	Remuneration 2020-21	% increase in remuneration over 2019-20 <sup>#</sup>
Mr. Ajay S. Patil, Chief Financial Officer	188.05	NA
<sup>1</sup> Ms. Hemiksha Bhojwani, Company Secretary	21.31 <sup>^</sup>	NA
<sup>2</sup> Ms. Vinaya Joshi, Company Secretary	16.53	NA

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

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

<sup>1</sup>Ms. Hemiksha Bhojwani, Company Secretary and Compliance Officer resigned effective May 11, 2020. The remuneration to Ms. Bhojwani is paid for her tenure with the Company

<sup>2</sup>Ms. Vinaya Joshi was appointed as the Compliance Officer of the Company effective May 12, 2020. Ms. Joshi was appointed as the Company Secretary and Key Managerial Personnel of the Company effective June 17, 2020.

- In the Financial Year, there was an increase of 7.3 % in the median remuneration of employees and the Key Managerial Personnel excluding Managing Director. This was effective January 01, 2021.
- 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 : 7.3%
  - The average percentage increase of employees other than the managerial personnel : 7.3%
  - The average percentage increase in the salaries is primarily on account of market movement based increase in salaries.
- There were 3,237 permanent employees on the rolls of Company as on March 31, 2021.
- The Profit before Tax for the Financial Year ended March 31, 2021 reduced by 26% whereas the % increase in median remuneration of the employees as well as the Key Managerial Personnel (excluding Managing Director) was 7.3%.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

## Annexures to the Directors' Report

### Form No. MR-3

#### Annexure 10 – SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

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

To:

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

Dear Sir/Madam,

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

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed with regulatory authorities and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended **31<sup>st</sup> March, 2021** (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, 2021 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: F000334C000340949

Place : Mumbai  
Date : May 19, 2021

## ANNUAL SECRETARIAL COMPLIANCE REPORT OF CUMMINS INDIA LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

We Pramod S. Shah & Associates have examined:

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

for the year ended 31<sup>st</sup> March, 2021 (“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 there under; 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 during the 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 during the review period;
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014:  
Not applicable during the review period;
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008:  
Not applicable during the review period;
- (g) Securities and Exchange Board of India (Issue and Listing of Non- Convertible and Redeemable Preference Shares) Regulations, 2013:  
Not applicable during the review period;
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) Any other regulations and circulars/ guidelines issued thereunder; as may be applicable to the Company.

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 matters specified below: -

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

- (b) The listed Entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.
- (c) The following are the details of actions taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

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

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

Sr. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year 2020-21	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
NIL				

*We would like to state that due to lockdown and restrictions on commute imposed by the Government of India or such other state/local authorities in view of COVID-19 pandemic, we have not been able to physically verify the records of the Company for the purpose of our current audit and have placed our reliance solely on the records, documents, papers, information, explanation provided to us by the Company and its Officers and agents in electronic form.*

Pramod S. Shah & Associates  
(Practicing Company Secretaries)

Pramod S. Shah -Partner  
Pramod S. Shah & Associates  
Membership No.: FCS 334  
C.P No.: 3804  
UDIN: F0003345C000341576

Place : Mumbai  
Date : May 19, 2021

## Annexures to the Directors' Report

### Annexure 11 – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021]

#### 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, Government of India, (MCA) 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.

Your Company is focused on working on projects that have a high impact on the communities in which we live and operate. The three focus areas include Higher Education, Energy and Environment and Equality of Opportunity across all your Company's locations. In addition, your Company is also actively involved in key new strategic projects for instance Cummins Powers Women, Clean Air Delhi, 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, the Company recognizes the symbiotic relationship between the various stakeholders to strengthen communities. The 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, the 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 Committee has formulated a CSR Policy *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 on the activities to be undertaken by your Company. The committee also monitors the implementation of the CSR policy in addition to monitoring the CSR Policy of your Company from time to time. Details of the Policy of your Company are available at <https://www.cummins.com/en/in/investors/india-corporate-governance>

Details of various CSR initiatives undertaken by your Company are provided in this report and also in the Business Responsibility Report of the Company for FY 2020-21 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)	5	5
2	Mr. Prakash Telang	Member (Independent Director)	5	4

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
3	Mr. Nasser Munjee	Member (Independent Director)	5	4
4	Ms. Rama Bijapurkar**	Member (Independent Director)	5	2
5	Mr. Venu Srinivasan***	Member (Independent Director)	5	2
6	Mr. Mark Levett****	Member (Non-Executive Director)	5	2
7	Ms. Anjuly Chib Duggal#	Member (Independent Director)	5	0

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

\*\*Ms. Rama Bijapurkar was appointed as a Member of the Committee effective October 28, 2020.

\*\*\*Mr. Venu Srinivasan resigned as Director (Non-Executive and Independent) of the Company effective September 01, 2020 and consequently ceased to be Member of the Committee

\*\*\*\*Mr. Mark Levett resigned as Director (Non-Executive and Non-Independent) of the Company and Chairman of the Board effective September 30, 2020 and consequently ceased to be Member of the Committee.

#Ms. Anjuly Chib Duggal resigned as Director (Non-Executive and Independent) of the Company effective April 06, 2020 and consequently ceased to be Member and Chairperson of the Committee.

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. **Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014:**

There are no projects undertaken or completed after January 22, 2021, for which the impact assessment report is applicable in FY 2020-21. The Company will take necessary steps to conduct impact assessment of CSR projects through an independent agency, as and when applicable.

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:** Not Applicable

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
Not Applicable			

6. **Average net profit of the company as per section 135(5):** ₹ 80,424 Lacs

7. **Total CSR Obligation for the Financial Year:**

Sr. No.	Particulars	(Amount in ₹)
(a)	Two percent of average net profit of the company as per Section 135(5)	1,608.48 Lacs
(b)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years.	Nil
(c)	Amount required to be set off for the financial year, if any	Nil
(d)	Total CSR obligation for the financial year (7a+7b-7c).	1,608.48 Lacs

## 8. CSR Spend:

## (a) 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
1,608.48 Lacs*	Not Applicable		Nil		

\*Note: The total spent amount includes administrative expenditure of ₹ 77.85 Lacs for FY 2020-21.

## (b) Details of CSR amount spent against ongoing projects for the financial year:

The CSR activities of the Companies are carried out through implementing agency i.e. Cummins India Foundation (CIF). For the Financial Year 2020-21, the Company has contributed its entire CSR obligation amounting to Rs.1,608.48 Lacs to CIF as mentioned above and therefore, had no obligation to transfer the amount to unspent CSR account as of March 31, 2021.

Further below are the details of the total amount contributed to GfF and it's bifurcation by the GfF into projects:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration. (in years)	Amount allocated for the project (₹ In Lacs)*	Amount spent in the current financial Year (₹ In Lacs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ In Lacs)	Mode of Implementation -Direct (Yes/No).	Mode of Implementation -Through Implementing Agency	
				States	Districts						Name	CSR Registration number.
1	Edu Assist.to Soc. and Eco weaker sec.	(ii)	Yes	Maharashtra, Madhya Pradesh Jharkhand	Pune, Ahmednagar, Satara, Indore, Jamshedpur	4	145.24	145.24	NA	No	Cummins India Foundation CSR00003731	
2	Women Education and Employability	(ii)	Yes	Maharashtra	Pune, Nagpur	4	67.97	67.97	NA	No		
3	Vocational education	(ii)	Yes	Maharashtra, Madhya Pradesh	Satara, Indore	4	35.95	35.95	NA	No		
4	Afforestation	(iv)	Yes	Maharashtra	Pune, Ahmednagar, Satara	4	60.11	60.11	NA	No		
5	Solid Waste Management	(iv)	Yes	Maharashtra	Pune	4	104.74	104.74	NA	No		
6	Water Neutrality	(iv)	Yes	Maharashtra	Pune	4	110.00	110.00	NA	No		
7	Renewable Energy	(iv)	Yes	Maharashtra	Satara	4	12.19	12.19	NA	No		
8	Air Pollution	(iv)	Yes	Maharashtra Madhya Pradesh	Satara, Indore, Ahmednagar	4	9.83	9.83	NA	No		
9	Local Community Care	(x)	Yes	Maharashtra, Madhya Pradesh	Pune, Satara, Ahmednagar	4	15.99	15.99	NA	No		
10	Neighborhood Outreach	(x)	Yes	Maharashtra	Mumbai, Thane, Satara	4	14.52	14.52	NA	No		
11	Rural Development Projects	(x)	Yes	Maharashtra, Madhya Pradesh	Pune, Ahmednagar, Satara, Indore	4	389.55	389.55	NA	No		
12	Monsoon Resilient Maharashtra	(iv)	Yes	Maharashtra	Satara	4	110.18	110.18	NA	No		

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project.							Mode of Implementation -Direct (Yes/No).	Mode of Implementation -Through Implementing Agency
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	States	Districts	Project duration. (in years)	Amount allocated for the project (₹ In Lacs)*	Amount spent in the current financial Year (₹ In Lacs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ In Lacs)			
13	Cleaner Air Better Life	(iv)	Yes	Madhya Pradesh New Delhi, Punjab	Indore, New Delhi, Ludhiana, Patiala	4	75.73	75.73	NA	No		
14	Women's Initiatives in India	(iii)	Yes	New Delhi	New Delhi	4	102.76	102.76	NA	No	Cummins India Foundation	CSR00003731
15	Phalitan Model Town	(iv)	Yes	Maharashtra	Satara	4	77.89	77.89	NA	No		
16	Grants for NGO	(iii)	Yes	Maharashtra	Pune	4	13.84	13.84	NA	No		
17	COVID-19 Community support	(x)	Yes	Maharashtra, Madhya Pradesh	Pune, Ahmednagar, Satara, Indore	2	184.14	184.14	NA	No		
						<b>Total</b>	<b>1,530.63</b>	<b>1,530.63</b>				

# The allocated amount is for the Financial Year 2020-21.

**\*Notes:**

- 1) In addition to CSR contribution of 1530.63 Lacs on CSR projects, ₹ 77.85 Lacs were spent towards administrative expenditure aggregating to total spend of ₹1608.48 Lacs during the year ended March 31, 2021.
- 2) Pursuant to Section 135 of Companies Act, 2013 and rules made thereunder, the Company had started contributing towards CSR effective Financial year 2014-15. CIF had unspent amount of ₹ 572.84 Lacs as on March 31, 2021, which was allocated to ongoing projects as on March 31, 2021. CIF has voluntarily opened a separate bank account for this unspent amount and transferred the balance to this account as of April 30, 2021. CIF shall endeavor to spend this unspent amount in FY 2021-22.

(c) Details of CSR amount spent against other than ongoing projects for the Financial Year:

Sr. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs.).	Mode of Implementation -Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.			Name	CSR Registration number.
Not Applicable									

(d) Amount spent in Administrative Overheads : ₹ 77.85 Lacs (Amount was spent by CIF)

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ 1608.48 Lacs

(g) Excess amount for set off, if any : NIL

Sr. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	₹ 1608.48 Lacs
(ii)	Total amount spent for the Financial Year	₹ 1608.48 Lacs
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Not Applicable
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years[(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years\*:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.	Amount remaining to be spent in succeeding financial years. (in Rs.)
Not Applicable					

\*Refer Note to table no 8(b) above

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding Financial Year(s):

Sr. No.	Project ID.	Name of The Project.	Financial Year in which the project was commenced.	Project duration.	Total Amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs.).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed / Ongoing.
Not Applicable								

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):

(a) Date of creation or acquisition of the capital asset(s): Not Applicable

(b) Amount of CSR spent for creation or acquisition of capital asset: Not Applicable

- (c) **Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc:** Not Applicable
- (d) **Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):** Not Applicable

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):** Not Applicable.

12. **Detailed CSR Activities:**

Addressing the social, civic and environmental issues, your Company made significant contributions in Financial Year 2020-21 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:

**Cummins Powers Women** is engineering solutions to gender inequality in our communities by partnering with global non-profits organisations to accelerate the advancement of women and girls and reinforcement of Cummins' internal commitment to the prosperity of women around the world. This initiative has funded training resulting in launch of over 60 advocacy projects globally. These projects have changed laws and policies which benefits 17 million women and girls across the globe. In India, we continue the journey for empowering girls and women steadfast with our partner, 'Rise Up'. Building on the success of the first accelerator, Year 2020 also saw the successful launch and conclusion of Cummins India's second leadership and advocacy accelerator, which took an online avatar considering the Pandemic. 19 amazing individuals from NCR took part in this journey that will further empower to usher change in their communities, strengthen their leadership and launch strategies that increases girls' and women's access to education and opportunities.

Over the course of the next year, we will continue to collaborate with Leaders on their advocacy projects to advance gender equity in their communities. Our program envisions the enabling, over time, 200 such visionaries across the Country and thereby catalyze them to create large-scale positive impact towards empowering women and girls in India.

**Nurturing Brilliance** with a vision to provide financial & non-financial benefits to meritorious/ promising students coming from socio-economically challenged backgrounds, who aim for Higher Education (BE or Diploma), in 2006 Cummins launched a Scholarship Program "Nurturing Brilliance". Commenced at Pune with 13 students getting scholarships, program evolved in every facet. We enhanced the reach of this scholarship program from 13 to 200. In this journey of nurturing brilliance, including selections for FY2020-21, 1739 students have been benefitted so far.

**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. In the challenging time of COVID-19 pandemic, Cummins continued support to these NGOs. 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 11 NGOs serving underprivileged and disabled people across all plant locations in India.

**Monsoon Resilient Maharashtra** was conceived and undertaken to address the acute scarcity of water in the rural communities of Maharashtra. Droughts are cyclic in Maharashtra and continue to haunt the state bringing acute challenges to the farmers. Farmers in the state heavily depend on the monsoons for their agriculture activity, with very little fall back on other source of income. MRM aims to make these communities resilient to the challenges that come with erratic, inadequate and untimely monsoons. In MRM, concerted effort is made to build capabilities within the community to enhance engagement during the watershed implementation. In FY 2020-21 MRM added 13 villages It has positively impacted more than 55,000 plus lives. More than 1 billion gallons of additional water has been generated across 36 villages.

**Clean Air Better Life** initiative has four taskforces were formed (Clean Fuel, Clean Transport, Biomass Management and Clean Industry) which aim towards solutions for detrimental situations created due to rampant biomass burning,

transport services, harmful fuel emissions and industry sources. Suitable interventions for Clean Fuel, Clean Transport, Biomass Management and Clean Industries is recommended through experts by the means of the taskforces. After the success of CABL initiative in Delhi and NCR region, Cummins took the learnings to Indore city and implemented the project in Indore along with Delhi NCR in FY 2020-21. CABL has reached more than 1,57,924 acres of farmland across 172 villages in 7 districts. In 2020-21 more than 27,863 farmers were trained and supported to reduce stubble burning. Through our effort, 12.7% tonne PM10 was avoided in air pollution at source in each adopted village. There was 10% drop in cost to farmers in their farm operations and 5.2% growth in crop yield, as compared to their existing practices.

FY 2020-21 was a challenging year for Zero Waste Slum Project. The lockdown brought everyone and everything to a standstill including the projects. Door to Door collection system reduced to 17% from 80% because of it, As lockdown was lifted, in the short few months of our intervention, through different initiatives, door to door coverage increased to 67% and 5 out of 8 identified chronic spots in the area have been eliminated. During early 2020, this system completely collapsed due to increased COVID-19 cases in the slum as well as in waste pickers' community and focus was shifted to re-establish the waste segregation & door to door collection

**Inorganic Waste Management** – Ensuring Responsible Recycling of E-waste and Plastic Waste - In Financial Year 2020-21, Cummins and implementing partners taking cognizance of COVID-19 pandemic, replaced door to door awareness campaigns, screening in schools and strategically developed remote awareness campaigns including digital awareness campaigns, online screening among school students and society members. This resulted into using the social media more than 3,50,000 citizens were made aware of the Zero-Contact plastic and e-waste collection program. Ensuring sustainability through institutionalization, Cummins has helped establish more than 25 Collection centers across the city. This project has grown organically from creating mass scale awareness to changing mind set about handling e-waste which contain toxic elements and plastic waste which has infiltrated our daily lives.

**WASH at School** - School Readiness amid and post COVID-19 - Early in 2020, COVID-19 pandemic triggered a strict lockdown which meant our interventions with the schools had to be paused. As slowly schools began preparations to restart, resource – scarce municipal run schools needed aid to ensure safety of children and staff. To support such schools with students coming from economically lower section of the society, Cummins along with our NGO partners prepared a detailed Standard Operating Process to help schools prepare for a safe and smooth restart. This program covered 32 schools benefiting more than 11,000 students and 469 staff members.

**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 festival / religious events that took place every year in the state of Maharashtra. The Nirmalya project is a multi-dimensional, multi-stakeholder level project that involves months of planning, logistics and coordination during the annual Ganesh festival. Around August 2020, 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, 150 Tons of Nirmalya converted into organic compost, 1 Lac Ganesh idols got immersed at home and more than 1000 families enjoyed making eco-friendly Ganesh idol at home.

**Urban Watershed Management** Initiatives through its subject matter experts and implementing partners, Cummins has developed a watershed development framework for urban areas. The approach includes increasing the capacity of existing water bodies and preventing pollution by creating awareness in our communities. The projects begin with a hydrogeological survey which is the foundational document on which the next three years' interventions are planned. Solutions like continuous contour trenches, lakes, check dams, revival of ponds and spring boxes have been implemented in 2020. These interventions spread across Khadakwasla, Special Reserve Police Force's Wadachiwadi area, Aundh Military area have resulted in conservation of over 1459 Million Gallons of water.

**Phaltan Town Development** project was conceived with a vision to make Phaltan the best in its category and size in India by 2030. There are many components of a model town, however, a need assessment of the town indicated that solid waste management required most attention, hence was taken up on priority to be addressed. PMT undertook various new initiatives in FY 2020-21. To improve sanitation and hygiene amongst students to effectively tackle COVID-19 and other health related issues, Handwash station has been installed in 26 schools, positively impacting more than 18,000 students. To reduce waste going to landfills from various wards, Self Sufficient Wards was launched this year to promote waste recycle and tackling waste at source. Around 29,200 kgs of waste were diverted from going to landfills.

Cummins commitment towards **holistic rural development** has touched the lives of people in 25 villages in 2020. This program benefits more than 50,000 lives in rural areas. With the support of the village community, partnerships with the expert NGOs and government agencies we have now successfully replicated model village work at all plant locations in India. In Year 2020, Cummins continued support for holistic development of villages with focus in increasing income of families. With help from subject matter experts and scientific approach, Organic Farming and Community Farming program was scaled up. So far 559 Model farmers are developed and have adopted 100% organic farming practice. Organic farming complemented with the use of new equipment has resulted into increased agricultural yield to which doubled income of many families. For increasing income from dairy farming ~ 60 farmers were given training by a Subject matter expert agency. This resulted in significant increase in milk production.

**Empower-Her** is an initiative for financial inclusion and independence of women at model villages. Under this program, we launched the initiative “Udgam” at Phaltan Megasite 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. Responding to the pandemic situation of COVID-19, Cummins extended support to all 25 model villages in India. More than 6,000 PPE kits were provided to Health workers and Anganwadi workers. Sanitization of Common places was done using sodium hypochlorite in each village. Sanitizers were provided to Village Panchayat along with a setup of Hand wash center. 1586 Needy families of Daily wage earners and labors in model villages were supported by providing ration kits during lock down.

**Cummins College of Engineering for Women (CCEW)**, was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha. Our collaboration with Cummins College of Engineering for Women, Pune has come a long way with the 25<sup>th</sup> batch graduating. Cummins’ senior executives are deeply involved in this signature project, frequently interacting with the staff and students. COVID-19 impacted every sector known in a significant way. Annual Year 2020-21 was a significantly challenging year for education. The whole academic calendar was impacted, prioritizing student’s safety there was a paradigm shift in the way of learning. CCEW along with Cummins tackled this challenge strategically and ensured that learning was not affected. Despite many challenges CCEW continued to uphold its high standard in education and was conferred as the Best College Award in Professional Urban category by University of Pune.

**Technical Education for Communities (TEC)** - In our effort to reach out to more students under TEC India, we have established a TEC site at Indore in partnership with dealers (Deccan sales and services), which is in addition to our two existing TEC associations with it is in Phaltan and Kolhapur. Along with uplifting the vocational education system TEC India is also committed towards nurturing female students and their representation in technical education at our TEC sites.

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

During the year, spends were directed towards projects that are scalable, sustainable and which have the potential to be replicated across locations, in the larger interests of the community. As detailed in the above table, projects worth Rs. 1608.48 Lacs were identified and reasonable and judicious spends were made as per project requirements. Your Company is committed to focus on employee engagement across all levels, on high impact community improvement projects, well beyond simply donating money.

### **COVID-19 Pandemic**

During the year, COVID-19 pandemic has made far reaching impacts globally. Even as the vaccine roll out and its administration is underway across the world, most communities are still coming to terms with the global human and economic devastation that COVID-19 pandemic has brought. As life returns to the new normal, the influence of the pandemic will take a long time to recover from.

Right from the beginning of the outbreak, Cummins has responded to the COVID-19 crisis through a series of immediate and emergency interventions addressing urgent and evolving needs on the ground. Through the crisis, we engaged with our partner organizations – governmental and non-governmental, to care for our communities. Through shared experiences of the pandemic, together, we discovered new and more meaningful ways to serve those most in need.

The purpose of our actions to respond to community needs amid the COVID-19 pandemic had been to provide support and relief through interventions that directly impact –

- Frontline COVID-19 warriors – groups directly fighting the pandemic – doctors, nurses, paramedics, health & sanitation workers
- Socially & Economically Disadvantaged – most impacted by the economic fallouts of the pandemic – Daily wage earners, migrant laborers in our communities
- Resource scarce communities – villages and slums in our communities which are vulnerable
- Through Cummins India Foundation (CIF), these efforts are channeled by - Partnerships with state, central, local government bodies to provide relief to those in urgent need
- Working with Organizations on the ground with a plan and structure in place to give immediate relief
- Partnerships with large industry associations who are amplifying and channelizing resources to quickly provide support directly to the hospitals and people working on the frontlines
- Leveraging internal and partner organizations' technical expertise to source scarce medical equipment

**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 2020-21.

For and on behalf of the Board of Directors,

	Steven Chapman Chairman	Ashwath Ram Managing Director	P.S. Dasgupta Chairman of the CSR Committee
Place : Pune			
Date : May 26, 2021	DIN: 00496000	DIN: 00149501	DIN: 00012552

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Cummins India Limited

#### Report on the Audit of the Standalone Ind AS Financial Statements

##### Opinion

We have audited the accompanying standalone Ind AS financial statements of Cummins India Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

##### Basis for Opinion

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters	How our audit addressed the key audit matter
<b>Revenue recognition</b> (refer note 1(i) (accounting policy), note 26 (financial disclosures) and note 35 (significant judgements and estimates) to the standalone Ind AS financial statements)	
Revenue for the year ended March 31, 2021 amounted to Rs. 432,924 lakhs.  Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The timing of such revenue recognition in case of sale of goods is when the control over the same is transferred to the customer.	Our audit procedures included: <ul style="list-style-type: none"> <li>● We obtained and read a sample of customer contracts and confirmed our understanding of the Company's sales process from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls.</li> <li>● We read and understood the Company's accounting policy for recognition of revenue.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p>The Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition.</p> <p>Given the nature of industry in which the Company operates and the variety of shipment terms with customers, along with local and global restrictions on account of the COVID-19 pandemic at the year end, ascertainment of timing of revenue recognition is a key focus area for the audit.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, this is considered as a key audit matter.</p>	<ul style="list-style-type: none"> <li>● We performed transaction testing based on a representative sampling of the sales orders, including transactions occurring at and around the year end to assess identification and satisfaction of performance obligations for revenue recognition. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. We also considered the impact of local and global restrictions on account of the COVID-19 pandemic on sales cut off procedures.</li> <li>● Compared revenue with historical trends and where appropriate, conducted further enquiries and testing.</li> <li>● We assessed the disclosures made with respect to revenue in the standalone Ind AS financial statements.</li> </ul>
<p><b>Significant judgements and estimates in ascertaining warranty provision</b> (refer note 1(n) (accounting policy), note 19 and note 39(i) (financial disclosures) and note 35 (significant judgements and estimates) to the standalone Ind AS financial statements)</p>	
<p>The Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The reserve for product warranties includes the expected costs of warranty obligations imposed by the contract, as well as the expected costs for additional policy coverage. In addition, the Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical claim experience for the Company's engines along with the Company's assessment of any impact of the COVID-19 pandemic.</p> <p>We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the standalone Ind AS financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● We obtained understanding of the warranty process, and the assumptions used by the management in the process of calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls.</li> <li>● We evaluated management's methodology and assumptions used in the warranty provision calculations and assessed the impact of any changes to the terms of warranty, if any, on account of the COVID-19 pandemic.</li> <li>● We tested completeness, arithmetical accuracy and validity of the data used in the warranty calculations.</li> <li>● We assessed the disclosure of warranty provision made in the standalone Ind AS financial statements.</li> </ul>
<p><b>Transactions with related parties</b> (refer note 41 (financial disclosures) to the standalone Ind AS financial statements)</p>	
<p>The Company has various related party transactions which include, amongst others, sale and purchase of goods/services, and services rendered to and received from its subsidiary, associate, joint ventures and other related parties.</p> <p>In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of the Act and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● We obtained an understanding of the Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls.</li> <li>● Obtained a complete list of related parties from the management and traced the related parties to declarations given by directors, where applicable, and to note 41 of the standalone Ind AS financial statements</li> <li>● Read minutes of the meetings of the Board of Directors and Audit Committee and assessed whether approvals have been obtained by the management, as required by Act and LODR.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>● We assessed the management's evaluation of compliance with the provisions of Section 177 and Section 188 of the Act and LODR.</li> <li>● We assessed the management's reconciliations with related parties for balances outstanding as at the year end.</li> <li>● We read the status of tax assessments to assess litigations with respect to related party transactions.</li> <li>● We evaluated the disclosures in accordance with Ind AS 24, Related Party Disclosures, in the standalone Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.</li> </ul>

### Other Information

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

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

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

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act; and
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 36 to the standalone Ind AS financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

### For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

### per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 21501160AAAABR4600

Place : Pune

Date: May 26, 2021

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

### **Re: Cummins India Limited (“the Company”)**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment, right-of-use asset and investment properties are held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the manufacture of engines, gensets and spare parts, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and services tax, cess and other statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, profession tax, employees’ state insurance, income-tax, duty of custom, goods and services tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and services tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. Lakhs) #*	Period to which the amount pertains	Forum where dispute is pending
Finance Act, 1994	Demand for short / non-payment of Service tax	128	FY 2014-15	CESTAT
Finance Act, 1994	Disallowance of CENVAT credit on input services	186	FY 2010-11 to FY 2015-16	CESTAT
Finance Act, 1994	Rejection of refund claim	Nil (Amount recoverable from department Rs. 90)	FY 2017-18	CESTAT
Central Excise Act, 1944	Rejection of rebate claim	Nil (Amount recoverable from department Rs. 82)	FY 2007-08	CESTAT
Customs Act, 1962	Rejection of duty drawback claim	1,296	FY 2005-06 to FY 2009-10	Commissioner Customs
Goods and Services Act, 2017	Rejection of refund claim	Nil (Amount recoverable Rs. 114)	FY 2017-18	Commissioner (Appeals)
Goods and Services Act, 2017	Rejection of refund claim	Nil (Amount recoverable Rs. 187)	FY 2018-19	Commissioner (Appeals)
Income Tax Act, 1961	Demand on account of transfer pricing adjustments and other corporate tax disallowances	1,209	FY 2014-15	Income tax Appellate Tribunal, Pune
Income Tax Act, 1961	Demand on account of various disallowances	Nil (Net of amount recoverable from department Rs. 879)	FY 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Demand on account of various disallowances	Nil (Net of amount recoverable from department Rs. 310)	FY 2005-06	Income tax Appellate Tribunal, Pune

Name of the statute	Nature of dues	Amount (Rs. Lakhs) #*	Period to which the amount pertains	Forum where dispute is pending
The Maharashtra Sales Tax on Transfer of property in goods involved in the execution of works Contract (Re-enacted) Act, 1989	Demand on account of Purchase Tax/Works contract Tax and surcharge thereon	183 (Net of amount recoverable from department Rs. 28)	FY 1999-00	High Court, Mumbai
The Central Sales Tax Act, 1956 / Bombay Sales Tax Act, 1959 (B.S.T.) / Maharashtra Value Added Tax Act, 2002	Disallowances of sales tax declaration forms, disallowances of set off and interest thereon, taxation of sales turnover under B.S.T. Act, disallowance of claim of VAT set-off and inter-state sale u/s 3(a) of C.S.T. Act, 1956	502 (Net of amount paid under protest of Rs. 50 and refund amount recoverable from department Rs. 891)	FY 2006-07 to FY 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	Nil (Net of amount paid under protest of Rs. 50 and refund amount recoverable from department Rs. 1,598)	FY 2004-05 and FY 2009-10 to FY 2015-16	Joint Commissioner of Sales Tax, Appeal-1, Pune
Tamil Nadu Value Added Tax Act, 2006	Disallowance of input tax credit on clearance to SEZ unit	Nil (Net of amount paid under protest Rs. 160)	FY 2009-10 to FY 2014-15	Sales Tax Appellate Tribunal, Chennai
The West Bengal VAT Act, 2003	Levy of VAT on certain transactions	5	FY 2005-06	Joint Commissioner (Appeals) at Asansol
Jharkhand Value Added Tax Act, 2005	Demand on account of sales suppression and difference between road permit value and actual stock transfer value	11	FY 2010-11	Joint Commissioner (Appeals) at Ranchi
The Madhya Pradesh VAT Act, 2002	Demand on account of disallowances	221	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Central Sales Tax Act, 1956	Demand on account of disallowances	13	FY 2015-16	Assistant Commercial Tax Officer at Singrauli
The Entry Tax Act, 1976	Demand on account of disallowances	35	FY 2015-16	Assistant Commercial Tax Officer at Singrauli

# Amounts disclosed above are excluding interest and penalty.

\*Not yet deposited

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution or bank. The Company has not issued any debentures.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Tridevlal Khandelwal**

Partner

Membership Number: 501160

UDIN: 21501160AAAABR4600

Place : Pune

Date: May 26, 2021

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

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

We have audited the internal financial controls over financial reporting of Cummins India Limited (“the Company”) as of March 31, 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”), issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, 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 Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls with reference to standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

#### **Meaning of Internal Financial Controls with reference to Standalone Ind AS Financial Statements**

A company’s internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls with reference to Standalone Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls with reference to standalone Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone Ind AS financial statements and such internal financial controls with reference to standalone Ind AS financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

### **For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

### **per Tridevlal Khandelwal**

Partner

Membership Number: 501160

UDIN: 21501160AAAABR4600

Place : Pune

Date: May 26, 2021

## BALANCE SHEET AS AT MARCH 31, 2021

₹ Lacs

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.1	113,618	119,526
Capital work-in-progress (including investment property in progress)	2.3	7,940	7,025
Right-of-use assets	37	2,851	3,056
Investment properties	3	101,992	103,664
Intangible assets	2.2	67	186
Intangible assets under development	2.3	4,812	978
Financial assets			
Investments in a subsidiary, joint ventures and an associate	4	3,735	3,735
Other investments	4	519	533
Other non-current financial assets	5	1,365	2,877
Income tax assets (net)	6	4,221	11,119
Other non-current assets	7	5,403	6,615
		<b>246,523</b>	<b>259,314</b>
<b>Current assets</b>			
Inventories	8	55,784	57,292
Financial assets			
Investments	9	32,669	78,146
Trade receivables	10	107,445	113,159
Cash and cash equivalents	11	12,152	18,142
Other bank balances	12	84,366	28,308
Other current financial assets	13	13,800	20,517
Other current assets	14	14,968	19,083
Assets classified as held for sale	15	1,985	1,444
		<b>323,169</b>	<b>336,091</b>
	<b>TOTAL</b>	<b>569,692</b>	<b>595,405</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16	5,544	5,544
Other equity			
Retained earnings	17	319,684	296,720
Other reserves	17	115,449	115,232
		<b>440,677</b>	<b>417,496</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Lease liabilities	37	1,369	1,577
Other non-current financial liabilities	18	2,510	3,522
Provisions	19	7,166	9,189
Deferred tax liabilities (net)	20	8,233	8,004
Other non-current liabilities	21	275	106
		<b>19,553</b>	<b>22,398</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings			
Trade payables	22	1,564	48,536
Total outstanding dues from micro and small enterprises	23	4,249	1,883
Total outstanding dues of creditors other than micro and small enterprises	23	68,680	67,759
Lease liabilities	37	337	257
Other current financial liabilities	24	11,590	16,619
Other current liabilities	25	8,221	4,774
Provisions	19	14,821	15,683
		<b>109,462</b>	<b>155,511</b>
	<b>TOTAL</b>	<b>569,692</b>	<b>595,405</b>

The accompanying notes are an integral part of these financial statements.  
As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number : 324982E/E300003

For and on behalf of the Board

per Trideval Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26, 2021

Place: Pune  
Date: May 26, 2021

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021**

₹ Lacs

Particulars	Notes	Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue from operations	26	<b>432,924</b>	515,773
Other income	27	<b>37,015</b>	33,154
<b>Total income</b>		<b>469,939</b>	548,927
<b>Expenses:</b>			
Cost of materials consumed	28.1	<b>234,455</b>	261,255
Purchases of traded goods		<b>43,466</b>	72,186
Change in inventories of finished goods, work-in-progress and traded goods	28.2	<b>(1,862)</b>	3,344
Employee benefits expense	29	<b>49,263</b>	56,018
Finance costs	30	<b>1,617</b>	2,025
Depreciation and amortisation expense	2, 3, 37	<b>12,552</b>	11,866
Other expenses	31	<b>49,652</b>	64,342
<b>Total expenses</b>		<b>389,143</b>	471,036
<b>Profit before exceptional items and tax</b>		<b>80,796</b>	77,891
Exceptional items	45	-	1,985
<b>Profit before tax</b>		<b>80,796</b>	75,906
<b>Tax expense</b>			
Current tax	20	<b>18,775</b>	14,253
Deferred tax	20	<b>234</b>	(1,281)
<b>Total tax expense</b>		<b>19,009</b>	12,972
<b>Profit after tax</b>		<b>61,787</b>	62,934
<b>Other Comprehensive Income (OCI)</b>			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement (loss) / gain on defined benefit plans		<b>(20)</b>	(2,348)
Income tax effect		<b>5</b>	591
Net other comprehensive (expense) / income not to be reclassified to profit or loss in subsequent periods		<b>(15)</b>	(1,757)
<b>Other comprehensive (expense) / income for the year, net of tax</b>		<b>(15)</b>	(1,757)
<b>Total comprehensive income for the year, net of tax</b>		<b>61,772</b>	61,177
<b>Earnings per equity share:</b>			
Basic and diluted earnings per share (₹)	32	<b>22.29</b>	22.70
(Nominal value per share ₹ 2)			

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

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26, 2021

Place: Pune  
Date: May 26, 2021

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2021

₹ Lacs

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>I. Cash generated from operating activities</b>		
Profit before tax	<b>80,796</b>	75,906
<b>a) Adjustments to reconcile profit before tax to net cash flows</b>		
Depreciation and amortisation expense	<b>12,552</b>	11,866
Finance costs	<b>1,617</b>	2,025
Interest income	<b>(7,594)</b>	(5,779)
Dividend income	<b>(9,667)</b>	(7,502)
Loss/(gain) on assets sold, discarded, etc.	<b>2,077</b>	408
(Gain)/loss on redemption /sale of investments (net)	<b>(2,387)</b>	(3,140)
Equity contribution from Holding company	<b>217</b>	178
Unrealised foreign exchange fluctuation (net)	<b>(672)</b>	(1,316)
Mark to market ('MTM') of financial instruments	<b>35</b>	672
Provision for doubtful debts (net)	<b>(146)</b>	1,229
	<b>(3,968)</b>	(1,359)
<b>b) Working capital adjustments</b>		
Trade receivables	<b>5,851</b>	14,629
Inventories	<b>1,508</b>	5,244
Current and non-current financial assets	<b>775</b>	701
Other current and non-current assets	<b>4,931</b>	(1,980)
Trade payables	<b>3,052</b>	(14,449)
Current and non-current financial liabilities	<b>(6,051)</b>	762
Other current and non-current liabilities	<b>3,616</b>	(1,218)
Current and non-current provisions	<b>(3,404)</b>	(2,245)
	<b>10,278</b>	1,444
<b>Total adjustments (a+b)</b>	<b>6,310</b>	85
<b>Cash generated from operating activities</b>	<b>87,106</b>	75,991
Tax paid (net of refunds and interest thereon)	<b>(8,321)</b>	(16,093)
<b>Net cash generated from operating activities</b>	<b>78,785</b>	59,898
<b>II. Cash flows (used in) / from investing activities</b>		
Purchase of property, plant and equipment and investment property	<b>(7,783)</b>	(24,789)
Proceeds from sale of property, plant and equipment	<b>216</b>	2,103
Intangible assets under development	<b>(3,834)</b>	(978)
Interest received	<b>4,038</b>	5,779
Dividend received	<b>9,667</b>	7,502
Investments		
Sale/(Purchase) of short term investments (net)	<b>47,878</b>	(50,745)
Term deposits with banks	<b>(48,629)</b>	39,781
<b>Net cash (used in) / from investing activities</b>	<b>1,553</b>	(21,347)

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)**

₹ Lacs

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>III. Cash flows (used in) / from financing activities</b>		
Proceeds from borrowings / repayment (net)	(46,972)	17,620
Finance costs	(1,118)	(1,542)
Payment of principal portion of lease liabilities	(346)	(359)
Dividend paid (including tax on dividend)	(38,808)	(56,811)
<b>Net cash (used in) / from financing activities</b>	<b>(87,244)</b>	<b>(41,092)</b>
<b>IV. Net change in cash and cash equivalents (I+II+III)</b>	<b>(6,906)</b>	<b>(2,541)</b>
<b>V. Net foreign exchange difference</b>	<b>916</b>	<b>1,149</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>18,142</b>	<b>19,534</b>
<b>VII. Cash and cash equivalents at the end of the year (IV+V+VI)</b>	<b>12,152</b>	<b>18,142</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	1	2
Bank Balances		
In current accounts	12,151	18,140
<b>Total cash and cash equivalents (Refer note 11)</b>	<b>12,152</b>	<b>18,142</b>

The accompanying notes are an integral part of these financial statements

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26, 2021

Place: Pune  
Date: May 26, 2021

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

### A) Equity share capital

Particulars	₹ Lacs
As at April 1, 2019	5,544
Changes in equity share capital during the year ended March 31, 2020	-
As at March 31, 2020	5,544
Changes in equity share capital during the year ended March 31, 2021	-
<b>As at March 31, 2021</b>	<b>5,544</b>

### B) Other equity

₹ Lacs

Particulars	Retained earnings (Refer note 17)	Other reserves			Total
		General reserve (Refer note 17)	Capital redemption reserve (Refer note 17)	Equity contribution from Cummins Inc.- Share based payments* (Refer note 17)	
<b>Balance as at April 1, 2019</b>	<b>292,447</b>	<b>114,202</b>	<b>70</b>	<b>782</b>	<b>407,501</b>
Less: Effect of adoption of Ind AS 116 Leases	(93)	-	-	-	(93)
<b>Balance as at April 1, 2019</b>	<b>292,354</b>	<b>114,202</b>	<b>70</b>	<b>782</b>	<b>407,408</b>
Add: Profit for the year	62,934	-	-	-	62,934
Add: Equity contribution during the year	-	-	-	178	178
Other comprehensive income	(1,757)	-	-	-	(1,757)
<b>Total comprehensive income for the year</b>	<b>61,177</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>61,355</b>
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2018-2019	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
<b>Balance as at March 31, 2020</b>	<b>296,720</b>	<b>114,202</b>	<b>70</b>	<b>960</b>	<b>411,952</b>
Add: Profit for the year	61,787	-	-	-	61,787
Add: Equity contribution during the year	-	-	-	217	217
Other comprehensive income	(15)	-	-	-	(15)
<b>Total comprehensive income for the year</b>	<b>61,772</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>61,989</b>
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Final dividend for FY 2019-2020	19,404	-	-	-	19,404
<b>Balance as at March 31, 2021</b>	<b>319,684</b>	<b>114,202</b>	<b>70</b>	<b>1,177</b>	<b>435,133</b>

\* Scheme managed and administered by the Holding Company.

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune

Place: Pune

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 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, 2021 were authorised for issue in accordance with the resolution of the directors on May 26, 2021.

#### b) Basis of preparation:

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

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

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

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### c) Fair value measurements

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

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

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

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

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

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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)

### 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.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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.

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, 2021

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 consideration to which 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.

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

#### ii) Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased by them during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer and are reduced from revenue. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

#### iii) Warranty obligations

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

#### iv) Sale of services - installation services

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

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

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

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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.
- 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-

## Notes to Standalone Financial Statements for the year ended March 31, 2021

use assets are also subject to impairment. Refer to the accounting policies in section “o” impairment of non-financial assets.

### Lease Liabilities

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

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

### Short-term leases and leases of low-value assets

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

### Company as a lessor

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

## k) Employee benefits

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

### 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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

employees which are administered through Company managed trust/Life Insurance Corporation of India.

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

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

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
- 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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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.

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

### n) **Provisions and contingent liabilities**

A provision is recognised when there is a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made where there is a possible obligation arising out of past event, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation arising out of past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

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

### o) **Impairment of non financial assets**

The Company tests 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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

difference is reversed, but not higher than the amount provided for.

### p) **Cash and cash equivalents**

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

### q) **Segment reporting**

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

### r) **Government grants**

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

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

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

### s) **Financial instruments**

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

#### **Financial assets**

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

#### A) **Debt instruments**

- i) Debt instruments at amortised cost: 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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has not classified any financial assets under this category.

- iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or 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.

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

a reduction from the net carrying amount of the trade receivable, loan, deposits and lease receivable respectively.

### Financial Liabilities

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

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

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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, 2021

### 2.1 Property, plant and equipment (PPE)

Particulars	Gross block			Depreciation and Amortisation				Net block		
	As at April 1, 2020	Additions	Adjustment***	Deductions / Write-off	As at March 31, 2021	For the year	Adjustment***	Deductions / Write-off	As at March 31, 2021	As at March 31, 2021
Freehold land @	3,612	-	-	-	3,612	-	-	-	-	3,612
Leasehold Improvements	607	-	-	-	607	6	-	-	55	552
Roads	2,729	264	-	-	2,993	245	-	-	2,022	971
Buildings #	83,364	632	27	34	83,989	2,164	13	9	14,230	69,759
Plant and machinery # **	105,498	3,716	(1,487)	6,743	100,984	4,832	(948)	4,559	64,860	36,124
Furniture and fittings #	5,163	87	(8)	84	5,158	551	(4)	70	2,730	2,428
Vehicles	474	-	11	27	458	52	14	25	286	172
	<b>201,447</b>	<b>4,699</b>	<b>(1,457)</b>	<b>6,888</b>	<b>197,801</b>	<b>7,850</b>	<b>(925)</b>	<b>4,663</b>	<b>84,183</b>	<b>113,618</b>
<b>2.2 Intangible assets</b>										
Software	2,375	14	-	1,727	662	65	-	1,659	595	67
Technical knowhow	2,060	-	-	-	2,060	-	-	-	2,060	-
	<b>4,435</b>	<b>14</b>	<b>-</b>	<b>1,727</b>	<b>2,722</b>	<b>65</b>	<b>-</b>	<b>1,659</b>	<b>2,655</b>	<b>67</b>

### 2.3 Capital work-in-progress and intangible assets under development

Particulars	As at April 1, 2020		Additions		Total		Capitalisation		Total	
	As at April 1, 2020		PPE	Intangible assets	PPE	Intangible assets	PPE	Intangible assets	Capitalisation	Investment properties
Capital work-in-progress	7,025	6,864	-	1,293	8,157	4,699	-	2,543	7,242	7,940
Intangible assets under development	978	-	3,848	-	3,848	-	14	-	14	4,812
	<b>8,003</b>	<b>6,864</b>	<b>3,848</b>	<b>1,293</b>	<b>12,005</b>	<b>4,699</b>	<b>14</b>	<b>2,543</b>	<b>7,256</b>	<b>12,752</b>

#### 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 cancelable/ non-cancellable operating lease

\*\* includes write off of certain old unusable tangible assets amounting to ₹ 2,319 lacs (net book value) charged off to other expense (Refer note 31).

Intangible assets under development as at March 31, 2021 includes expenditure for development cost of two products.

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 2.1 Property, plant and equipment (Contd.)

Particulars	Gross block				Depreciation and Amortisation				Net block As at March 31, 2020	
	As at April 1, 2019	Additions	Adjust- ment***	Deductions / Write-off	As at March 31, 2020	As at April 1, 2019	For the year	Adjust- ment**		Deductions / Write-off
Land										
- Freehold @	4,965	-	(1,353)	-	3,612	-	-	-	-	3,612
- Leasehold **	1,564	-	(1,564)	-	-	117	(117)	-	-	-
Leasehold Improvements	614	-	(7)	-	607	45	(1)	49	558	558
Roads	2,728	308	(307)	-	2,729	1,553	(17)	1,777	952	952
Buildings #	101,546	9,850	(27,985)	47	83,364	12,491	(2,376)	16	12,062	71,302
Plant and machinery #	96,229	22,028	(2,213)	10,546	105,498	68,100	(13)	8,081	65,535	39,963
Furniture and fittings #	4,625	821	(175)	108	5,163	1,952	16	95	2,253	2,910
Vehicles	462	61	6	55	474	246	6	53	245	229
	<b>212,733</b>	<b>33,088</b>	<b>(33,598)</b>	<b>10,756</b>	<b>201,447</b>	<b>84,504</b>	<b>(2,502)</b>	<b>8,245</b>	<b>81,921</b>	<b>119,526</b>
Software	2,349	46	-	20	2,375	2,103	-	20	2,189	186
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	2,060	-
	<b>4,409</b>	<b>46</b>	<b>-</b>	<b>20</b>	<b>4,435</b>	<b>4,163</b>	<b>-</b>	<b>20</b>	<b>4,249</b>	<b>186</b>

### 2.2 Intangible assets

#### NOTES:

@ 1) Includes reservations by Pune Municipal Corporation for Economically Weaker Section (EWS), Maternity Home and Road.  
2) Includes undivided share of land, on purchase of office premises.

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

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

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

₹ Lacs

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	<b>Year ended March 31, 2021 ₹ Lacs</b>	Year ended March 31, 2020 ₹ Lacs
<b>3 Investment properties</b>		
<b>Gross</b>		
Opening balance	<b>113,866</b>	77,263
Additions	<b>2,543</b>	4,325
Re-classification from property, plant and equipment	<b>-</b>	32,278
<b>Closing balance</b>	<b>116,409</b>	113,866
<b>Depreciation</b>		
Opening balance	<b>10,202</b>	4,461
Depreciation	<b>4,215</b>	3,165
Re-classification from property, plant and equipment	<b>-</b>	2,576
<b>Closing balance</b>	<b>14,417</b>	10,202
<b>Net</b>	<b>101,992</b>	103,664

### Information regarding income and expenditure of investment properties

	<b>Year ended March 31, 2021 ₹ Lacs</b>	Year ended March 31, 2020 ₹ Lacs
Rental income derived from investment properties	<b>12,227</b>	7,016
Direct operating expenses (including repairs and maintenance) generating rental income	<b>1,046</b>	787
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>11,181</b>	6,229
Less: Depreciation	<b>4,215</b>	3,165
<b>Profit arising from investment properties before indirect expenses</b>	<b>6,966</b>	3,064

The investment properties consist of office premises and plants. As at March 31, 2021 the fair value of the properties is **₹ 122,861 lacs** (As at March 31, 2020: ₹ 121,584 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant and equipment as applicable.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 44.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2021	Range (weighted average) March 31, 2020
Income approach (Discounted Cash flow (DCF) method)	Estimated rental value per sq ft per month	₹ 31.50 - ₹ 111.55	₹ 31 - ₹ 103
	Rent growth p.a.	<b>3% - 15% every 3 years or based on market assessment</b>	15% every 3 years or based on market assessment
	Discount rate	<b>11.07% to 12.07%</b>	11.66% to 12.66%

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, 2021

### 4 Non-Current Investments :

As at March 31, 2021 Units	As at March 31, 2020 Units	Face value per unit ₹		As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
			<b>Investment in subsidiary, joint- ventures and an associate</b>		
			<i>Unquoted equity instruments (at cost)</i>		
			<b>Investment in subsidiary</b> (fully paid up)		
<b>12,000,000</b>	12,000,000	10	Cummins Sales & Service Private Limited (% Holding: 100%) (Incorporated in India)	<b>1,200</b>	1,200
			<b>Investments in joint ventures</b> (fully paid up)		
<b>9,500,000</b>	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	<b>804</b>	804
<b>114,600</b>	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	<b>11</b>	11
			<b>Investment in associate</b> (fully paid up)		
<b>779,997</b>	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	<b>1,720</b>	1,720
			<b>Total</b>	<b>3,735</b>	3,735
			<b>Other investments</b>		
			<i>Quoted Government of India Bonds (at amortised cost)</i>		
<b>50,000,000</b>	50,000,000	1	8.35% Government of India 2022	<b>519</b>	533
			<b>Aggregate book value / market value of quoted investments</b>	<b>519</b>	533
			<b>Total</b>	<b>519</b>	533

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>5 Other non-current financial assets (carried at amortised cost)</b>		
<b>Unsecured, considered good</b>		
Security deposits	1,365	2,877
<b>Total</b>	<b>1,365</b>	<b>2,877</b>
<b>6 Income tax assets (net)</b>		
Advance income tax (net of provision for taxation)	4,221	11,119
<b>Total</b>	<b>4,221</b>	<b>11,119</b>
<b>7 Other non-current assets</b>		
<b>Unsecured, considered good</b>		
Capital advances	1,777	2,173
Balances with statutory/government authorities	3,389	4,442
Others *	237	-
<b>Total</b>	<b>5,403</b>	<b>6,615</b>
* Others include prepaid expenses		
<b>8 Inventories</b>		
Raw materials and components (includes goods in transit)	27,858	31,395
Work-in-progress (includes goods lying with third parties)	13,254	12,376
Finished goods (includes goods in transit and lying with third parties) *	12,278	11,567
Traded goods (includes goods in transit)	843	570
Stores and spares	728	724
Loose tools	823	660
<b>Total</b>	<b>55,784</b>	<b>57,292</b>

\* During the year ended March 31, 2021 ₹ (157) Lacs (March 31, 2020: ₹ (8) Lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 9 Current Investments :

As at March 31, 2021 Units	As at March 31, 2020 Units	Face value per unit ₹		As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
			<b>Current investments</b>		
			<i>Unquoted mutual funds valued at fair value through profit and loss</i>		
-	414,539	1,000	Axis Liquid Fund - Direct Growth	-	9,138
<b>154,818</b>	-	1,000	Axis Liquid Fund - Regular Growth	<b>3,519</b>	-
-	631,099	100	Aditya Birla Sun Life Liquid Fund - Growth-Direct Plan	-	2,017
<b>1,374,981</b>	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	<b>4,528</b>	-
-	136,251	1,000	Franklin India liquid Fund - Super Institutional Plan - Direct - Growth	-	4,065
<b>63,971</b>	287,259	1,000	HDFC Liquid Fund - Direct Plan - Growth	<b>2,588</b>	11,222
-	3,439,788	100	ICICI Prudential liquid Fund - Growth Direct	-	10,105
<b>1,966,222</b>	-	100	ICICI Prudential liquid Fund - Regular Plan - Growth	<b>5,959</b>	-
<b>72,746</b>	227,008	1,000	Kotak Liquid Direct Plan Growth	<b>3,026</b>	9,114
-	224,099	1,000	L&T Liquid Fund Direct Plan - Growth	-	6,098
-	209,971	1,000	Nippon India Liquid Fund - Direct Growth Plan Growth Option	-	10,185
<b>60,337</b>	-	1,000	Nippon India Liquid Fund - Growth Plan Growth Option	<b>3,015</b>	-
-	292,936	1,000	SBI Liquid Fund - Direct Plan - Growth	-	9,106
-	31,957	1,000	Tata Liquid Fund Direct Plan - Growth	-	1,001
<b>155,370</b>	-	1,000	Tata Liquid Fund - Regular Plan - Growth	<b>5,010</b>	-
-	187,449	1,000	UTI Liquid Cash Plan - Direct Growth Plan	-	6,095
<b>149,819</b>	-	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	<b>5,024</b>	-
			<b>Total</b>	<b>32,669</b>	<b>78,146</b>

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>10 Trade receivables (carried at amortised cost)</b>		
Trade receivables	<b>83,010</b>	85,070
Receivables from related parties (Refer note 41)	<b>24,435</b>	28,089
<b>Total</b>	<b>107,445</b>	113,159
<b>Break up for security details</b>		
Secured, considered good	<b>25,697</b>	24,899
Unsecured, considered good	<b>81,748</b>	88,355
Trade receivable which have significant increase in credit risk	<b>520</b>	586
Trade receivable - credit impaired	<b>852</b>	947
	<b>108,817</b>	114,787
<b>Impairment allowance (allowance for bad and doubtful debts)</b>		
Unsecured, considered good	-	-
Provision for impairment	<b>(520)</b>	(681)
Trade receivable - credit impaired	<b>(852)</b>	(947)
	<b>(1,372)</b>	(1,628)
<b>Total</b>	<b>107,445</b>	113,159
<p>No trade receivable or advances are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member amounts to ₹ 1,668 lacs (March 31, 2020: ₹ 677 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.</p> <p>For terms and conditions and transactions with related parties refer note 41.</p>		
<b>11 Cash and cash equivalents (carried at amortised cost)</b>		
Cash on hand	<b>1</b>	2
Bank balances		
In current accounts	<b>12,151</b>	18,140
<b>Total</b>	<b>12,152</b>	18,142
<b>12 Other bank balances</b>		
Unpaid dividend account (restricted)	<b>1,316</b>	1,341
Deposits with Banks (original maturity more than 3 months but less than 1 year)	<b>83,050</b>	26,967
<b>Total</b>	<b>84,366</b>	28,308

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)</b>		
<b>Unsecured, considered good:</b>		
Security deposits	1,254	1,518
Deposits with Banks (with residual maturity less than 12 months)	8,308	15,762
Contract assets <sup>^</sup>	2,679	1,394
Foreign exchange forward contracts #	35	-
Others *	1,524	1,843
<b>Total</b>	<b>13,800</b>	<b>20,517</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.		
# Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.		
* Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.		
Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to <b>₹ 1,122 lacs</b> (March 31, 2020: ₹ 647 lacs). Refer note 41 for related party transactions.		
<b>14 Other current assets</b>		
<b>Unsecured, considered good:</b>		
Balances with statutory/government authorities	10,734	14,901
Others *	4,234	4,182
<b>Total</b>	<b>14,968</b>	<b>19,083</b>
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
<b>15 Assets classified as held for sale</b>		
Assets held for sale (at lower of cost or fair value less cost to sell) *	1,985	1,444
<b>Total</b>	<b>1,985</b>	<b>1,444</b>

\* Includes land, building, plant and machinery held for sale where the Company is in the process of disposal.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
<b>16 Equity share capital</b>		
<b>Authorised :</b>		
400,000,000 equity shares of ₹ 2 each	<b>8,000</b>	8,000
<b>Issued, subscribed and fully paid-up shares:</b>		
277,200,000 equity shares of ₹ 2 each	<b>5,544</b>	5,544
<b>Total</b>	<b>5,544</b>	5,544

### a) Reconciliation of number of shares

Equity shares:

	<b>As at March 31, 2021</b>		As at March 31, 2020	
	<b>Number of Shares</b>	<b>₹ Lacs</b>	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	<b>277,200,000</b>	<b>5,544</b>	277,200,000	5,544

### b) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each shareholder is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

### c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Of the above equity shares, 141,372,000 (March 31, 2020 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

### d) Details of shareholders holding more than 5% of the aggregate shares in the Company

	<b>As at March 31, 2021</b>		As at March 31, 2020	
	<b>Nos.</b>	<b>%</b>	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	<b>141,372,000</b>	<b>51.00%</b>	141,372,000	51.00%
SBI Blue Chip Fund	<b>15,067,261</b>	<b>5.44%</b>	17,200,470	6.21%
Life Insurance Corporation Of India	<b>16,970,534</b>	<b>6.12%</b>	15,799,308	5.70%

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>17 Other equity</b>		
Retained earnings	<b>319,684</b>	296,720
	<b>319,684</b>	296,720
<b>Other reserves</b>		
Capital redemption reserve	<b>70</b>	70
General reserve	<b>114,202</b>	114,202
Equity contribution from Holding Company	<b>1,177</b>	960
<b>Total</b>	<b>115,449</b>	115,232
<b>a) Retained earnings</b>		
	<b>Year Ended March 31, 2021 ₹ Lacs</b>	Year Ended March 31, 2020 ₹ Lacs
Opening balance as at April 1	<b>296,720</b>	292,447
Less: Effect of adoption of Ind AS 116 Leases	-	(93)
Add: Profit for the year	<b>61,787</b>	62,934
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	<b>(15)</b>	(1,757)
	<b>358,492</b>	353,531
Less:		
Interim dividend paid (₹ 7 per share)	<b>19,404</b>	19,404
Tax on interim dividend	-	3,989
Final dividend paid for the financial years ended March 31, 2020 (₹ 7 per share) and March 31, 2019 (₹ 10 per share)	<b>19,404</b>	27,720
Tax on final dividend for the financial year ended March 31, 2019	-	5,698
	<b>38,808</b>	56,811
<b>Closing balance as at March 31</b>	<b>319,684</b>	296,720

During the year March 31, 2020, the Company paid dividend to its shareholders. This resulted in payment of dividend distribution tax ('DDT') to the taxation authorities. The Company believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity. With effect from April 1, 2020, the Dividend Distribution Tax ('DDT') payable by the company under section 115O of Income Tax Act was abolished and a withholding tax was introduced on the payment of dividend. As a result, dividend is now taxable in the hands of the recipient.

### 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 **₹ 22,176 lacs** for the year ended March 31, 2021 (March 31, 2020: ₹ 19,404 lacs) which is **₹ 8** per fully paid up share (March 31, 2020: ₹ 7 per fully paid up share) and applicable tax on dividend. This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>b) Capital redemption reserve</b>		
Opening balance as at April 1	70	70
Add: Movement during the year	-	-
<b>Closing balance as at March 31</b>	<b>70</b>	<b>70</b>
<b>c) General reserve</b>		
General reserve denotes the amounts transferred from retained earnings on declaration of dividends as per the requirements of erstwhile Companies Act, 1956.		
Opening balance as at April 1	114,202	114,202
Add: Movement during the year	-	-
<b>Closing balance as at March 31</b>	<b>114,202</b>	<b>114,202</b>
<b>d) Equity contribution from the holding company</b>		
Certain employees are directly paid by the holding company through stock options.		
Opening balance as at April 1	960	782
Add: Movement during the year	217	178
<b>Closing balance as at March 31</b>	<b>1,177</b>	<b>960</b>
	<b>As at March 31, 2021 ₹ Lacs</b>	<b>As at March 31, 2020 ₹ Lacs</b>
<b>18 Other non-current financial liabilities</b>		
<b>Non current financial liabilities carried at amortised cost</b>		
Dealer deposit	2,384	2,173
Retention money	126	1,349
<b>Total</b>	<b>2,510</b>	<b>3,522</b>
<b>19 Provisions</b>		
Provision for post retirement benefit and compensated absences (Refer note 40)	10,711	11,634
Warranties (Refer note 39 (i))	6,977	8,756
Statutory matters (Refer note 39 (ii))	1,744	2,292
New Engine Performance Inspection (NEPI) (Refer note 39 (iii))	2,555	2,190
	<b>21,987</b>	<b>24,872</b>
Current provisions	14,821	15,683
Non-current provisions	7,166	9,189
<b>Total</b>	<b>21,987</b>	<b>24,872</b>

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 20 Income taxes

#### a) Deferred tax liabilities (net)

	Balance Sheet		Statement of profit and loss	
	As at March 31, 2021	As at March 31, 2020	Year Ended March 31, 2021	Year Ended March 31, 2020
	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
<b>Deferred tax assets</b>				
Provision for employee benefits	2,302	1,921	381	(429)
Other timing differences	1,378	1,918	(540)	1,042
<b>Total deferred tax assets</b>	<b>3,680</b>	<b>3,839</b>	<b>(159)</b>	<b>613</b>
<b>Deferred tax liabilities</b>				
Depreciation	11,913	11,826	87	(1,174)
Other timing differences	-	17	(17)	(85)
<b>Total deferred tax liabilities</b>	<b>11,913</b>	<b>11,843</b>	<b>70</b>	<b>(1,259)</b>
<b>Deferred tax (expense)/income</b>			<b>(229)</b>	<b>1,872</b>
<b>Net deferred tax liabilities</b>	<b>8,233</b>	<b>8,004</b>		

b) The major components of income tax expenses for the years ended March 31, 2021 and March 31, 2020 are:

#### Statement of Profit and Loss

	Year ended March 31, 2021	Year ended March 31, 2020
	₹ Lacs	₹ Lacs
<b>Profit and loss section</b>		
<b>Current income tax:</b>		
Current income tax charge	18,775	14,253
Adjustments in respect of current income tax of previous year	-	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	234	(1,281)
<b>Income tax expenses reported in the Statement of Profit and Loss</b>	<b>19,009</b>	<b>12,972</b>
<b>OCI section</b>		
Tax related to items recognised in OCI during the year	(5)	(591)
Net (gain)/loss on remeasurements of defined benefit plans	(5)	(591)

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 20 Income taxes (contd.)

	<b>Year ended March 31, 2021 ₹ Lacs</b>	Year ended March 31, 2020 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2021 and March 31, 2020		
Accounting profit before tax	<b>80,796</b>	75,906
India's statutory income tax rate	<b>25.17%</b>	25.17%
Tax at full rate	<b>20,335</b>	19,104
Adjustments:		
Dividend income (not subject to tax)	<b>(2,433)</b>	(1,888)
Capital gains	-	(5)
Impact of changes in tax rates	-	(2,095)
Impact on account of transfer of assets to investment properties	-	(2,385)
Others (deductible, non-deductible items, net)	<b>1,107</b>	241
<b>Total</b>	<b>(1,326)</b>	(6,132)
Income tax expenses reported in the Statement of Profit and Loss for the current year	<b>19,009</b>	12,972
d) <b>Deferred tax</b>		
Reconciliation of deferred tax liabilities (net) :		
Opening balances as at April 1	<b>8,004</b>	9,876
Tax expense/(income) during the year recognised in Statement of Profit and Loss	<b>234</b>	(1,281)
Tax expense/(income) during the year recognised in OCI	<b>(5)</b>	(591)
<b>Closing balance as at March 31</b>	<b>8,233</b>	8,004
	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
21 <b>Other non-current liabilities</b>		
Contract liabilities	<b>275</b>	106
<b>Total</b>	<b>275</b>	106

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>22 Borrowings</b>		
Working capital loan from bank	1,564	48,536
<b>Total</b>	<b>1,564</b>	<b>48,536</b>
<p>The loan is unsecured and repayable within one year. Interest is payable @ 3.59% - 7.20% (T-Bill / Repo / CD) adjusted by a reasonable spread p.a. The Company has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.</p> <p>The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.</p>		
<b>23 Trade payables</b>		
Trade payables to micro and small enterprises (Refer note 34)	4,249	1,883
Trade payables other than micro and small enterprises	32,841	32,448
Trade payables to related parties (Refer note 41)	35,839	35,311
<b>Total</b>	<b>72,929</b>	<b>69,642</b>
<p>Trade payables are non interest bearing and are normally settled in 30 to 90 days terms.</p> <p>For terms and conditions and transactions with related parties refer note 41.</p>		
<b>24 Other current financial liabilities</b>		
Unpaid dividend	1,316	1,341
Royalty (Refer note 41)	1,096	4,605
Support services payable (Refer note 41)	1,822	3,264
Retention money	2,375	2,946
Others including salaries, wages, bonus payable	4,981	4,463
<b>Total</b>	<b>11,590</b>	<b>16,619</b>
<p>Other current financial liabilities are non interest bearing and have an average term of 6 months.</p>		
<b>25 Other current liabilities</b>		
Statutory dues and other payables	5,583	2,798
Contract liabilities <sup>^</sup>	2,638	1,976
<b>Total</b>	<b>8,221</b>	<b>4,774</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. The significant increase in contract liabilities was mainly due to customer advances received and outstanding at the end of the year.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>26 Revenue from operations</b>		
Sale of products	404,063	478,225
Sale of services	21,546	27,935
	<u>425,609</u>	<u>506,160</u>
<b>Other operating revenue</b>		
Scrap sales	401	642
Export incentives	1,583	4,793
Others *	5,331	4,178
	<u>7,315</u>	<u>9,613</u>
<b>Revenue from operations</b>	<u>432,924</u>	<u>515,773</u>
* Others primarily includes testing income, engineering income, royalty income from dealers, etc.		
<b>Disaggregated revenue information</b>		
Set out below is the disaggregation of the Companies revenue from contracts with customers		
<b>Location</b>		
India	312,045	395,820
Outside India	119,296	115,160
<b>Total revenue from contracts with customers *</b>	<u>431,341</u>	<u>510,980</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	404,464	478,825
Services transferred over time	26,877	32,155
<b>Revenue from contract with customers *</b>	<u>431,341</u>	<u>510,980</u>
<b>Set out below is the amount of revenue recognised from</b>		
Amounts included in contract liabilities at the beginning of the year	2,082	2,777
Performance obligations satisfied in previous years	720	450
<b>Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price</b>		
Revenue as per contracted price	438,866	519,959
<b>Adjustments</b>		
Sales return	(3,776)	(3,294)
Discounts	(2,644)	(3,892)
Liquidated damages	(577)	(775)
Others	(528)	(1,018)
<b>Revenue from contract with customers *</b>	<u>431,341</u>	<u>510,980</u>
* Excludes export incentives		

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>27 Other income</b>		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	42	42
	<u>42</u>	<u>42</u>
Dividend income		
- On current investments designated at fair value through profit and loss	-	1
- On investments in associate and joint ventures carried at cost	9,667	7,501
	<u>9,667</u>	<u>7,502</u>
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	2,387	3,140
	<u>2,387</u>	<u>3,140</u>
Interest on term deposits and others *	7,552	5,737
Rent (Refer note 3 for rent on investment properties)	15,100	13,796
Exchange gain (net)	371	171
Miscellaneous income	1,896	2,766
	<u>24,919</u>	<u>22,470</u>
<b>Total</b>	<u><b>37,015</b></u>	<u><b>33,154</b></u>
* includes interest on income tax refund amounting to ₹ 3,556 lacs.		
<b>28.1 Cost of materials consumed</b>		
Inventory at the beginning of the year	31,395	33,455
Add : Purchases	230,918	259,195
Less : Inventory at the end of the year	27,858	31,395
<b>Total</b>	<u><b>234,455</b></u>	<u><b>261,255</b></u>

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>28.2 Changes in inventories of finished goods, work-in-progress and traded goods</b>		
<b>Inventories at the end of the year (Refer note 8)</b>		
Work-in-progress	13,254	12,376
Finished goods	12,278	11,567
Traded goods	843	570
<b>Subtotal (A)</b>	<b>26,375</b>	24,513
<b>Inventories at the beginning of the year (Refer note 8)</b>		
Work-in-progress	12,376	11,141
Finished goods	11,567	15,841
Traded goods	570	875
<b>Subtotal (B)</b>	<b>24,513</b>	27,857
<b>(Increase) / Decrease (B-A)</b>	<b>(1,862)</b>	3,344
<b>29 Employee benefits expense</b>		
Salaries, wages and bonus (net of amount capitalised)	41,355	47,438
Contribution to provident and other funds (Refer note 40)	5,388	5,620
Staff welfare expenses	2,520	2,960
<b>Total</b>	<b>49,263</b>	56,018
<b>30 Finance costs</b>		
Interest on borrowings and others	950	1,368
Interest cost on lease liabilities (Refer note 37)	168	174
<b>Total interest expense</b>	<b>1,118</b>	1,542
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39)	499	483
<b>Total</b>	<b>1,617</b>	2,025

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>31 Other expenses</b>		
Commission on sales	189	1,732
Consumption of stores and spare parts	4,573	4,496
Warranty expenses (Refer note 39)	3,464	7,308
Consumption of tools and gauges	525	759
Repairs to buildings	1,939	2,690
Repairs to machinery	840	1,136
Other repairs	160	326
Power and fuel	1,891	2,910
Rent (Refer note 37)	144	12
Rates and taxes	1,685	1,617
Insurance	1,079	982
Outside processing charges	2,102	3,170
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 41 and 42)	1,608	1,723
Royalties (Refer note 41)	1,241	5,214
Support services (Refer note 41)	13,304	11,491
Computer and other services	6,223	7,024
Payment to auditors (Refer details below)	126	133
Net loss on fixed assets sold / discarded	2,077	408
Bad Debts		
Bad debts written off	110	46
Provision for bad and doubtful debts	(146)	1,229
Amount withdrawn from provisions	(110)	(46)
	<u>(146)</u>	<u>1,229</u>
Other expenses (net of expenses recovered and capitalised) (Refer note 41)	6,628	9,982
<b>Total</b>	<b><u>49,652</u></b>	<b><u>64,342</u></b>
<b>Payment to auditors:</b>		
Statutory audit (including limited reviews)	107	107
Other services (including tax audit)	16	18
Reimbursement of expenses	3	8
<b>Total</b>	<b><u>126</u></b>	<b><u>133</u></b>

## Notes to Standalone Financial Statements for the year ended March 31, 2021

	<b>Year ended March 31, 2021 ₹ Lacs</b>	Year ended March 31, 2020 ₹ Lacs
<b>32 Earning per share (EPS)</b>		
Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a) Profit for the year after taxation (₹ Lacs)	<b>61,787</b>	62,934
(b) Weighted average number of shares outstanding during the year	<b>277,200,000</b>	277,200,000
(c) Earnings per share (Basic and Diluted) (₹)	<b>22.29</b>	22.70
Face value per share (₹)	<b>2</b>	2
	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
<b>33 Capital and other commitments</b>		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances).For other commitments also refer Note 37	<b>5,679</b>	9,086
<b>Total</b>	<b>5,679</b>	9,086
<b>34 Trade payables include:</b>		
Total outstanding dues of micro and small enterprises	<b>4,249</b>	1,883
<b>Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:</b>		
1 Principal Amount	<b>4,249</b>	1,883
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	<b>1,003</b>	1,350
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006 (Section 16)	<b>11</b>	12
6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-
7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 35 Significant accounting judgements, estimates and assumptions

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

#### Judgements

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

#### **Revenue from contracts with customers**

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Company provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer. The Company determined that both the equipment and installation are capable of being distinct.

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

#### **Determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

#### **Operating lease commitments – Company as lessor**

The Company has leased out commercial properties (investment properties) on operating lease. The Company had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

#### Estimates and assumptions

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

#### **Defined benefit plans:**

The cost of the defined benefit gratuity plan and other post-employment medical benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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.

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
<b>36 Contingent liabilities</b>		
a. Income tax matters*	<b>59</b>	59
b. Central excise duty/service tax matters*	<b>314</b>	337
c. Duty drawback matters	<b>2,604</b>	2,604
d. Sales Tax matters*	<b>2,316</b>	1,875
e. Civil liability / secondary civil liability in respect of suits filed against the Company	<b>172</b>	181
f. Goods and service tax matters	<b>44</b>	-
<b>Total</b>	<b>5,509</b>	5,056

\* 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 appellate 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 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 Standalone Financial Statements for the year ended March 31, 2021

### 37 Leases

#### Lease commitments as a Lessee

The Company has entered into leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in 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

Particulars	March 31, 2021			March 31, 2020		
	Category of ROU		Total	Category of ROU		Total
	Building	Land	₹ Lacs	Building	Land	₹ Lacs
Balance as at the beginning of the year	1,684	1,372	3,056	1,748	1,447	3,195
Additions	219	-	219	352	-	352
Adjustment	(17)	15	(2)	-	(60)	(60)
Depreciation	(403)	(19)	(422)	(416)	(15)	(431)
<b>Balance as at the end of the year</b>	<b>1,483</b>	<b>1,368</b>	<b>2,851</b>	<b>1,684</b>	<b>1,372</b>	<b>3,056</b>

Following are the changes in carrying value of lease liabilities during the year ended

Particulars	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
Balance as at the beginning of the year	1,834	1,841
Additions	219	352
Interest cost accrued during the period	168	174
Payments	(515)	(533)
Balance as at the end of the year	1,706	1,834
Current portion	337	257
Non-current portion	1,369	1,577

The maturity analysis of lease liabilities is disclosed in note 43(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

The following are the amounts recognised in statement of profit and loss during the year ended

Particulars	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
Depreciation expense of right-of-use assets	422	431
Interest expense on lease liabilities	168	174
Expenses related to short-term leases (included in other expenses)	13	15
Total amount recognised in statement of profit and loss	603	620

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### Operating lease commitments as a lessor

The Company has entered into operating leases on its investment properties consisting of buildings and other related assets. These leases have term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 12 months on the basis of prevailing market conditions.

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

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Within one year	<b>3,712</b>	4,578
After one year but not more than five years	<b>12,772</b>	14,782
More than five years	<b>578</b>	890
<b>Total</b>	<b><u>17,062</u></b>	<u>20,250</u>

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 :

	<b>Year ended March 31, 2021</b>	Year ended March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
On capital account	<b>1,677</b>	14,534
On revenue account	<b>5,749</b>	4,470
<b>Total</b>	<b><u>7,426</u></b>	<u>19,004</u>

### 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.

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Balance as at the beginning of the year	<b>8,756</b>	9,330
Additions / reversal	<b>3,464</b>	7,308
Utilisation	<b>5,659</b>	8,294
Unwinding of discount and changes in the discount rate	<b>416</b>	412
<b>Balance as at the end of the year</b>	<b><u>6,977</u></b>	<u>8,756</u>
Classified as non-current	<b>3,091</b>	3,463
Classified as current	<b>3,886</b>	5,293

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 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.

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
Balance as at the beginning of the year	<b>2,292</b>	2,556
Additions	-	441
Utilisation	<b>548</b>	705
<b>Balance as at the end of the year</b>	<b><u>1,744</u></b>	<u>2,292</u>
Classified as non-current	-	-
Classified as current	<b><u>1,744</u></b>	<u>2,292</u>

### iii) Provision for New Engine Performance Inspection (NEPI)

Provision for New Engine Performance Inspection (NEPI) is on account of checks to be carried out by the Company at specified intervals. The amount of provision is based on historical information of the nature, frequency and average cost of claims and management estimates regarding possible future incidence. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims. Amount expected to be paid in next 12 months is classified as current.

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
Balance as at the beginning of the year	<b>2,190</b>	2,208
Additions	<b>977</b>	1,051
Utilisation	<b>695</b>	1,140
Unwinding of discount and changes in the discount rate	<b>83</b>	71
<b>Balance as at the end of the year</b>	<b><u>2,555</u></b>	<u>2,190</u>
Classified as non-current	<b><u>1,864</u></b>	1,639
Classified as current	<b><u>691</u></b>	<u>551</u>

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 40 Employee benefit plans

1. Defined contribution plans - The Company has recognised the following amounts in statement of profit and loss for the year:

	₹ Lacs
	<u>Total</u>
Contribution to employees provident fund	998
	1,001
Contribution to management superannuation fund	1,611
	1,964

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

a. Net Balance Sheet position

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Defined benefit obligation	March 31, 2021	<b>17,900</b>	<b>2,855</b>	<b>75</b>	<b>65</b>	<b>28,458</b>
		March 31, 2020	16,381	2,653	71	57	25,270
ii)	Fair value of Plan assets	March 31, 2021	<b>16,521</b>	<b>2,605</b>	-	-	<b>28,458</b>
		March 31, 2020	13,498	2,062	-	-	25,270
iii)	Funded status surplus / (deficit)	March 31, 2021	<b>(1,379)</b>	<b>(250)</b>	<b>(75)</b>	<b>(65)</b>	-
		March 31, 2020	(2,883)	(591)	(71)	(57)	-
iv)	Effect of asset ceiling	March 31, 2021	-	<b>0</b>	-	-	-
		March 31, 2020	-	0	-	-	-
<b>Net defined benefit asset / (liability)</b>		March 31, 2021	<b>(1,379)</b>	<b>(250)</b>	<b>(75)</b>	<b>(65)</b>	-
		March 31, 2020	(2,883)	(591)	(71)	(57)	-

b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
	Opening defined benefit obligation	March 31, 2021	<b>16,381</b>	<b>2,653</b>	<b>71</b>	<b>57</b>	<b>25,270</b>
		March 31, 2020	15,081	2,039	56	48	21,964
i)	Current service cost	March 31, 2021	<b>1,353</b>	<b>109</b>	<b>3</b>	<b>3</b>	<b>987</b>
		March 31, 2020	1,175	82	2	2	1,059
ii)	Interest cost	March 31, 2021	<b>1,065</b>	<b>172</b>	<b>5</b>	<b>4</b>	<b>2,169</b>
		March 31, 2020	1,020	146	4	3	1,974
iii)	Curtailment (credit) / cost	March 31, 2021	-	-	-	-	-
		March 31, 2020	(231)	-	-	-	-
iv)	Actuarial (gains) / losses - experience	March 31, 2021	<b>69</b>	<b>(14)</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	231	(47)	3	(4)	-
v)	Actuarial (gains) / losses - demographic changes	March 31, 2021	-	-	-	-	-
		March 31, 2020	486	13	10	8	-
vi)	Actuarial (gains) / losses - financial assumptions	March 31, 2021	-	<b>112</b>	-	-	-
		March 31, 2020	1,184	543	3	3	-
vii)	Benefits paid	March 31, 2021	<b>(782)</b>	<b>(177)</b>	<b>(7)</b>	<b>(3)</b>	<b>(2,703)</b>
		March 31, 2020	(2,552)	(123)	(7)	(3)	(1,950)
viii)	Other Adjustments	March 31, 2021	-	-	-	-	<b>141</b>
		March 31, 2020	-	-	-	-	-
ix)	Acquisitions (credit) / cost	March 31, 2021	<b>(186)</b>	-	-	-	<b>875</b>
		March 31, 2020	(13)	-	-	-	475
x)	Contributions by employees	March 31, 2021	-	-	-	-	<b>1,719</b>
		March 31, 2020	-	-	-	-	1,748
<b>Closing defined benefit obligation</b>		March 31, 2021	<b>17,900</b>	<b>2,855</b>	<b>75</b>	<b>65</b>	<b>28,458</b>
		March 31, 2020	16,381	2,653	71	57	25,270

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### c. Reconciliation of opening and closing balances of the fair value of plan assets

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
	Opening fair value of plan assets	March 31, 2021	<b>13,498</b>	<b>2,062</b>	-	-	<b>25,270</b>
		March 31, 2020	12,267	1,739	-	-	21,964
i)	Interest income on plan assets	March 31, 2021	<b>973</b>	<b>151</b>	-	-	<b>2,169</b>
		March 31, 2020	917	135	-	-	1,974
ii)	Return on plan asset greater / (lesser) than discount rate	March 31, 2021	<b>(13)</b>	<b>(2)</b>	-	-	-
		March 31, 2020	74	11	-	-	-
iii)	Actuarial gains / (losses)	March 31, 2021	-	-	-	-	-
		March 31, 2020	-	-	-	-	-
iv)	Contribution by the employer	March 31, 2021	<b>2,914</b>	<b>591</b>	-	-	<b>987</b>
		March 31, 2020	2,824	300	-	-	1,059
v)	Benefits paid	March 31, 2021	<b>(782)</b>	<b>(177)</b>	-	-	<b>(2,703)</b>
		March 31, 2020	(2,552)	(123)	-	-	(1,950)
vi)	Acquisition adjustment	March 31, 2021	<b>(69)</b>	<b>(20)</b>	-	-	<b>875</b>
		March 31, 2020	(32)	-	-	-	475
vii)	Contribution by employee	March 31, 2021	-	-	-	-	<b>1,719</b>
		March 31, 2020	-	-	-	-	1,748
viii)	Other adjustments	March 31, 2021	-	-	-	-	141
		March 31, 2020	-	-	-	-	(0)
	<b>Closing fair value of plan assets</b>	March 31, 2021	<b>16,521</b>	<b>2,605</b>	-	-	<b>28,458</b>
		March 31, 2020	13,498	2,062	-	-	25,270

### d. Total defined benefit cost

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Current and past service cost	March 31, 2021	<b>1,353</b>	<b>109</b>	<b>3</b>	<b>3</b>	<b>987</b>
		March 31, 2020	944	82	2	2	1,059
ii)	Net interest cost	March 31, 2021	<b>92</b>	<b>21</b>	<b>5</b>	<b>4</b>	-
		March 31, 2020	103	11	4	3	-
iii)	Actuarial (gains) / losses recognised in OCI	March 31, 2021	<b>82</b>	<b>100</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	1,827	498	16	7	-
	<b>Total defined benefit cost</b>	March 31, 2021	<b>1,527</b>	<b>230</b>	<b>11</b>	<b>11</b>	<b>987</b>
		March 31, 2020	2,874	591	22	12	1,059

### e. Statement of profit and loss

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Current and past service cost	March 31, 2021	<b>1,353</b>	<b>109</b>	<b>3</b>	<b>3</b>	<b>987</b>
		March 31, 2020	1,175	82	2	2	1,059
ii)	Curtailment cost / (credit)	March 31, 2021	-	-	-	-	-
		March 31, 2020	(231)	-	-	-	-
iii)	Net interest cost	March 31, 2021	<b>92</b>	<b>21</b>	<b>5</b>	<b>4</b>	-
		March 31, 2020	103	11	4	3	-
	<b>Cost recognised in profit and loss</b>	March 31, 2021	<b>1,445</b>	<b>130</b>	<b>8</b>	<b>7</b>	<b>987</b>
		March 31, 2020	1,047	93	6	5	1,059

All of the above have been included in the line 'Company's contribution to provident and other funds', in note 30 of the statement of profit and loss.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### f. Other comprehensive income

							₹ Lacs
Sr. No.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Actuarial (gain) / loss due to DBO experience	March 31, 2021	<b>69</b>	<b>(14)</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	231	(47)	3	(4)	-
ii)	Actuarial (gain) / loss due to assumption change	March 31, 2021	-	<b>112</b>	-	-	-
		March 31, 2020	1,670	556	13	11	-
iii)	Return on plan assets (greater) / less than discount rate	March 31, 2021	<b>13</b>	<b>2</b>	-	-	-
		March 31, 2020	(74)	(11)	-	-	-
<b>Actuarial -gain/ loss recognised in OCI</b>		March 31, 2021	<b>82</b>	<b>100</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	1,827	498	16	7	-
<b>Adjustment for limit of net asset</b>		March 31, 2021	-	-	-	-	-
		March 31, 2020	-	-	-	-	-

### 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, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
i)	Government of India securities	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>49.35%</b>	50.22%
ii)	Debt instruments and related investments /corporate bonds	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>36.66%</b>	38.93%
iii)	Special deposit scheme	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>7.94%</b>	6.81%
iv)	Insurer managed funds	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>0.00%</b>	0.00%
v)	Equities and related investments	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>6.05%</b>	4.04%
<b>Total</b>		<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

### h. Supplementary information as per Ind AS 19

Sr. No.	Particulars	As at	Gratuity	Pension	Ex-Gratia	PRMB	PF
i)	Expected employer contribution for next year	March 31, 2021	<b>1,433</b>	<b>250</b>	<b>NA</b>	<b>NA</b>	<b>104</b>
		March 31, 2020	2,914	591	NA	NA	106

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 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, 2021		<b>6.70%</b>	<b>6.70%</b>	<b>6.70%</b>	<b>6.70%</b>	<b>6.70%</b>
Discount rate - March 31, 2020		6.70%	6.70%	6.70%	6.70%	6.70%
Expected rate of return on plan assets		<b>6.70%</b>	<b>6.70%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		7.25%	7.25%	NA	NA	NA
Expected return on assets for exempt PF fund						
2021-22		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		NA	NA	NA	NA	8.50%
2022-23		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		NA	NA	NA	NA	8.50%
2023 and thereafter		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		NA	NA	NA	NA	8.50%
Salary escalation rate - management staff		<b>10%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		10%	NA	NA	NA	NA
Salary escalation rate - non-management staff		<b>7%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		7%	NA	NA	NA	NA
Annual increase in healthcare costs - year 2011-2020		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10%</b>	<b>NA</b>
		NA	NA	NA	10%	NA
Annual increase in healthcare costs - year 2021- 2025		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>8%</b>	<b>NA</b>
		NA	NA	NA	8%	NA
Annual increase in healthcare costs - 2026 and thereafter		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>6%</b>	<b>NA</b>
		NA	NA	NA	6%	NA
Long term EPFO rate						
2020-21		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>8.50%</b>
		NA	NA	NA	NA	8.50%
2021 and thereafter		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
		NA	NA	NA	NA	8.50%
Mortality rate	March 31, 2021 March 31, 2020			Indian Assured Lives Mortality (2006-08) Ult Indian Assured Lives Mortality (2006-08) Ult		

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

### j. Expected benefit payment for the next years

Particulars	As at	₹ Lacs					
		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026	2027-2031
		March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	2026-2030
Gratuity	March 31, 2021 March 31, 2020	<b>684</b> 638	<b>719</b> 982	<b>1,181</b> 714	<b>1,343</b> 1,207	<b>1,470</b> 1,324	<b>9,088</b> 8,336
Pension	March 31, 2021 March 31, 2020	<b>224</b> 153	<b>151</b> 247	<b>247</b> 144	<b>331</b> 235	<b>384</b> 315	<b>2,061</b> 2,010
Ex-gratia	March 31, 2021 March 31, 2020	<b>6</b> 4	<b>4</b> 7	<b>7</b> 4	<b>9</b> 7	<b>11</b> 9	<b>54</b> 55
PRMB	March 31, 2021 March 31, 2020	<b>3</b> 3	<b>3</b> 3	<b>3</b> 3	<b>4</b> 4	<b>5</b> 5	<b>41</b> 40
PF	March 31, 2021 March 31, 2020	<b>104</b> 110	<b>108</b> 112	<b>112</b> 110	<b>113</b> 108	<b>116</b> 108	<b>631</b> 106

## Notes to Standalone Financial Statements for the year ended March 31, 2021

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

							₹ Lacs
Assumptions Sensitivity level	Discount Rate		Future salary increase		Withdrawal Rate		
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease	
<b>Gratuity</b>							
March 31, 2021	(922)	1,001	993	(925)	(1,447)	1,125	
March 31, 2020	(859)	934	926	(862)	(1,333)	1,063	
<b>Pension</b>							
March 31, 2021	(85)	89	NA	NA	(31)	13	
March 31, 2020	(85)	89	NA	NA	(33)	15	
<b>Ex Gratia</b>							
March 31, 2021	(2)	2	NA	NA	(19)	8	
March 31, 2020	(2)	2	NA	NA	(20)	9	
<b>PF</b>							
March 31, 2021	(28)	25	-	-	-	-	
March 31, 2020	(21)	23	-	-	-	-	
<b>Assumptions</b>							
Sensitivity level	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, 2021	(2)	3	5	(5)	(16)	7	
March 31, 2020	(2)	2	5	(4)	(15)	7	

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.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures

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

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

#### b) Transactions with related parties as per the books of account during the year ended March 31, 2021

			₹ Lacs
Transaction	Name of the party		Total
Purchase of goods	Cummins Inc.	March 31, 2021	<b>11,525</b>
		March 31, 2020	17,361
	Tata Cummins Private Limited	March 31, 2021	<b>72,180</b>
		March 31, 2020	90,775
	Cummins Technologies India Private Limited	March 31, 2021	<b>17,779</b>
		March 31, 2020	26,714
	Others	March 31, 2021	<b>40,343</b>
		March 31, 2020	38,616
Sale of goods	Cummins Limited	March 31, 2021	<b>38,227</b>
		March 31, 2020	44,751
	Cummins Technologies India Private Limited	March 31, 2021	<b>15,366</b>
		March 31, 2020	18,140
	Others	March 31, 2021	<b>46,262</b>
		March 31, 2020	50,230
Purchase of assets	Cummins Inc.	March 31, 2021	-
		March 31, 2020	2
	Cummins Technologies India Private Limited	March 31, 2021	<b>41</b>
		March 31, 2020	27
Sale of assets	Cummins Technologies India Private Limited	March 31, 2021	<b>3</b>
		March 31, 2020	2,442
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2021	<b>1,341</b>
		March 31, 2020	1,857
	Valvoline Cummins Private Limited	March 31, 2021	<b>3,850</b>
		March 31, 2020	3,753
	Cummins Technologies India Private Limited	March 31, 2021	<b>11,189</b>
		March 31, 2020	11,388
	Tata Cummins Private Limited	March 31, 2021	<b>1,785</b>
		March 31, 2020	2,256
	Cummins Power Generation Inc.	March 31, 2021	<b>3,030</b>
		March 31, 2020	-
Others	March 31, 2021	<b>297</b>	
	March 31, 2020	2,193	

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Services received (Refer note vii)	Cummins Sales & Service Private Limited	March 31, 2021	<b>1,074</b>
		March 31, 2020	1,204
	Cummins Inc.	March 31, 2021	<b>120</b>
		March 31, 2020	804
	Cummins Technologies India Private Limited	March 31, 2021	<b>4,176</b>
		March 31, 2020	2,599
Others	March 31, 2021	<b>376</b>	
	March 31, 2020	140	
Royalty	Cummins Inc.	March 31, 2021	<b>1,241</b>
		March 31, 2020	5,214
Support services	Cummins Inc.	March 31, 2021	<b>13,061</b>
		March 31, 2020	9,674
	Cummins Africa Middle East (Pty) Ltd.	March 31, 2021	<b>243</b>
		March 31, 2020	1,817
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2021	<b>8,414</b>
		March 31, 2020	11,123
	Cummins Inc.	March 31, 2021	<b>1,475</b>
		March 31, 2020	1,641
	Others	March 31, 2021	<b>1,375</b>
		March 31, 2020	1,675
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2021	<b>5,263</b>
		March 31, 2020	8,166
	Cummins Generator Technologies India Private Limited	March 31, 2021	<b>810</b>
		March 31, 2020	1,031
	Tata Cummins Private Limited	March 31, 2021	<b>1,124</b>
		March 31, 2020	1,298
	Others	March 31, 2021	<b>778</b>
		March 31, 2020	539
Remuneration paid (Refer note iii)	Sandeep Sinha (Upto August 16, 2019)	March 31, 2021	-
		March 31, 2020	75
	Ashwath Ram (w.e.f August 17, 2019)	March 31, 2021	<b>276</b>
		March 31, 2020	184
	Rajiv Batra (Upto March 31, 2020)	March 31, 2021	-
		March 31, 2020	428
	Ajay Patil (w.e.f. April 1, 2020)	March 31, 2021	<b>188</b>
		March 31, 2020	-
	Hemiksha Bhojwani (Upto May 11, 2020)	March 31, 2021	<b>21</b>
		March 31, 2020	50
Vinaya Joshi (w.e.f. June 17, 2020)	March 31, 2021	<b>17</b>	
	March 31, 2020	-	

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

			₹ Lacs
Transaction	Name of the party		Total
Transfer of export benefits	Cummins Research and Technology India Private Limited	March 31, 2021	<b>4</b>
		March 31, 2020	-
Dividend received	Cummins Generator Technologies India Private Limited	March 31, 2021	<b>2,067</b>
		March 31, 2020	1,326
	Valvoline Cummins Private Limited	March 31, 2021	<b>7,600</b>
		March 31, 2020	6,175
Dividend paid	Cummins Inc.	March 31, 2021	<b>19,792</b>
		March 31, 2020	24,033
Donations paid	Cummins India Foundation	March 31, 2021	<b>1,608</b>
		March 31, 2020	1,723
Contributions paid	Cummins India Limited Officers Provident Fund	March 31, 2021	<b>998</b>
		March 31, 2020	1,059
	Cummins Group Employees Superannuation Scheme	March 31, 2021	<b>1,611</b>
		March 31, 2020	1,964
	Cummins Group Officers Gratuity Scheme	March 31, 2021	<b>2,914</b>
		March 31, 2020	2,824
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2021	<b>20</b>
		March 31, 2020	20
	Prakash Telang	March 31, 2021	<b>21</b>
		March 31, 2020	19
	Priya Dasgupta	March 31, 2021	<b>21</b>
		March 31, 2020	18
	Rajeev Bakshi	March 31, 2021	<b>21</b>
		March 31, 2020	20
	Venu Srinivasan (Upto September 1, 2020)	March 31, 2021	<b>9</b>
		March 31, 2020	19
Rama Bijapurkar (w.e.f. June 17, 2020)	March 31, 2021	<b>17</b>	
	March 31, 2020	-	
Anjuly Chib Duggal (Upto April 6, 2020) *	March 31, 2021	<b>0</b>	
	March 31, 2020	20	
Equity contribution - share based payments	Cummins Inc.	March 31, 2021	<b>217</b>
		March 31, 2020	178

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

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

#### c) Amounts outstanding as at March 31, 2021

			₹ Lacs
Particulars	Name of the party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2021	<b>2,024</b>
		March 31, 2020	3,766
	Cummins Inc.	March 31, 2021	<b>6,761</b>
		March 31, 2020	10,536
	Cummins Limited	March 31, 2021	<b>5,951</b>
		March 31, 2020	3,874
	Cummins Technologies India Private Limited	March 31, 2021	<b>10,120</b>
		March 31, 2020	8,812
	Tata Cummins Private Limited	March 31, 2021	<b>4,443</b>
		March 31, 2020	143
Others	March 31, 2021	<b>6,540</b>	
	March 31, 2020	8,180	
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2021	<b>2,824</b>
		March 31, 2020	7,869
	Others	March 31, 2021	<b>102</b>
		March 31, 2020	-
Trade receivables	Cummins Angola Limited	March 31, 2021	-
		March 31, 2020	1,237
	Cummins Limited	March 31, 2021	<b>4,549</b>
		March 31, 2020	5,004
	Cummins Technologies India Private Limited	March 31, 2021	<b>7,626</b>
		March 31, 2020	7,532
	Cummins West Africa Limited	March 31, 2021	<b>1,945</b>
		March 31, 2020	964
	Cummins Inc.	March 31, 2021	<b>935</b>
		March 31, 2020	996
Others	March 31, 2021	<b>9,379</b>	
	March 31, 2020	12,356	
Other current financial assets	Cummins Technologies India Private Limited	March 31, 2021	<b>126</b>
		March 31, 2020	202
	Valvoline Cummins Private Limited	March 31, 2021	<b>1,266</b>
		March 31, 2020	823
	Tata Cummins Private Limited	March 31, 2021	<b>1,122</b>
		March 31, 2020	647
	Cummins Inc.	March 31, 2021	<b>98</b>
March 31, 2020		14	
Others	March 31, 2021	<b>12</b>	
	March 31, 2020	187	

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

i) The names of the related parties under the appropriate relationship included in notes 41(b) and (c) above are as follows:

Nature of relationship	Name of the party
Fellow subsidiaries (with which there are transactions)	Chongqing Cummins Engine Co Ltd CMI TR Mtr Guc Sistemleri Satis Servis Ltd Sirketi Consolidated Diesel Company Cummins (China) Investment Co. Ltd. Cummins Africa Middle East (Pty) Ltd. Cummins Arabia FZCO Cummins Asia Pacific Pte. Ltd. Cummins Belgium NV Cummins Brasil Ltda Cummins Bridgeway LLC Cummins C&G Holding Limited Cummins Caribbean LLC Cummins Comercializadora S. de R.L. de C.V. 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 Limited Cummins Ghana Limited Cummins Italia SPA Cummins Japan Limited Cummins Limited Cummins Maroc SARL Cummins Middle East FZE Cummins Natural Gas Engines, Inc. Cummins Norway AS Cummins Npower LLC Cummins NV Cummins Power Generation (China) Co. Ltd. Cummins Power Generation Inc. Cummins Power Generation Limited UK Cummins Qatar LLC

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

Nature of relationship	Name of the party
	Cummins Romania SRL
	Cummins Sales and Service Korea Co Ltd
	Cummins Sales and Service Philippines Inc.
	Cummins Sales and Service Sdn. Bhd.
	Cummins Sales and Service Singapore Pte Ltd
	CUMMINS SAUDI ARABIA LLC
	Cummins South Africa (Pty.) Ltd.
	Cummins South Pacific Pty Ltd
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Limited
	Cummins West Africa Limited
	Distribuidora Cummins Centroamerica Costa Rica, S.de R.L.
	Distribuidora Cummins S.A.
	OOO Cummins
	Shanghai Cummins Trade Co. Ltd.
	Taiwan Cummins Sales & Services Co. Ltd.
Key management personnel	Sandeep Sinha - Managing Director (upto August 16, 2019)
	Ashwath Ram - Managing Director (w.e.f August 17, 2019)
	Rajiv Batra - Chief Financial Officer (upto March 31, 2020)
	Ajay Patil - Chief Financial Officer (w.e.f April 1, 2020)
	Hemiksha Bhojwani - Company Secretary (upto May 11, 2020)
	Vinaya Joshi - Company Secretary (w.e.f June 17, 2020)
	<b>Directors</b>
	Mark Levett - Chairman of the Board (upto September 30, 2020)
	Steven Chapman - Chairman of the Board (w.e.f October 1, 2020)
	Antonio Leitao - Non-executive Director (upto September 1, 2020)
	Norbert Nusterer
	Suzanne Wells (upto September 30, 2019)
	Donald Jackson
	Lorraine Meyer

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 41 Related party disclosures (Contd.)

Nature of relationship	Name of the party
	<b>Independent Directors</b>
	- Nasser Munjee
	- Prakash Telang
	- Priya Dasgupta
	- Rajeev Bakshi
	- Venu Srinivasan (upto September 1, 2020)
	- Anjuly Chib Duggal (upto April 6, 2020)
	- Rama Bijapurkar ( w.e.f June 17, 2020)
Associate	Cummins Generator Technologies India Private Limited
Joint venture	Valvoline Cummins Private Limited Cummins Research and Technology India Private Limited
Enterprise with common key management personnel	Tata Cummins Private Limited Cummins India Foundation New Delhi Law Offices Private Limited Lokmanya Hospitals Private Limited Fleetguard Filters Private Limited Caltherm Thermostats Private Limited
Employees benefit plans where there is significant influence	Cummins India Limited Officers Provident Fund Cummins Group Employees Superannuation Scheme Cummins Group Officers Gratuity Scheme

#### Terms and conditions of transactions with related parties:

- ii) The sales to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2020: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Company as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Company and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

42 As set out in section 135 of the Companies Act, 2013, the Company is required to contribute **₹ 1,608 Lacs** (March 31, 2020: ₹ 1,723 Lacs) towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Board has approved and the Company has contributed **₹ 1,608 Lacs** (March 31, 2020: ₹ 1,723 Lacs) 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, fair value interest rate risk and price risk), credit risk and liquidity risk.

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

##### i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the entity's functional currency.

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Company uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	69	51
Euro	1%	1	18
Others	1%	5	4
<b>Total</b>		<b>75</b>	<b>73</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.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### ii) Interest rate risk

Interest rate risk is the fair value of future cash flows of a financial instrument which fluctuates because of changes in the market interest rates. In order to optimise the Company's position with regards to interest income and interest expense, treasury team manages the interest rate risk by balancing the portion of fixed rate and floating rate in its total portfolio.

The Company does not have outstanding floating rate borrowings as at March 31, 2021. Interest on loans is payable at a rate of T-bill / Repo / CD + Spread. While the interest provision as at March end is fixed, the interest for the remainder tenure of the loans is subject to fluctuate basis the movement in T-bill/Repo/CD rate.

The following table demonstrates the sensitivity of interest payable:

	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		<b>Effect on profit before tax and pre-tax equity</b>	Effect on profit before tax and pre-tax equity
Working Capital Loan	0.5%	-	80

### 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:

	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		<b>Effect on profit before tax and pre-tax equity</b>	Effect on profit before tax and pre-tax equity
Mutual funds	0.5%	<b>163</b>	391

Profit after tax for the year would increase / decrease as a result of gains / losses on mutual funds classified as at fair value through profit or loss.

### b) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily from trade receivables, contract assets, other receivables, deposits with banks and loans given.

#### Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Company's treasury department in accordance with Company's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5, 9, 12 and 13.

### c) Liquidity risk

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

As per the Company's policy, treasury team invests surplus cash in marketable securities and time deposits with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Company held mutual funds of ₹ 32,669 Lacs (March 31, 2020: ₹ 78,146 Lacs) and other liquid assets of ₹ 12,152 Lacs (March 31, 2020: ₹ 18,142 Lacs) that are expected to readily generate cash inflows for managing liquidity risk.

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

	₹ Lacs			
As at March 31, 2021	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	-	1,564	-	-
Lease liabilities	-	484	1,369	384
Trade payables	-	72,929	-	-
Royalty and support services	-	2,918	-	-
Unpaid dividend	1,316	-	-	-
Retention money	-	2,375	126	-
Dealer deposits	-	-	2,384	-
Others	-	4,981	-	-
<hr/>				
As at March 31, 2020	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	-	48,536	-	-
Lease Liabilities	-	457	1,315	729
Trade payables	-	69,642	-	-
Royalty and support services	-	7,869	-	-
Unpaid dividend	1,341	-	-	-
Retention money	-	2,946	1,349	-
Dealer deposits	-	-	2,173	-
Others	-	4,463	-	-

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### d) Capital management

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

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

	₹ Lacs	
	<b>March 31, 2021</b>	March 31, 2020
Borrowings	<b>1,564</b>	48,536
Less: Cash and cash equivalents	<b>12,152</b>	18,142
<b>Net debt</b>	<b>(10,588)</b>	30,394
Equity	<b>440,677</b>	417,496
<b>Gearing Ratio (times)</b>	<b>-</b>	0.07

### 44 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Company's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value		Fair value	
	<b>March 31, 2021</b> ₹ Lacs	March 31, 2020 ₹ Lacs	<b>March 31, 2021</b> ₹ Lacs	March 31, 2020 ₹ Lacs
<b>Financial assets</b>				
FVTPL of investments in mutual funds	32,669	78,146	32,669	78,146
<b>Financial liabilities</b>				
FVTPL of Foreign exchange forward contracts	35	672	35	672
<b>Non-current assets</b>				
Investment properties	101,992	103,664	122,861	121,584

The Management assessed that cash and cash equivalents, other bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds is based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity is based on the price quotation at the reporting date derived from quoted market prices in active market. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

## Notes to Standalone Financial Statements for the year ended March 31, 2021

### 44 Fair values (Contd.)

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1c, and investment properties by valuation method as defined in Note 3

				₹ Lacs
	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</b>				
March 31, 2021	-	<b>32,669</b>	-	<b>32,669</b>
March 31, 2020	-	78,146	-	78,146
<b>Financial liabilities at FVTPL</b>				
<b>Forward contracts liability</b>				
March 31, 2021	-	<b>35</b>	-	<b>35</b>
March 31, 2020	-	672	-	672
<b>Non-current assets</b>				
<b>Investment properties</b>				
March 31, 2021	-	-	<b>122,861</b>	<b>122,861</b>
March 31, 2020	-	-	121,584	121,584

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, 2021

### 45 Standards issued but not yet effective

There are no new standards that are notified, but not yet effective, upto the date of issuance of these financial statements.

- 46 Exceptional Items comprise one time expense on account of Voluntary Retirement Program (VRP) and Reduction In Force (RIF) aggregating to ₹ Nil (March 31, 2020: ₹ 1,605 Lacs) and ₹ Nil (March 31, 2020: ₹ 380 Lacs) respectively.

### 47 Segment Information

In accordance with paragraph 4 of notified Ind AS 108 “Operating segments”, the Company has disclosed segment information only on the basis of the consolidated financial statements.

- 48 The year ended March 31, 2021 was severely impacted due to COVID-19, though there were improvements in market and supply chain conditions towards the end of the year. The Company has assessed the impact of COVID-19 on its assets, including property, plant and equipments, receivables, inventory etc. and it was concluded that the impact is not significant. However, the estimate of the impact of COVID-19 may differ from the same ascertained up to the date of approval of these financial statements by the Board of Directors, based on how the COVID-19 situation evolves over a period of time.

### 49 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.

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26, 2021

Place: Pune  
Date: May 26, 2021

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Cummins India Limited

### Report on the Audit of the Consolidated Ind AS Financial Statements

#### Opinion

We have audited the accompanying consolidated Ind AS financial statements of Cummins India Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") its associate and joint ventures comprising of the consolidated Balance sheet as at March 31, 2021, the consolidated Statement of Profit and Loss including Other Comprehensive Income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary, associate and joint ventures, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associate and joint ventures as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p><b>Revenue recognition</b> (refer note 1(j) (accounting policy), note 26 (financial disclosures) and note 35 (significant judgements and estimates) to the consolidated Ind AS financial statements)</p> <p>Revenue of the Holding Company for the year ended March 31, 2021 amounted to ₹ 432,924 lakhs.</p> <p>Revenue is recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Holding Company expects to be entitled in exchange for those goods or services. The timing of such revenue recognition in case of sale of goods is when the control over the same is transferred to the customer.</p> <p>The Holding Company uses a variety of shipment terms with customers across its operating markets and this has an impact on the timing of revenue recognition.</p> <p>Given the nature of industry in which the Holding Company operates and the variety of shipment terms with customers, along with local and global restrictions on account of the COVID-19 pandemic at the year end, ascertainment of timing of revenue recognition is a key focus area for the audit.</p> <p>Due to the significance of revenue and judgement involved in the timing of revenue recognition, this is considered as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● We obtained and read a sample of customer contracts and confirmed our understanding of the Holding Company's sales process from initiation to collection of receivables, including design and implementation of controls and tested the operating effectiveness of these controls.</li> <li>● We read and understood the Holding Company's accounting policy for recognition of revenue.</li> <li>● We performed transaction testing based on a representative sampling of the sales orders, including transactions occurring at and around the year end to assess identification and satisfaction of performance obligations for revenue recognition. We performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation. We also considered the impact of local and global restrictions on account of the COVID-19 pandemic on sales cut off procedures.</li> <li>● Compared revenue with historical trends and where appropriate, conducted further enquiries and testing.</li> <li>● We assessed the disclosures made with respect to revenue in the consolidated Ind AS financial statements.</li> </ul>
<p><b>Significant judgements and estimates in ascertaining warranty provision</b> (refer note 1(o) (accounting policy), note 19 and note 39(i) (financial disclosures) and note 35 (significant judgements and estimates) to the consolidated Ind AS financial statements)</p> <p>The Holding Company issues product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The reserve for product warranties includes the expected costs of warranty obligations imposed by the contract, as well as the expected costs for additional policy coverage. In addition, the Holding Company periodically initiates voluntary service to address various customer satisfaction, safety and emissions issues related to engines sold. The estimated future costs of the service are based primarily on historical claim experience for the Holding Company's engines along with the Holding Company's assessment of any impact of the COVID-19 pandemic.</p> <p>We have considered this as a key audit matter on account of the significant assumptions, estimates and judgement involved in calculation of the provision which can materially affect the levels of provisions recorded in the consolidated Ind AS financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● We obtained understanding of the warranty process, and the assumptions used by the management in the process of calculation of warranty provision, including design and implementation of controls, testing of management review controls and tested the operating effectiveness of these controls.</li> <li>● We evaluated management's methodology and assumptions used in the warranty provision calculations and assessed the impact of any changes to the terms of warranty, if any, on account of the COVID-19 pandemic.</li> <li>● We tested completeness, arithmetical accuracy and validity of the data used in the warranty calculations.</li> <li>● We assessed the disclosure of warranty provision made in the consolidated Ind AS financial statements.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p><b>Transactions with related parties</b> (refer note 43 (financial disclosures) to the consolidated Ind AS financial statements)</p> <p>The Holding Company has various related party transactions which include, amongst others, sale and purchase of goods/services, and services rendered to and received from its subsidiary, associate, joint ventures and other related parties.</p> <p>In view of high volume of business transactions with related parties, we identified accuracy, completeness and compliance requirements [under the provisions of the Act and Listing Obligations and Disclosure Requirements (LODR)] of related party transactions as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● We obtained an understanding of the Holding Company's policies and procedures in respect of identification, approval, accounting and disclosure of related parties and transactions. We also understood design and implementation of controls and tested the operating effectiveness of these controls.</li> <li>● Obtained a complete list of related parties from the management and traced the related parties to declarations given by directors, where applicable, and to note 43 of the consolidated Ind AS financial statements.</li> <li>● Read minutes of the meetings of the Board of Directors and Audit Committee and assessed whether approvals have been obtained by the management, as required by Act and LODR.</li> <li>● We assessed the management's evaluation of compliance with the provisions of Section 177 and Section 188 of the Act and LODR</li> <li>● We assessed the management's reconciliations with related parties for balances outstanding as at the year end.</li> <li>● We read the status of tax assessments to assess litigations with respect to related party transactions.</li> <li>● We evaluated the disclosures in accordance with Ind AS 24, Related Party Disclosures, in the consolidated Ind AS financial statements through review of statutory information, books and records and other documents on a test check basis.</li> </ul>

### Other Information

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

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

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

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

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associate and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for maintenance of adequate

accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associate and joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its associate and joint ventures are responsible for assessing the ability of the Group and of its associate and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in the Group and of its associate and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its associate and joint ventures.

### **Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism 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 financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate and joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate and joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible

for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

We did not audit the financial statements and other financial information, in respect of one subsidiary whose Ind AS financial statements include total assets of Rs. 3,803 lakhs as at March 31, 2021 and total revenues of Rs. 8,672 lakhs and net cash inflows of Rs. 3 lakhs for the year ended on that date. These financial statements and other financial information have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Group's share of net profit of Rs. 3,330 lakhs for the year ended March 31, 2021 as considered in the consolidated Ind AS financial statements, in respect of one associate and one joint venture, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, associate and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, associate and joint ventures, is based solely on the report of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

#### **Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiary, associate and joint ventures, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity

dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary, associate and joint ventures, none of the directors of the Group's companies, its associate and joint ventures, incorporated in India, is disqualified as on March 31, 2021 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 consolidated financial statements of the Holding Company and its subsidiary company, associate company and joint ventures, incorporated in India, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiary, associate and joint ventures, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Holding Company, its subsidiary, associate and joint ventures incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act; and
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary, associate and joint ventures, as noted in the 'Other matter' paragraph:
  - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associate and joint ventures in its consolidated financial statements – Refer note 36 to the consolidated Ind AS financial statements;
  - ii. The Group, its associate and joint ventures did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2021; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary, associate and joint ventures, incorporated in India during the year ended March 31, 2021.

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Tridevlal Khandelwal**

Partner

Membership Number: 501160

Place : Pune

Date: May 26, 2021

## **Annexure 1 referred to in paragraph (f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the Consolidated Ind AS financial statements**

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

In conjunction with our audit of the consolidated Ind AS financial statements of Cummins India Limited (hereinafter referred to as the “Holding Company”) as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated Ind AS financial statements of the Holding Company and its subsidiary (the Holding Company and its subsidiary together referred to as “the Group”), its associate company and joint ventures, which are companies incorporated in India, as of that date.

#### **Management’s Responsibility for Internal Financial Controls**

The respective Board of Directors of the companies included in the Group, its associate and joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Holding Company’s internal financial controls with reference to consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, 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 Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated Ind AS financial statements included obtaining an understanding of internal financial controls with reference to consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated Ind AS financial statements.

#### **Meaning of Internal Financial Controls with reference to Consolidated Ind AS Financial Statements**

A company’s internal financial control with reference to consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control with reference to consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company

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

#### **Inherent Limitations of Internal Financial Controls with reference to Consolidated Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Group, its associate and joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to consolidated Ind AS financial statements and such internal financial controls with reference to consolidated Ind AS financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

#### **Other Matter**

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated Ind AS financial statements of the Holding Company, in so far as it relates to this one subsidiary, one associate and two joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, associate and joint ventures incorporated in India.

#### **For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

#### **per Tridevlal Khandelwal**

Partner

Membership Number: 501160

Place : Pune

Date: May 26, 2021

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2021

₹ Lacs

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.1	113,712	119,655
Capital work-in-progress (including investment property in progress)	2.3	7,940	7,025
Right-of-use assets	37	3,055	3,441
Investment properties	3	101,992	103,664
Intangible assets	2.2	103	240
Intangible assets under development	2.3	4,812	978
<b>Financial assets</b>			
Investments in joint ventures and an associate	4	26,720	25,071
Other investments	4	519	533
Other non-current financial assets	5	1,430	2,927
Income tax assets (net)	6	4,376	11,227
Other non-current assets	7	5,403	6,615
		<b>270,062</b>	<b>281,376</b>
<b>Current assets</b>			
Inventories	8	56,421	57,723
<b>Financial assets</b>			
Investments	9	32,669	78,146
Trade receivables	10	108,809	114,577
Cash and cash equivalents	11	12,160	18,147
Other bank balances	12	84,366	28,308
Other current financial assets	13	13,904	20,645
Other current assets	14	15,245	19,241
Assets classified as held for sale	15	1,985	1,444
		<b>325,559</b>	<b>338,231</b>
	<b>TOTAL</b>	<b>595,621</b>	<b>619,607</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16	5,544	5,544
<b>Other equity</b>			
Retained earnings	17	344,144	319,428
Other reserves	17	115,449	115,232
		<b>465,137</b>	<b>440,204</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Lease liabilities	37	1,513	1,883
Other non-current financial liabilities	18	2,510	3,522
Provisions	19	7,462	9,478
Deferred tax liabilities (net)	20	7,857	7,657
Other non-current liabilities	21	275	106
		<b>19,617</b>	<b>22,646</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	22	2,022	48,926
<b>Trade payables</b>			
Total outstanding dues from micro and small enterprises	23	4,272	1,898
Total outstanding dues of creditors other than micro and small enterprises	23	68,830	67,836
Lease liabilities	37	436	368
Other current financial liabilities	24	11,798	16,813
Other current liabilities	25	8,663	5,215
Provisions	19	14,846	15,701
		<b>110,867</b>	<b>156,757</b>
	<b>TOTAL</b>	<b>595,621</b>	<b>619,607</b>

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

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number : 324982E/E300003

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

For and on behalf of the Board

Ashwath Ram  
Managing Director  
DIN : 00149501

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Place: Pune  
Date: May 26, 2021

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26, 2021

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

Particulars	Notes	₹ Lacs	
		Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue from operations	26	436,008	519,145
Other income	27	27,378	25,749
<b>Total income</b>		<b>463,386</b>	544,894
<b>Expenses:</b>			
Cost of materials consumed	28.1	232,976	258,799
Purchases of traded goods		45,454	74,718
Change in inventories of finished goods, work-in-progress and traded goods	28.2	(2,068)	3,662
Employee benefits expense	29	50,977	57,775
Finance costs	30	1,676	2,102
Depreciation and amortisation expense	2, 3, 37	12,719	12,058
Other expenses	31	50,464	65,273
<b>Total expenses</b>		<b>392,198</b>	474,387
<b>Profit before exceptional items, share of profit of joint ventures and associate and tax</b>		<b>71,188</b>	70,507
Exceptional items	49	-	1,985
<b>Profit after exceptional items before share of profit of joint ventures and associate and before tax</b>		<b>71,188</b>	68,522
Share of profit of joint ventures and associate after tax		11,312	12,226
<b>Profit before tax</b>		<b>82,500</b>	80,748
<b>Tax expense</b>			
Current tax	20	18,834	15,899
Deferred tax	20	194	(5,703)
Tax for earlier years	20	(31)	(9)
<b>Total tax expense</b>		<b>18,997</b>	10,187
<b>Profit after tax</b>		<b>63,503</b>	<b>70,561</b>
<b>Other Comprehensive Income (OCI)</b>			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement (loss)/ gain on defined benefit plans		23	(2,371)
Income tax effect		(6)	597
Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods		17	(1,774)
Share in joint venture's and associate's OCI after tax (net) not to be reclassified to profit or loss in subsequent periods		4	(50)
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>21</b>	(1,824)
<b>Total comprehensive income for the year, net of tax</b>		<b>63,524</b>	68,737
<b>Earnings per equity share:</b>			
Basic and diluted earnings per share (₹) (Nominal value per share ₹ 2)	32	22.91	25.45

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

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26,2021

Place: Pune  
Date: May 26,2021

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2021

₹ Lacs

	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>I. Cash generated from operating activities :</b>		
Profit before tax	<b>82,500</b>	80,748
<b>a) Adjustments to reconcile profit before tax to net cash flows</b>		
Depreciation and amortisation expense	<b>12,719</b>	12,058
Finance costs	<b>1,676</b>	2,102
Interest income	<b>(7,601)</b>	(5,784)
Dividend income	<b>-</b>	1
Loss/(gain) on assets sold, discarded, etc.	<b>2,076</b>	408
(Gain)/loss on redemption /sale of investments (net)	<b>(2,387)</b>	(3,140)
Equity contribution from Holding company	<b>217</b>	178
Unrealised foreign exchange fluctuation (net)	<b>(670)</b>	(1,316)
Mark to market ('MTM') of financial instruments	<b>35</b>	672
Provision for doubtful debts and advances (net)	<b>(96)</b>	1,273
Rent concession received from lessor	<b>(11)</b>	-
Share of profit of joint ventures and associate	<b>(11,312)</b>	(12,226)
	<b>(5,354)</b>	(5,774)
<b>b) Working capital adjustments</b>		
Trade receivables	<b>5,818</b>	14,859
Inventories	<b>1,275</b>	5,565
Current and non-current financial assets	<b>770</b>	652
Other current and non-current assets	<b>4,883</b>	(2,039)
Trade payables	<b>3,142</b>	(14,995)
Current and non-current financial liabilities	<b>(6,051)</b>	781
Other current and non-current liabilities	<b>3,628</b>	(1,345)
Current and non-current provisions	<b>(3,347)</b>	(2,149)
	<b>10,118</b>	1,329
<b>Total adjustments (a+b)</b>	<b>4,764</b>	(4,445)
<b>Cash generated from operating activities</b>	<b>87,264</b>	76,303
Tax paid (net of refunds and interest thereon)	<b>(8,396)</b>	(16,233)
<b>Net cash generated from operating activities</b>	<b>78,868</b>	60,070
<b>II. Cash flows (used in)/from investing activities</b>		
Purchase of property, plant and equipment and investment property	<b>(7,799)</b>	(24,838)
Proceeds from sale of property, plant and equipment	<b>216</b>	2,103
Intangible assets under development	<b>(3,834)</b>	(978)
Interest received	<b>4,046</b>	5,784
Dividend received (including received from associate and joint ventures)	<b>9,667</b>	7,502
Investments		
Sale/(Purchase) of short term investments (net)	<b>47,878</b>	(50,745)
Term deposits with banks	<b>(48,629)</b>	39,781
<b>Net cash (used in)/from investing activities</b>	<b>1,545</b>	(21,391)

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

₹ Lacs

	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>III. Cash flows (used in)/from financing activities</b>		
Proceeds from borrowings/repayment (net)	<b>(46,905)</b>	17,668
Finance costs	<b>(1,176)</b>	(1,619)
Payment of principal portion of lease liabilities	<b>(427)</b>	(465)
Dividend paid (including tax on dividend)	<b>(38,808)</b>	(56,811)
<b>Net cash (used in)/from financing activities</b>	<b>(87,316)</b>	<b>(41,227)</b>
<b>IV. Net change in cash and cash equivalents (I+II+III)</b>	<b>(6,903)</b>	<b>(2,548)</b>
<b>V. Net foreign exchange difference</b>	<b>916</b>	1,149
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>18,147</b>	19,546
<b>VII. Cash and cash equivalents at the end of the year (IV+V+VI)</b>	<b>12,160</b>	18,147
<b>Components of cash and cash equivalents</b>		
Cash on hand	<b>2</b>	2
Bank balances		
In current accounts	<b>12,153</b>	18,143
Cheque in hand	<b>5</b>	2
<b>Total cash and cash equivalents (Refer note 11)</b>	<b>12,160</b>	18,147

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

As per our report of even date

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26,2021

Place: Pune  
Date: May 26,2021

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

### A) Equity share capital

	₹ Lacs
As at April 1, 2019	5,544
Changes in equity share capital during the year ended March 31, 2019	-
As at March 31, 2020	5,544
Changes in equity share capital during the year ended March 31, 2020	-
<b>As at March 31, 2021</b>	<b>5,544</b>

### B) Other equity

₹ Lacs

	Retained earnings (Refer note 17)	Other reserves			Total
		General reserve (Refer note 17)	Capital redemption reserve (Refer note 17)	Equity contribution from Cummins Inc.- Share based payments*	
<b>Balance as at April 1, 2019</b>	<b>307,700</b>	<b>114,202</b>	<b>70</b>	<b>782</b>	<b>422,754</b>
Less: Effect of adoption of Ind AS 116 Leases	(198)	-	-	-	(198)
Add: Profit for the year	70,561	-	-	-	70,561
Add: Equity contribution during the year	-	-	-	178	178
Other comprehensive income	(1,824)	-	-	-	(1,824)
<b>Total comprehensive income for the year</b>	<b>68,737</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>68,915</b>
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Tax on interim dividend	3,989	-	-	-	3,989
- Final dividend for FY 2018- 2019	27,720	-	-	-	27,720
- Tax on final dividend	5,698	-	-	-	5,698
<b>Balance as at March 31, 2020</b>	<b>319,428</b>	<b>114,202</b>	<b>70</b>	<b>960</b>	<b>434,660</b>
Balance as at April 1, 2020	<b>319,428</b>	<b>114,202</b>	<b>70</b>	<b>960</b>	<b>434,660</b>
Add: Profit for the year	63,503	-	-	-	63,503
Add: Equity contribution during the year	-	-	-	217	217
Other comprehensive income	21	-	-	-	21
<b>Total comprehensive income for the year</b>	<b>63,524</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>63,741</b>
Less: Dividends paid					
- Interim dividend	19,404	-	-	-	19,404
- Final dividend for FY 2019- 2020	19,404	-	-	-	19,404
<b>Balance as at March 31, 2021</b>	<b>344,144</b>	<b>114,202</b>	<b>70</b>	<b>1,177</b>	<b>459,593</b>

\* Scheme managed and administered by the Holding Company.

As per our report of even date

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

For and on behalf of the Board

per Tridevjal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 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, 2021. 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, 2021 were authorised for issue in accordance with the resolution of the directors on May 26, 2021.

#### b) Basis of preparation

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

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

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

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### c) Principles of consolidation

##### i) Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation procedure: The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions and resulting unrealised profits/ losses have been eliminated. IND AS 12, Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions. Profit or loss on each component of OCI 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.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values. For this purpose the liabilities assumed include contingent liabilities representing the present obligation and they are measured at their acquisition fair values irrespective of the fact that the outflow of resources embodying economic benefits is not probable.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in such cases where clear evidence of bargain purchase is available, the difference is recognised in OCI and accumulated in equity as capital reserve, else the difference is recognized directly in equity as capital reserve. The goodwill arising on acquisition is tested for impairment annually.

### iii) Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint venture companies have been accounted for by using the equity method of accounting whereby the investment is initially recorded at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition changes in the investor's share of net assets of the associate or joint venture.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. If an entities share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in Statement of Profit and Loss.

The list of entities included in consolidation, relationship with CIL and CIL's shareholding therein is as under:

Name of the Company	March 31, 2021		March 31, 2020	
	Relationship	Shareholding	Relationship	Shareholding
Cummins Sales & Service Private Limited (Formerly known as "Cummins SVAM Sales & Service Private Limited")	<b>Subsidiary</b>	<b>100%</b>	Subsidiary	100%
Cummins Research and Technology India Private Limited	<b>Joint Venture</b>	<b>50%</b>	Joint Venture	50%
Valvoline Cummins Private Limited	<b>Joint Venture</b>	<b>50%</b>	Joint Venture	50%
Cummins Generator Technologies India Private Limited	<b>Associate</b>	<b>48.54%</b>	Associate	48.54%

All the above entities are incorporated in India.

### d) Fair value Measurements

The Group measures financial instruments at fair value on initial recognition and at each Balance Sheet date.

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

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

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

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

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

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

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

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

Assets	Useful life
Roads	10 years
Office building and investment properties	upto 60 years
Factory building	30 years
Plant and machinery	3 to 15 years
Furniture and fittings	5 to 10 years
Vehicles	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.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

### 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 consideration to which 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.

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

#### Right-of-use assets

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

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

#### Lease Liabilities

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

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

#### Short-term leases and leases of low-value assets

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

#### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising on such leases is accounted for on a straight-line

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

### l) Employee benefits

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

#### A) Post-employment benefits

##### i) Defined contribution plans:

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has defined contribution plans for post employment benefits in the form of superannuation fund for management employees and provident fund for non management employees which is administered by Life Insurance Corporation of India / Regional Provident Fund Commissioner. In case of superannuation fund for management employees and provident fund for non management employees, the Group has no further obligation beyond making the contributions. The contributions are accounted for as employee benefit expense when they are due. Prepaid contribution is recognised as an asset to the extent cash refund or reduction in future contribution is available.

##### ii) Defined benefit plans:

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

**Unfunded Plan:** The Group has unfunded defined benefit plans in the form of post retirement medical benefits (PRMB) and Ex-gratia benefits as per the policy of the Group.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial method used for measuring the liability is 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
- 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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

“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.

### 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.

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

### o) Provisions and contingent liabilities

A provision is recognised when there is a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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.

### 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. For all subsequent measurements financial assets are classified in following categories:

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 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. The Group has not classified any financial assets under this category.
- iii) Debt instruments at fair value through profit and loss (FVTPL): Debt instruments not classified as amortised cost or FVTOCI are classified as FVTPL. The Group has not classified any debt under this category.

### B) Equity instruments

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

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

### C) Derecognition

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

### D) Impairment of financial assets

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at 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.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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 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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

### ***Reclassification of financial instruments***

After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model.

### ***Offsetting financial assets and financial liabilities***

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

#### **u) Dividend distribution**

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

#### **v) Earning per Share (EPS)**

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

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 2.1 Property, plant and equipment

Particulars	Gross block			Depreciation and Amortisation			Net block	
	As at April 1, 2020	Additions	Adjustment* Deductions / Write-off	As at April 1, 2020	For the year	Adjustment* Deductions / Write-off	As at March 31, 2021	As at March 31, 2021
<b>Tangible Assets:</b>								
- Freehold land @	3,612	-	-	-	-	-	-	3,612
Leasehold improvements	719	-	-	128	14	-	142	577
Roads	2,729	264	-	1,777	245	-	2,022	971
Buildings #	83,364	632	27	12,062	2,163	13	14,229	69,760
Plant and machinery # **	105,778	3,732	(1,487)	65,751	4,864	(946)	65,108	36,170
Furniture and fittings #	5,227	87	(8)	2,303	558	(4)	2,787	2,435
Vehicles	522	-	11	275	55	14	319	187
	<b>201,951</b>	<b>4,715</b>	<b>(1,457)</b>	<b>82,296</b>	<b>7,899</b>	<b>(923)</b>	<b>84,607</b>	<b>113,712</b>
<b>2.2 Intangible assets</b>								
Software	2,533	14	-	2,293	83	-	717	103
Technical knowhow	2,060	-	-	2,060	-	-	2,060	-
	<b>4,593</b>	<b>14</b>	<b>-</b>	<b>4,353</b>	<b>83</b>	<b>-</b>	<b>2,777</b>	<b>103</b>

### 2.3 Capital work-in-progress and intangible assets under development

Particulars	As at April 1, 2020			Additions			Capitalisation			Total As at March 31, 2021	
	As at April 1, 2020	PPE	Intangible assets	PPE	Intangible assets	Investment properties	PPE	Intangible assets	Investment properties	Capitalisation	As at March 31, 2021
Capital work-in-progress	7,025	6,880	-	1,293	8,173	4,715	-	2,543	7,258	7,940	
Intangible assets under development	978	-	3,848	-	3,848	-	14	-	14	4,812	
	<b>8,003</b>	<b>6,880</b>	<b>3,848</b>	<b>1,293</b>	<b>12,021</b>	<b>4,715</b>	<b>14</b>	<b>2,543</b>	<b>7,272</b>	<b>12,752</b>	

#### 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 cancelable/ non-cancellable operating lease

\*\* includes write off of certain old unusable tangible assets amounting to ₹ 2,319 lacs (net book value) charged off to other expense (Refer note 31).

Intangible assets under development as at March 31, 2021 includes expenditure for development cost of two products.

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 2.1 Property, plant and equipment (Contd.)

Particulars	Gross block				Depreciation and Amortisation				Net block		
	As at April 1, 2019	Additions	***Adjustment	Deductions / Write-off	As at March 31, 2020	As at April 1, 2019	For the year	***Adjustment	Deductions / Write-off	As at March 31, 2020	As at March 31, 2020
<b>Tangible Assets:</b>											
- Freehold land @	4,965	-	(1,353)	-	3,612	-	-	-	-	-	3,612
- Leasehold	1,564	-	(1,564)	-	-	117	(117)	-	-	-	-
Leasehold improvements	724	2	(7)	0	719	124	(1)	-	-	128	591
Roads	2,728	3,08	(307)	-	2,729	1,553	(17)	-	-	1,777	952
Buildings #	101,546	9,850	(27,985)	47	83,364	12,491	(2,376)	16	16	12,062	71,302
Plant and machinery #	96,496	22,047	(2,213)	10,552	105,778	68,283	(13)	8,087	8,087	65,751	40,027
Furniture and fittings #	4,687	8,23	(175)	108	5,227	1,986	16	95	95	2,303	2,924
Vehicles	510	61	6	55	522	270	6	53	53	275	247
	<b>213,220</b>	<b>33,091</b>	<b>(33,598)</b>	<b>10,762</b>	<b>201,951</b>	<b>84,824</b>	<b>(2,502)</b>	<b>8,251</b>	<b>8,251</b>	<b>82,295</b>	<b>119,655</b>
<b>2.2 Intangible assets</b>											
Software	2,503	50	-	20	2,533	2,189	-	20	20	2,293	240
Technical knowhow	2,060	-	-	-	2,060	2,060	-	-	-	2,060	-
	<b>4,563</b>	<b>50</b>	<b>-</b>	<b>20</b>	<b>4,594</b>	<b>4,249</b>	<b>-</b>	<b>20</b>	<b>20</b>	<b>4,353</b>	<b>240</b>

#### NOTES:

- @ 1) Includes reservations by Pune Municipal Corporation for Economically Weaker Section (EWS), Maternity Home and Road.  
2) Includes undivided share of land, on purchase of office premises.

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

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

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>3 Investment properties</b>		
<b>Gross</b>		
Opening balance	113,866	77,263
Additions	2,543	4,325
Re-classification from property, plant and equipment	-	32,278
<b>Closing balance</b>	<b>116,409</b>	113,866
<b>Depreciation</b>		
Opening balance	10,202	4,461
Depreciation	4,215	3,165
Re-classification from property, plant and equipment	-	2,576
<b>Closing balance</b>	<b>14,417</b>	10,202
<b>Net</b>	<b>101,992</b>	103,664
<b>Information regarding income and expenditure of investment properties</b>		
Rental income derived from investment properties	12,227	7,016
Direct operating expenses (including repairs and maintenance) generating rental income	1,046	787
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>11,181</b>	6,229
Less: Depreciation	4,215	3,165
<b>Profit arising from investment properties before indirect expenses</b>	<b>6,966</b>	3,064

The investment properties consist of office premises and plants. As at March 31, 2021 the fair value of the properties is ₹ 122,861 lacs (As at March 31, 2020: ₹ 121,584 lacs). The valuation is performed by accredited independent valuers, who are specialists in valuing these types of investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties. The rental income considered in the table above is from the date of rental agreement or date of transfer from property, plant and equipment as applicable.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value disclosures for investment properties are provided in Note 47.

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

Valuation technique	Significant unobservable inputs	Range (weighted average) March 31, 2021	Range (weighted average) March 31, 2020
Income approach (Discounted Cash Flow ('DCF') method)	Estimated rental value per sq ft per month	₹ 31.50 - ₹ 111.55	₹ 31 - ₹ 103
	Rent growth p.a.	3% - 15% every 3 years or based on market assessment	15% every 3 years or based on market assessment
	Discount rate	11.07% to 12.07%	11.66% to 12.66%

As per the DCF method, fair value is defined as the present value of future cash flows that can be withdrawn from the Group. To estimate the cash flows available, projected cash flows of the Group are considered for certain future years (explicit forecast period). Based on the projected cash flow statement, the free cash flows from subject properties are estimated. The Group has discounted the net cash flows to arrive at the present value of free cash flows. After the explicit period, the subject properties will continue to generate cash. In DCF method, therefore, perpetuity value/capitalized value/terminal value is also considered to arrive at the value of the subject properties.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

## 4 Non-current Investments

As at March 31, 2021 Units	As at March 31, 2020 Units	Face value per unit ₹		As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
			<b>Investments in joint ventures and an associate</b>		
			<i>Unquoted equity instruments</i>		
			<b>Investments in joint ventures</b> (fully paid up)(Refer note 40)		
<b>9,500,000</b>	9,500,000	10	Valvoline Cummins Private Limited (% Holding: 50%) (Incorporated in India)	<b>11,829</b>	11,401
<b>114,600</b>	114,600	10	Cummins Research and Technology India Private Limited (% Holding: 50%) (Incorporated in India)	<b>279</b>	271
			<b>Investment in associate</b> (fully paid up)(Refer note 41)		
<b>779,997</b>	779,997	10	Cummins Generator Technologies India Private Limited (% Holding : 48.54%) (Incorporated in India)	<b>14,612</b>	13,399
			<b>Total</b>	<b>26,720</b>	25,071
			<b>Other investments</b>		
			<i>Quoted Government of India Bonds (at amortised cost)</i>		
<b>50,000,000</b>	50,000,000	1	8.35% Government of India 2022	<b>519</b>	533
			<b>Aggregate book value / market value of quoted investments</b>	<b>519</b>	533
			<b>Total</b>	<b>519</b>	533

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>5 Other non-current financial assets (carried at amortised cost)</b>		
<b>Unsecured, considered good;</b>		
Security deposits	1,430	2,927
<b>Total</b>	<b>1,430</b>	<b>2,927</b>
<b>6 Income tax assets (net)</b>		
Advance income tax (net of provision for taxation)	4,376	11,227
<b>Total</b>	<b>4,376</b>	<b>11,227</b>
<b>7 Other non-current assets</b>		
<b>Unsecured, considered good</b>		
Capital advances	1,777	2,173
Balances with statutory/government authorities	3,389	4,442
Others *	237	-
<b>Total</b>	<b>5,403</b>	<b>6,615</b>
* Others include prepaid expenses		
<b>8 Inventories</b>		
Raw materials and components (includes goods in transit)	27,858	31,395
Work-in-progress (includes goods lying with third parties)	13,254	12,376
Finished goods (includes goods in transit and lying with third parties) *	12,278	11,567
Traded goods (includes goods in transit)	1,480	1,001
Stores and spares	728	724
Loose tools	823	660
<b>Total</b>	<b>56,421</b>	<b>57,723</b>

\* During the year ended March 31, 2021 ₹ (149) lacs (March 31, 2020: ₹ (1) lacs) was recognised as an expense / (reversal) for inventories carried at net realisable value.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

## 9 Current investments

As at March 31, 2021 Units	As at March 31, 2020 Units	Face value per unit ₹		As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>Current investments</b>					
<i>Unquoted mutual funds valued at fair value through profit and loss</i>					
-	414,539	1,000	Axis Liquid Fund - Direct Growth	-	9,138
<b>154,818</b>	-	1,000	Axis Liquid Fund - Regular Growth	<b>3,519</b>	-
<b>1,374,981</b>	-	100	Aditya Birla Sun Life Liquid Fund - Growth-Regular Plan	<b>4,528</b>	-
-	631,099	100	Aditya Birla Sun Life Liquid Fund - Growth-Direct Plan	-	2,017
-	136,251	1,000	Franklin India liquid Fund - Super Institutional Plan - Direct - Growth	-	4,065
<b>63,971</b>	287,259	1,000	HDFC Liquid Fund - Direct Plan - Growth	<b>2,588</b>	11,222
-	3,439,788	100	ICICI Prudential liquid Fund - Growth Direct	-	10,105
<b>1,966,222</b>	-	100	ICICI Prudential liquid Fund - Regular Plan - Growth	<b>5,959</b>	-
<b>72,746</b>	227,008	1,000	Kotak Liquid Direct Plan Growth	<b>3,026</b>	9,114
-	224,099	1,000	L&T Liquid Fund Direct Plan - Growth	-	6,098
-	209,971	1,000	Nippon India Liquid Fund - Direct Growth Plan Growth Option	-	10,185
<b>60,337</b>	-	1,000	Nippon India Liquid Fund - Growth Plan Growth Option	<b>3,015</b>	-
-	292,936	1,000	SBI Liquid Fund - Direct Plan - Growth	-	9,106
-	31,957	1,000	Tata Liquid Fund Direct Plan - Growth	-	1,001
<b>155,370</b>	-	1,000	Tata Liquid Fund - Regular Plan - Growth	<b>5,010</b>	-
<b>149,819</b>	-	1,000	UTI Liquid Cash Plan - Regular - Growth Plan	<b>5,024</b>	-
-	187,449	1,000	UTI Liquid Cash Plan - Direct Growth Plan	-	6,095
				<b>32,669</b>	78,146
			<b>Total</b>	<b>32,669</b>	78,146

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>10 Trade receivables (carried at amortised cost)</b>		
Trade receivables	84,414	86,402
Receivables from related parties (Refer note 43)	24,395	28,175
<b>Total</b>	<b>108,809</b>	114,577
<b>Break up for security details</b>		
Secured, considered good	25,697	24,900
Unsecured, considered good	83,112	89,773
Trade receivable which have significant increase in credit risk	520	621
Trade receivable - credit impaired	911	947
	<b>110,240</b>	116,241
<b>Impairment allowance (allowance for bad and doubtful debts)</b>		
Unsecured, considered good	-	-
Provision for impairment	(520)	(717)
Trade receivable - credit impaired	(911)	(947)
	<b>(1,431)</b>	(1,664)
<b>Total</b>	<b>108,809</b>	114,577
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 ₹ 1,668 lacs (March 31, 2020: ₹ 677 lacs). Trade receivables are non interest bearing and are generally on terms of 30 to 90 days.		
For terms and conditions and transactions with related parties refer note 43.		
<b>11 Cash and cash equivalents</b>		
Cash on hand	2	2
Bank balances		
In current accounts	12,153	18,143
Cheques in hand	5	2
<b>Total</b>	<b>12,160</b>	18,147
<b>12 Other bank balances (carried at amortised cost)</b>		
Unpaid dividend account (restricted)	1,316	1,341
Deposits with Banks (original maturity more than 3 months but less than 1 year)	83,050	26,967
<b>Total</b>	<b>84,366</b>	28,308

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>13 Other current financial assets (carried at amortised cost, other than foreign exchange forward contracts)</b>		
<b>Unsecured, considered good:</b>		
Security deposits	1,340	1,625
Deposits with Banks (with residual maturity less than 12 months)	8,308	15,762
Contract assets <sup>^</sup>	2,679	1,394
Foreign exchange forward contracts #	35	-
Others *	1,542	1,864
<b>Total</b>	<b>13,904</b>	<b>20,645</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.		
# Derivative instruments at fair value through profit and loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.		
* Others primarily include warranty receivable, royalty receivable from dealers, cross charge etc.		
Other current financial assets receivable from firms or private companies in which any director is a partner, a director or a member amounts to <b>₹ 1,122 Lacs</b> (March 31, 2020: ₹ 647 Lacs). Refer note 43 for related party transactions.		
<b>14 Other current assets</b>		
<b>Unsecured, considered good:</b>		
Balances with statutory/government authorities	10,749	14,923
Others *	4,496	4,318
<b>Total</b>	<b>15,245</b>	<b>19,241</b>
* Others include prepaid expenses, government grants receivable, supplier advances, service contracts in progress, etc.		
<b>15 Assets classified as held for sale</b>		
Assets held for sale (at lower of cost or fair value less cost to sell) *	1,985	1,444
<b>Total</b>	<b>1,985</b>	<b>1,444</b>

\* Includes land, building, plant and machinery held for sale where the Group is in the process of disposal.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>16 Equity share capital</b>		
<b>Authorised :</b>		
400,000,000 equity shares of ₹ 2 each	<b>8,000</b>	8,000
<b>Issued, subscribed and fully paid-up shares :</b>		
277,200,000 equity shares of ₹ 2 each	<b>5,544</b>	5,544
<b>Total</b>	<b>5,544</b>	5,544

**a) Reconciliation of number of shares**

Equity shares:

	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	₹ Lacs	Number of Shares	₹ Lacs
Balance as at the beginning and end of the year	<b>277,200,000</b>	<b>5,544</b>	277,200,000	5,544

**b) Rights, preferences and restrictions attached to shares**

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each shareholder is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

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

Of the above equity shares, 141,372,000 (March 31, 2020 : 141,372,000) shares of ₹ 2 each are held by the Holding Company, Cummins Inc. USA.

**d) Details of shareholders holding more than 5% of the aggregate shares in the Company**

	As at March 31, 2021		As at March 31, 2020	
	Nos.	%	Nos.	%
Equity shares of ₹ 2 each fully paid				
Cummins Inc., the holding company	<b>141,372,000</b>	<b>51.00%</b>	141,372,000	51.00%
SBI Blue Chip Fund	<b>15,067,261</b>	<b>5.44%</b>	17,200,470	6.21%
Life Insurance Corporation Of India	<b>16,970,534</b>	<b>6.12%</b>	15,799,308	5.70%

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>17 Other equity</b>		
Retained earnings	<b>344,144</b>	319,428
	<b>344,144</b>	319,428
<b>Other reserves</b>		
Capital redemption reserve	<b>70</b>	70
General reserve	<b>114,202</b>	114,202
Equity contribution from holding company	<b>1,177</b>	960
<b>Total</b>	<b>115,449</b>	115,232
<b>a) Retained earnings</b>		
Opening balance as at April 1	<b>319,428</b>	307,700
Less: Effect of adoption of Ind AS 116 Leases (Refer note 37)	-	(198)
Add: Profit for the year	<b>63,503</b>	70,561
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post employment benefit obligations, net of tax	<b>21</b>	(1,824)
	<b>382,952</b>	376,239
Less:		
Interim dividends paid (₹ 7 per share)	<b>19,404</b>	19,404
Tax on interim dividends	-	3,989
Final dividend paid for the financial years ended March 31, 2020 (₹ 7 per share) and March 31, 2019 (₹ 10 per share)	<b>19,404</b>	27,720
Tax on final dividend for the financial year ended March 31, 2019	-	5,698
	<b>38,808</b>	56,811
<b>Closing balance as at March 31</b>	<b>344,144</b>	319,428

During the year March 31, 2020 the Group has paid dividend to its shareholders. This has resulted in payment of Dividend distribution tax ('DDT') to the taxation authorities. The Group believes that DDT represents additional payment to taxation authorities on behalf of the shareholders. Hence DDT paid is charged to equity. With effect from April 1, 2020, the Dividend Distribution Tax ('DDT') payable by the company under section 115O of Income Tax Act was abolished and a withholding tax was introduced on the payment of dividend. As a result, dividend is now taxable in the hands of the recipient.

### Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended payment of final dividend of **₹ 22,176 lacs** for the year ended March 31, 2021 (March 31, 2020: ₹ 19,404 lacs) which is **₹ 8** per fully paid up share (March 31, 2020: ₹ 7 per fully paid up share) and applicable tax on dividend. This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>b) Capital redemption reserve</b>		
Opening balance as at April 1	70	70
Add: Movement during the year	-	-
<b>Closing balance as at March 31</b>	<b>70</b>	<b>70</b>
<b>c) General reserve</b>		
General reserve denotes the amounts transferred from retained earnings on declaration of dividends as per the requirements of erstwhile Companies Act, 1956.		
Opening balance as at April 1	114,202	114,202
Add: Movement during the year	-	-
<b>Closing balance as at March 31</b>	<b>114,202</b>	<b>114,202</b>
<b>d) Equity contribution from the holding company</b>		
Certain employees are directly paid by the holding company through stock options		
Opening balance as at April 1	960	782
Add: Movement during the year	217	178
<b>Closing balance as at March 31</b>	<b>1,177</b>	<b>960</b>
<b>18 Other non-current financial liabilities</b>		
<b>Non current financial liabilities carried at amortised cost</b>		
Dealer deposit	2,384	2,173
Retention money	126	1,349
<b>Total</b>	<b>2,510</b>	<b>3,522</b>
<b>19 Provisions</b>		
Provision for post retirement benefit and compensated absences (Refer note 42)	11,032	11,941
Warranties (Refer note 39 (i))	6,977	8,756
Statutory matters (Refer note 39 (ii))	1,744	2,292
New Engine Performance Inspection (NEPI) (Refer note 39 (iii))	2,555	2,190
	<b>22,308</b>	25,179
Current provisions	14,846	15,701
Non - current provisions	7,462	9,478
<b>Total</b>	<b>22,308</b>	<b>25,179</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 20 Income taxes

#### a) Deferred tax liabilities (net)

	Balance sheet		Statement of profit and loss	
	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs	Year Ended March 31, 2021 ₹ Lacs	Year Ended March 31, 2020 ₹ Lacs
<b>Deferred tax assets</b>				
Provision for employee benefits	2,383	2,004	379	(405)
Other timing differences	1,673	2,180	(507)	1,040
<b>Total deferred tax assets</b>	<b>4,056</b>	4,184	<b>(128)</b>	635
<b>Deferred tax liabilities</b>				
Depreciation	11,913	11,826	87	(1,150)
Deferred tax on share in reserves of joint ventures and associate	-	-	-	(4,435)
Other timing differences	-	15	(15)	(89)
<b>Total deferred tax liabilities</b>	<b>11,913</b>	11,841	<b>72</b>	(5,674)
<b>Deferred tax income/(expense)</b>			<b>(200)</b>	6,309
<b>Net deferred tax liabilities</b>	<b>7,857</b>	7,657		

#### b) The major components of income tax expenses for the years ended March 31, 2021 and March 31, 2020 are:

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>Statement of Profit and Loss</b>		
<b>Profit and Loss section</b>		
<b>Current income tax:</b>		
Current income tax charge	18,834	15,899
Adjustments in respect of current income tax of previous year	(31)	(9)
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	194	(5,703)
<b>Income tax expenses reported in the Statement of Profit and Loss</b>	<b>18,997</b>	10,187
<b>OCI section</b>		
Tax related to items recognised in OCI during the year	6	(597)
Net (gain)/loss on remeasurements of defined benefit plans	6	(597)

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 20 Income taxes (Contd.)

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
c) Reconciliation of tax expenses and the accounting profit multiplied by India's domestic tax rate for March 31, 2021 and March 31, 2020		
Accounting profit before tax	82,500	80,748
Less: Share of profit of joint ventures and associate after tax	11,312	12,226
	<u>71,188</u>	<u>68,522</u>
India's statutory income tax rate	25.17%	25.17%
Tax at full rate	17,917	17,246
<b>Adjustments:</b>		
Capital gains	-	(5)
Deferred tax on share in reserves of joint ventures and associates	-	(4,435)
Dividend distribution tax paid on dividends distributed by joint ventures and associate	-	1,542
Tax for earlier years	(31)	(9)
Impact of changes in tax rates	-	(2,095)
Impact on account of transfer of assets to investment properties	-	(2,385)
Others (deductible, non-deductible items, net)	1,111	328
<b>Total</b>	<u>1,080</u>	<u>(7,058)</u>
Income tax expenses reported in the Statement of Profit and Loss for the current year	<u>18,997</u>	<u>10,187</u>
d) <b>Deferred tax</b>		
Reconciliation of deferred tax liabilities (net)		
Opening balances as at April 1	7,657	13,966
Tax expense/(income) during the year recognised in Statement of Profit and Loss	194	(5,712)
Tax expense/ (income) during the year recognised in OCI	6	(597)
<b>Closing balance as at March 31</b>	<u>7,857</u>	<u>7,657</u>
	<b>As at March 31, 2021 ₹ Lacs</b>	<b>As at March 31, 2020 ₹ Lacs</b>
21 <b>Other non-current liabilities</b>		
Contract liabilities	275	106
<b>Total</b>	<u>275</u>	<u>106</u>

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>22 Borrowings</b>		
Working capital loan from bank *	1,564	48,536
Cash credit and demand loan #	458	390
<b>Total</b>	<b>2,022</b>	<b>48,926</b>
* The loan is unsecured and repayable within one year. Interest is payable @ 3.59% - 7.20% (T-Bill / Repo / CD) adjusted by a reasonable spread p.a. The Group has availed the benefit of interest equalisation scheme of the Reserve Bank of India. Interest on borrowings is accounted for on net basis.		
# Cash credit and demand loan availed for working capital financing, being repayable on demand, against hypothecation of stocks and book debts (ageing less than equal to 90 days). Rate of interest is calculated on 365 days basis and ranges between 7% to 9% per annum.  The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes.		
<b>23 Trade payables</b>		
Trade payables to micro and small enterprises (Refer note 34)	4,272	1,898
Trade payables other than micro and small enterprises	33,014	32,675
Trade payables to related parties (Refer note 43)	35,816	35,161
<b>Total</b>	<b>73,102</b>	<b>69,734</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.		
<b>24 Other current financial liabilities</b>		
Unpaid dividend	1,316	1,341
Royalty (Refer note 43)	1,096	4,605
Support services payable (Refer note 43)	1,822	3,264
Retention money	2,375	2,946
Others including salaries, wages, bonus payable	5,189	4,657
<b>Total</b>	<b>11,798</b>	<b>16,813</b>
Other current financial liabilities are non interest bearing and have an average term of 6 months.		
<b>25 Other current liabilities</b>		
Statutory dues and other payables	5,628	2,838
Contract liabilities <sup>^</sup>	3,035	2,377
<b>Total</b>	<b>8,663</b>	<b>5,215</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. The significant increase in contract liabilities was mainly due to customer advances received and outstanding at the end of the year.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>26 Revenue from operations</b>		
Sale of products	405,721	480,215
Sale of services	<b>23,028</b>	29,372
	<b>428,749</b>	509,587
<b>Other operating revenue</b>		
Scrap sales	401	642
Export incentives	<b>1,582</b>	4,793
Others *	<b>5,276</b>	4,123
	<b>7,259</b>	9,558
<b>Revenue from operations</b>	<b>436,008</b>	519,145
* Others primarily includes testing income, engineering income, royalty income from dealers, etc.		
<b>Disaggregated revenue information</b>		
Set out below is the disaggregation of the Groups revenue from contracts with customers		
<b>Location</b>		
India	<b>315,130</b>	399,192
Outside India	<b>119,296</b>	115,160
<b>Total revenue from contracts with customers *</b>	<b>434,426</b>	514,352
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>406,123</b>	480,815
Services transferred over time	<b>28,303</b>	33,537
<b>Revenue from contract with customers *</b>	<b>434,426</b>	514,352
<b>Set out below is the amount of revenue recognised from</b>		
Amounts included in contract liabilities at the beginning of the year	<b>2,483</b>	3,259
Performance obligations satisfied in previous years	<b>720</b>	450
<b>Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price</b>		
Revenue as per contracted price	<b>442,260</b>	523,608
<b>Adjustments</b>		
Sales return	<b>(4,085)</b>	(3,561)
Discounts	<b>(2,644)</b>	(3,892)
Liquidated damages	<b>(577)</b>	(775)
Others	<b>(528)</b>	(1,028)
<b>Revenue from contract with customers</b>	<b>434,426</b>	514,352
* Excludes export incentives		

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	<b>Year ended March 31, 2021 ₹ Lacs</b>	Year ended March 31, 2020 ₹ Lacs
<b>27 Other income</b>		
Income from investments:		
Interest income from financial assets at amortised cost		
- On bonds (non - current/current investments)	<b>42</b>	42
	<b>42</b>	42
Dividend income		
- On current investments designated at fair value through profit and loss	-	1
	-	1
Gain on sale/redemption of investments		
- On current investments designated at fair value through profit and loss	<b>2,387</b>	3,140
	<b>2,387</b>	3,140
Interest on term deposits and others *	<b>7,561</b>	5,742
Rent (Refer note 3 for rent on investment properties)	<b>15,100</b>	13,796
Exchange gain (net)	<b>371</b>	171
Miscellaneous income	<b>1,917</b>	2,857
	<b>24,949</b>	22,566
<b>Total</b>	<b>27,378</b>	25,749
* includes interest on income tax refund amounting to ₹ 3,556 Lacs.		
<b>28.1 Cost of materials consumed</b>		
Inventory at the beginning of the year	<b>31,395</b>	33,455
Add: Purchases	<b>229,439</b>	256,739
Less: Inventory at the end of the year	<b>27,858</b>	31,395
<b>Total</b>	<b>232,976</b>	258,799

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>28.2 Change in inventories of finished goods, work-in-progress and traded goods</b>		
<b>Inventories at the end of the year (Refer note 8)</b>		
Work-in-progress	13,254	12,376
Finished goods	12,278	11,567
Traded goods	1,480	1,001
<b>Subtotal (A)</b>	<b>27,012</b>	24,944
<b>Inventories at the beginning of the year (Refer note 8)</b>		
Work-in-progress	12,376	11,141
Finished goods	11,567	15,841
Traded goods	1,001	1,624
<b>Subtotal (B)</b>	<b>24,944</b>	28,606
<b>(Increase)/ decrease (B-A)</b>	<b>(2,068)</b>	3,662
<b>29 Employee benefits expense</b>		
Salaries, wages and bonus (net of amount capitalised)	42,926	49,034
Contribution to provident and other funds (Refer note 42)	5,501	5,736
Staff welfare expenses	2,550	3,005
<b>Total</b>	<b>50,977</b>	57,775
<b>30 Finance costs</b>		
Interest on borrowings and others	977	1,409
Interest cost on lease liabilities (Refer note 37)	200	210
<b>Total interest expense</b>	<b>1,177</b>	1,619
Unwinding of discount and effect of changes in discount rate on provisions (Refer note 39)	499	483
<b>Total</b>	<b>1,676</b>	2,102

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>31 Other expenses</b>		
Commission on sales	189	1,671
Consumption of stores and spare parts	4,573	4,496
Warranty expenses (Refer note 39)	3,464	7,308
Consumption of tools and gauges	525	759
Repairs to buildings	1,939	2,692
Repairs to machinery	840	1,136
Other repairs	194	373
Power and fuel	1,905	2,932
Rent (Refer note 37)	205	53
Rates and taxes	1,685	1,617
Insurance	1,129	1,038
Outside processing charges	2,102	3,170
Donations - expenditure towards corporate social responsibility (CSR) activities (Refer note 43 and 45)	1,608	1,723
Royalties (Refer note 43)	1,241	5,214
Support services (Refer note 43)	13,304	11,491
Computer and other services	6,223	7,024
Payment to auditors (Refer details below)	137	143
Net loss on fixed assets sold / discarded	2,077	408
Bad debts		
Bad debts written off	124	111
Provision for bad and doubtful debts	(109)	1,273
Amount withdrawn from provisions	(124)	(111)
	<u>(109)</u>	<u>1,273</u>
Other expenses (net of expenses recovered and capitalised) (Refer note 43)	7,233	10,752
<b>Total</b>	<b><u>50,464</u></b>	<b><u>65,273</u></b>
<b>Payment to auditors:</b>		
Statutory audit (including limited reviews)	116	117
Other services (including tax audit)	18	18
Reimbursement of expenses	3	8
<b>Total</b>	<b><u>137</u></b>	<b><u>143</u></b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	<b>March 31, 2021</b>	March 31, 2020
<b>32 Earning per share (EPS)</b>		
Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
(a) Profit for the year after taxation (₹ Lacs)	<b>63,503</b>	70,561
(b) Weighted average number of shares outstanding during the year	<b>277,200,000</b>	277,200,000
(c) Earnings per share (basic and diluted) (₹)	<b>22.91</b>	25.45
Face value per share (₹)	<b>2</b>	2

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
<b>33 Capital and other commitments</b>		
Estimated amount of contracts in capital account remaining to be executed (net of capital advances). For other commitments also refer note 37	<b>5,679</b>	9,086
<b>Total</b>	<b>5,679</b>	9,086
<b>34 Trade payables include:</b>		
Total outstanding dues of micro and small enterprises	<b>4,272</b>	1,898
Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 are as under:		
1 Principal Amount	<b>4,272</b>	1,898
2 Interest accrued	-	-
3 Payment made to suppliers (other than interest) beyond the appointed day, during the year	<b>1,003</b>	1,350
4 Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-	-
5 Interest paid to suppliers under MSMED Act, 2006(Section 16)	<b>11</b>	12
6 Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	-	-
7 Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	-	-

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

### 35 Significant accounting judgements, estimates and assumptions

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

#### **Judgements**

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

#### **Revenue from contracts with customers**

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations in a bundled sale of equipment and installation services**

The Group provides installation services that can either be sold separately or bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

the negotiated exchange between the Group and the customer. The Group determined that both the equipment and installation are capable of being distinct.

### ● **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group applies either the most likely amount method or the expected value method. The most likely amount method is applied for contracts with a single-volume threshold and the expected value method is applied for contracts with more than one volume threshold.

The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

### **Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

### **Operating lease commitments – Group as lessor**

The Group has leased out commercial properties (investment properties) on operating lease. The Group had determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the assets, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

### **Estimates and assumptions**

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

### **Defined benefit plans:**

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

The discount rate is the parameter most subject to change. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for India. Mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 42.

### **Fair value measurements of financial instruments:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets if available, otherwise, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument. Refer note 47 for further disclosures.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 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.

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
<b>36 Contingent liabilities</b>		
a. Income tax matters*	<b>59</b>	59
b. Central excise duty/service tax matters*	<b>314</b>	337
c. Duty drawback matters	<b>2,604</b>	2,604
d. Sales tax matters*	<b>2,316</b>	1,875
e. Civil liability / secondary civil liability in respect of suits filed against the Group*	<b>172</b>	181
f. Goods and service tax matters	<b>44</b>	-
g. Bank guarantees	<b>27</b>	30
<b>Total</b>	<b>5,536</b>	5,086

\* Excludes interest and penalties if any. The above matters pertain to certain disallowances/demand raised by respective authorities.

The Group is contesting the demands and the management, including its tax/legal advisors, believe that its position will likely be upheld in the appellate process.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Group has implemented the SC decision prospectively.

The Group has various on-going litigations by/or against the Group with respect to tax and other legal matters, other than those disclosed above. The Group believes that they have sufficient and strong arguments on facts as well as on point of law and accordingly no provision / disclosure in this regard has been considered in the financial statements.

## 37 Leases

### Lease commitments as a lessee

The Group has entered into leases for office premises. These lease arrangements range for a period between 12 months and 108 months with lock in period between 36 months and 108 months, which include both renewable and non-renewable leases.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

Following are the changes in the carrying value of right of use assets during the year ended:

Particulars	March 31, 2021			March 31, 2020		
	Category of ROU		Total ₹ Lacs	Category of ROU		Total ₹ Lacs
	Building	Land		Building	Land	
<b>Balance as at the beginning of the year</b>	<b>2,069</b>	<b>1,372</b>	<b>3,441</b>	2,084	1,447	3,531
Additions	219	-	219	514	-	514
Adjustment	(99)	16	(83)	-	(60)	(60)
Depreciation	(502)	(20)	(522)	(529)	(15)	(544)
<b>Balance as at the end of the year</b>	<b>1,687</b>	<b>1,368</b>	<b>3,055</b>	2,069	1,372	3,441

Following are the changes in carrying value of lease liabilities during the year ended:

Particulars	March 31, 2021 ₹ Lacs	March 31, 2020 ₹ Lacs
<b>Balance as at the beginning of the year</b>	<b>2,251</b>	2,201
Additions	219	514
Reduction	(83)	-
Interest cost accrued during the period	200	210
Payments	(627)	(674)
Rent concessions	(11)	-
<b>Balance as at the end of the year</b>	<b>1,949</b>	2,251
Current portion	436	368
Non-current portion	1,513	1,883

The maturity analysis of lease liabilities is disclosed in note 46(c). Lease liability has been discounted using the lessee's incremental borrowing rate. There are no variable lease payments.

The following are the amounts recognised in statement of profit and loss for the year ended:

Particulars	March 31, 2021 ₹ Lacs	March 31, 2020 ₹ Lacs
Depreciation expense of right-of-use assets	522	545
Interest expense on lease liabilities	200	210
Rent concessions	(11)	-
Expenses related to short-term leases (included in other expenses)	13	-
<b>Total amount recognised in Statement of Profit and Loss</b>	<b>724</b>	755

### 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 term between 36 months and 120 months. Leases include a clause for upward revision of the rental charge once in 12 months on the basis of prevailing market conditions.

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

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
Within one year	3,833	4,578
After one year but not more than five years	12,933	14,782
More than five years	578	890
<b>Total</b>	<b>17,344</b>	<b>20,250</b>

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

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

	<b>Year ended March 31, 2020</b>	Year ended March 31, 2019
	<b>₹ Lacs</b>	₹ Lacs
On capital account	1,677	14,534
On revenue account	5,749	4,470
<b>Total</b>	<b><u>7,426</u></b>	<b><u>19,004</u></b>

### 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.

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Balance as at the beginning of the year	<b>8,756</b>	9,330
Additions / reversal	<b>3,464</b>	7,308
Utilisation	<b>5,659</b>	8,294
Unwinding of discount and changes in the discount rate	<b>416</b>	412
<b>Balance as at the end of the year</b>	<b><u>6,977</u></b>	<b><u>8,756</u></b>
Classified as non-current	<b>3,091</b>	3,463
Classified as current	<b>3,886</b>	5,293

#### 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.

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Balance as at the beginning of the year	<b>2,292</b>	2,556
Additions	-	441
Utilisation	<b>548</b>	705
<b>Balance as at the end of the year</b>	<b><u>1,744</u></b>	<b><u>2,292</u></b>
Classified as non-current	-	-
Classified as current	<b>1,744</b>	2,292

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 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.

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Balance as at the beginning of the year	<b>2,190</b>	2,208
Additions	<b>977</b>	1,051
Utilisation	<b>695</b>	1,140
Unwinding of discount and changes in the discount rate	<b>83</b>	71
<b>Balance as at the end of the year</b>	<b><u>2,555</u></b>	<u>2,190</u>
Classified as non-current	<b>1,864</b>	1,639
Classified as current	<b><u>691</u></b>	<u>551</u>

## 40 Investment in joint ventures

The Group has 50% interest in joint ventures namely Cummins Research and Technology India Private Limited (CRTI) and Valvoline Cummins Private Limited (VCPL), both incorporated in India. The Group's interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

### Summarised balance sheet

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
<b>Valvoline Cummins Private Limited</b>		
<b>Non current assets</b>		
Property, plant and equipment	<b>8,531</b>	9,279
Capital work-in-progress	<b>47</b>	59
Intangible assets	<b>191</b>	139
Right-of-use assets	<b>2,049</b>	2,236
Other financial assets	<b>770</b>	861
Other non-current assets	<b><u>1,914</u></b>	<u>1,849</u>
	<b><u>13,502</u></b>	<u>14,423</u>

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 40 Investment in joint ventures (contd.)

	<b>As at March 31, 2021 ₹ Lacs</b>	As at March 31, 2020 ₹ Lacs
<b>Current assets</b>		
Inventories	<b>15,375</b>	16,212
Financial assets		
(i) Investments	-	-
(ii) Trade receivables	<b>12,487</b>	11,231
(iii) Cash and cash equivalents	<b>13,604</b>	9,855
(iv) Other financial assets	<b>515</b>	531
Other current assets	<b>3,233</b>	1,713
	<b>45,214</b>	39,542
<b>Non current liabilities</b>		
Lease liabilities	<b>1,215</b>	1,501
Provisions	-	55
Deferred tax liabilities (net)	<b>3</b>	100
	<b>1,218</b>	1,656
<b>Current liabilities</b>		
Borrowings	<b>110</b>	1,957
Lease liabilities	<b>352</b>	310
Trade payables	<b>27,575</b>	20,987
Other financial liabilities	<b>3,335</b>	4,328
Other current liabilities	<b>1,930</b>	1,394
Provisions	<b>530</b>	522
	<b>33,832</b>	29,498
<b>Equity</b>		
Proportion of the Group's ownership	<b>50%</b>	50%
Carrying amount of the investment *	<b>11,829</b>	11,401
Capital commitments	<b>599</b>	161
Contingent liabilities	<b>1,530</b>	701

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 40 Investment in joint ventures (contd.)

	As at March 31, 2021 ₹ Lacs	As at March 31, 2020 ₹ Lacs
<b>Cummins Research and Technology India Private Limited</b>		
<b>Non current assets</b>		
Income tax assets (net)	8	4
	<u>8</u>	<u>4</u>
<b>Current assets</b>		
Cash and cash equivalents	545	448
Other current assets	14	96
	<u>559</u>	<u>544</u>
<b>Current liabilities</b>		
Trade payables	9	6
	<u>9</u>	<u>6</u>
<b>Equity</b>		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment *	279	271
	<u>279</u>	<u>271</u>

\* Adjusted for inter company transactions

### Summarised statement of profit and loss

	Year ended March 31, 2021 ₹ Lacs	Year ended March 31, 2020 ₹ Lacs
<b>Valvoline Cummins Private Limited</b>		
Revenue from operations	134,104	129,544
Interest income	414	187
Other income	293	431
Cost of raw material and components	72,552	68,179
Depreciation and amortisation expense	1,576	1,618
Finance costs	280	177
Employee benefits expense	8,001	7,369
Other expenses	30,927	31,617
<b>Profit before tax</b>	<b>21,475</b>	<b>21,202</b>
Tax expense	5,511	5,281
<b>Profit for the year</b>	<b>15,964</b>	<b>15,921</b>
Other comprehensive income	91	(15)
<b>Total comprehensive income for the year</b>	<b>16,055</b>	<b>15,906</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### Cummins Research and Technology India Private Limited

	<b>Year ended March 31, 2021</b>	Year ended March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Other income	<b>28</b>	95
Other expenses	<b>7</b>	10
<b>Profit before tax</b>	<b>21</b>	85
Tax expense	<b>5</b>	19
<b>Profit for the year</b>	<b>16</b>	66
Other comprehensive income	<b>-</b>	-
<b>Total comprehensive income for the year</b>	<b>16</b>	66

#### 41 Investment in an associate

The Group has a 48.54% interest in Cummins Generator Technologies India Private Limited (CGT), which is involved in the manufacture of alternators used in a wide range of generators. It caters to both domestic and international markets. The Group's interest is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in CGT.

##### Summarised balance sheet

	<b>As at March 31, 2021</b>	As at March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Non current assets	<b>8,997</b>	9,084
Current assets	<b>39,296</b>	31,736
Non current liabilities	<b>1,605</b>	1,812
Current liabilities	<b>16,404</b>	11,218
<b>Equity</b>	<b>30,284</b>	27,790
Proportion of the Group's ownership	<b>48.54%</b>	48.54%
Carrying amount of the investment *	<b>14,612</b>	13,399
Capital commitments	<b>515</b>	428
Contingent liabilities	<b>696</b>	853

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### Summarised statement of profit and loss

	<b>Year ended March 31, 2021</b>	Year ended March 31, 2020
	<b>₹ Lacs</b>	₹ Lacs
Revenue from operations	<b>75,339</b>	79,089
Other income	<b>880</b>	933
Cost of raw material and components	<b>52,342</b>	53,374
Depreciation and amortisation expense	<b>1,472</b>	1,097
Finance costs	<b>158</b>	84
Employee benefits expense	<b>6,576</b>	6,589
Other expenses	<b>6,451</b>	7,430
<b>Profit before tax</b>	<b>9,220</b>	11,448
Tax expense	<b>2,382</b>	2,885
<b>Profit for the year</b>	<b>6,838</b>	8,563
Other comprehensive income	<b>(86)</b>	(87)
<b>Total comprehensive income for the year</b>	<b>6,752</b>	8,476

\* Adjusted for inter company transactions

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 42 Employee benefit plans

1. Defined contribution plans - The Group has recognised the following amounts in statement of profit and loss for the year:

	₹ Lacs
	<b>Total</b>
Contribution to employees provident fund	<b>1,101</b> 1,104
Contribution to management superannuation fund	<b>1,611</b> 1,964

2. Defined benefit plans -

The following figures are as per actuarial valuation, as at the balance sheet date, carried out by an independent actuary.

a. Net balance sheet position

		₹ Lacs					
Sr.no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Defined benefit obligation	March 31, 2021	<b>18,143</b>	<b>2,855</b>	<b>75</b>	<b>65</b>	<b>28,458</b>
		March 31, 2020	16,620	2,653	71	57	25,270
ii)	Fair value of plan assets	March 31, 2021	<b>16,521</b>	<b>2,605</b>	-	-	<b>28,458</b>
		March 31, 2020	13,498	2,062	-	-	25,270
iii)	Funded status surplus/ (deficit)	March 31, 2021	<b>(1,622)</b>	<b>(250)</b>	<b>(75)</b>	<b>(65)</b>	-
		March 31, 2020	(3,122)	(591)	(71)	(57)	-
iv)	Effect of asset ceiling	March 31, 2021	-	-	-	-	-
		March 31, 2020	-	0	-	-	-
<b>Net defined benefit asset / (liability)</b>		March 31, 2021	<b>(1,622)</b>	<b>(250)</b>	<b>(75)</b>	<b>(65)</b>	-
		March 31, 2020	(3,122)	(591)	(71)	(57)	-

- b. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

		₹ Lacs					
Sr.no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
	Opening defined benefit obligation	March 31, 2021	<b>16,620</b>	<b>2,653</b>	<b>71</b>	<b>57</b>	<b>25,270</b>
		March 31, 2020	15,251	2,039	55	48	21,964
i)	Current service cost	March 31, 2021	<b>1,401</b>	<b>109</b>	<b>3</b>	<b>3</b>	<b>987</b>
		March 31, 2020	1,213	82	2	2	1,059
ii)	Interest cost	March 31, 2021	<b>1,080</b>	<b>172</b>	<b>5</b>	<b>4</b>	<b>2,169</b>
		March 31, 2020	1,033	146	4	3	1,974
iii)	Curtailment (credit) / cost	March 31, 2021	-	-	-	-	-
		March 31, 2020	(231)	-	-	-	-
iv)	Actuarial (gains) / losses - experience	March 31, 2021	<b>26</b>	<b>(14)</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	217	(47)	3	(4)	-
v)	Actuarial (gains) / losses - demographic changes	March 31, 2021	-	-	-	-	-
		March 31, 2020	486	13	10	8	-
vi)	Actuarial (gains) / losses - financial assumptions	March 31, 2021	-	<b>112</b>	-	-	-
		March 31, 2020	1,222	543	3	3	-
vii)	Benefits paid	March 31, 2021	<b>(798)</b>	<b>(177)</b>	<b>(7)</b>	<b>(3)</b>	<b>(2,703)</b>
		March 31, 2020	(2,559)	(123)	(6)	(3)	(1,950)
viii)	Other adjustments	March 31, 2021	-	-	-	-	<b>141</b>
		March 31, 2020	-	-	-	-	-
ix)	Acquisitions (credit) / cost	March 31, 2021	<b>(186)</b>	-	-	-	<b>875</b>
		March 31, 2020	(12)	-	-	-	475
x)	Contributions by employees	March 31, 2021	-	-	-	-	<b>1,719</b>
		March 31, 2020	-	-	-	-	1,748
<b>Closing defined benefit obligation</b>		March 31, 2021	<b>18,143</b>	<b>2,855</b>	<b>75</b>	<b>65</b>	<b>28,458</b>
		March 31, 2020	16,620	2,653	71	57	25,270

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 42 Employee benefit plans (contd.)

#### c. Reconciliation of opening and closing balances of the fair value of plan assets

							₹ Lacs
Sr. no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
	Opening fair value of plan assets	March 31, 2021	<b>13,498</b>	<b>2,062</b>	-	-	<b>25,270</b>
		March 31, 2020	12,267	1,739	-	-	21,964
i)	Interest income on plan assets	March 31, 2021	<b>973</b>	<b>151</b>	-	-	<b>2,169</b>
		March 31, 2020	917	135	-	-	1,974
ii)	Return on plan asset greater / (lesser) than discount rate	March 31, 2021	<b>(13)</b>	<b>(2)</b>	-	-	-
		March 31, 2020	74	11	-	-	-
iii)	Actuarial gains / (losses)	March 31, 2021	-	-	-	-	-
		March 31, 2020	-	-	-	-	-
iv)	Contribution by the employer	March 31, 2021	<b>2,914</b>	<b>591</b>	-	-	<b>987</b>
		March 31, 2020	2,824	300	-	-	1,059
v)	Benefits paid	March 31, 2021	<b>(782)</b>	<b>(177)</b>	-	-	<b>(2,703)</b>
		March 31, 2020	(2,552)	(123)	-	-	(1,950)
vi)	Acquisitions adjustment	March 31, 2021	<b>(70)</b>	<b>(20)</b>	-	-	<b>875</b>
		March 31, 2020	(32)	-	-	-	475
vii)	Contribution by employee	March 31, 2021	-	-	-	-	<b>1,719</b>
		March 31, 2020	-	-	-	-	1,748
viii)	Other adjustments	March 31, 2021	-	-	-	-	<b>141</b>
		March 31, 2020	-	-	-	-	(0)
	<b>Closing fair value of plan assets</b>	March 31, 2021	<b>16,521</b>	<b>2,605</b>	-	-	<b>28,458</b>
		March 31, 2020	13,498	2,062	-	-	25,270

#### d. Total defined benefit cost

							₹ Lacs
Sr. no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Current and past service cost	March 31, 2021	<b>1,401</b>	<b>109</b>	<b>3</b>	<b>3</b>	<b>987</b>
		March 31, 2020	982	82	2	2	1,059
ii)	Net interest cost	March 31, 2021	<b>107</b>	<b>21</b>	<b>5</b>	<b>4</b>	-
		March 31, 2020	116	11	4	3	-
iii)	Actuarial (gains) / losses recognised in OCI	March 31, 2021	<b>39</b>	<b>100</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	1,851	498	16	7	-
	<b>Total defined benefit cost</b>	March 31, 2021	<b>1,548</b>	<b>230</b>	<b>11</b>	<b>11</b>	<b>987</b>
		March 31, 2020	2,949	591	22	12	1,059

#### e. Statement of profit and loss

							₹ Lacs
Sr. no.	Particulars		Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Current and past service cost	March 31, 2021	1,401	109	3	3	987
		March 31, 2020	1,213	82	2	2	1,059
ii)	Curtailement cost / (credit)	March 31, 2021	-	-	-	-	-
		March 31, 2020	(231)	-	-	-	-
iii)	Net interest cost	March 31, 2021	107	21	5	4	-
		March 31, 2020	116	11	4	3	-
	<b>Cost recognised in profit and loss</b>	March 31, 2021	<b>1,508</b>	<b>130</b>	<b>8</b>	<b>7</b>	<b>987</b>
		March 31, 2020	1,098	93	6	5	1,059

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, 2021

### 42 Employee benefit plans (contd.)

#### f. Other comprehensive income

							₹ Lacs
Sr. no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Actuarial (gain) / loss due to DBO experience	March 31, 2021	<b>26</b>	<b>(14)</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	217	(47)	3	(4)	-
ii)	Actuarial (gain) / loss due to assumption change	March 31, 2021	-	<b>112</b>	-	-	-
		March 31, 2020	1,708	556	13	11	-
iii)	Return on plan assets (greater) / less than discount rate	March 31, 2021	<b>13</b>	<b>2</b>	-	-	-
		March 31, 2020	(74)	(11)	-	-	-
<b>Actuarial (gain) / loss recognised in OCI</b>		March 31, 2021	<b>39</b>	<b>100</b>	<b>3</b>	<b>4</b>	-
		March 31, 2020	1,851	498	16	7	-
<b>Adjustment for limit of net asset</b>		March 31, 2021	-	-	-	-	-
		March 31, 2020	-	-	-	-	-

#### 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, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
i)	Government of India securities	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>49.35%</b>	50.22%
ii)	Debt instruments and related investments / corporate bonds	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>36.66%</b>	38.93%
iii)	Special deposit scheme	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>7.94%</b>	6.81%
iv)	Insurer managed funds	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>0.00%</b>	0.00%
v)	Equities and related investments	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>6.05%</b>	4.04%
<b>Total</b>		<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

#### h. Supplementary information as per Ind AS 19

							₹ Lacs
Sr. no.	Particulars	As at	Gratuity	Pension	Ex-gratia	PRMB	PF
i)	Expected employer contribution for next year	March 31, 2021	1,452	250	NA	NA	104
		March 31, 2020	2,914	591	NA	NA	106

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 42 Employee benefit plans (contd.)

#### i. Following are the principal actuarial assumption used as at the balance sheet date

Particulars	Gratuity	Pension	Ex-gratia	PRMB	PF
Discount rate - March 31, 2021	6.70%	6.70%	6.70%	6.70%	6.70%
Discount rate - March 31, 2020	6.70%	6.70%	6.70%	6.70%	6.70%
Expected rate of return on plan assets	6.70%	6.70%	NA	NA	NA
	7.25%	7.25%	NA	NA	NA
Expected return on assets for exempt PF fund					
2021-22	NA	NA	NA	NA	NA
	NA	NA	NA	NA	8.50%
2022-23	NA	NA	NA	NA	NA
	NA	NA	NA	NA	8.50%
2023 and thereafter	NA	NA	NA	NA	NA
	NA	NA	NA	NA	8.50%
Salary escalation rate - management staff	10.00%	NA	NA	NA	NA
	10.00%	NA	NA	NA	NA
Salary escalation rate - non-management staff	7.00%	NA	NA	NA	NA
	7.00%	NA	NA	NA	NA
Annual increase in healthcare costs year 2011 - 2020	NA	NA	NA	10%	NA
	NA	NA	NA	10%	NA
Annual increase in healthcare costs year 2021 - 2025	NA	NA	NA	8 %	NA
	NA	NA	NA	8 %	NA
Annual increase in healthcare costs - 2026 and thereafter	NA	NA	NA	6 %	NA
	NA	NA	NA	6 %	NA
Long term EPFO rate					
2020-21	NA	NA	NA	NA	8.50%
	NA	NA	NA	NA	8.50%
2021 and thereafter	NA	NA	NA	NA	NA
	NA	NA	NA	NA	8.50%
Mortality rate March 31, 2021	Indian Assured Lives Mortality (2006-08) Ult				
March 31, 2020	Indian Assured Lives Mortality (2006-08) Ult				

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

#### j. Expected benefit payment for the next years

Particulars	As at	₹ Lacs					
		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026	2027-2031
		March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	2026-2030
Gratuity	March 31, 2021	<b>702</b>	<b>737</b>	<b>1,204</b>	<b>1,371</b>	<b>1,503</b>	<b>9,328</b>
	March 31, 2020	652	1,004	735	1,234	1,354	8,565
Pension	March 31, 2021	<b>224</b>	<b>151</b>	<b>247</b>	<b>331</b>	<b>384</b>	<b>2,061</b>
	March 31, 2020	153	247	144	235	315	2,010
Ex-gratia	March 31, 2021	<b>6</b>	<b>4</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>54</b>
	March 31, 2020	4	7	4	7	9	55
PRMB	March 31, 2021	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>41</b>
	March 31, 2020	3	3	3	4	5	40
PF	March 31, 2021	<b>104</b>	<b>108</b>	<b>112</b>	<b>113</b>	<b>116</b>	<b>631</b>
	March 31, 2020	110	112	110	108	108	106

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

## 42 Employee benefit plans (contd.)

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

							₹ Lacs
Assumptions Sensitivity level	Discount rate		Future salary increase		Withdrawal rate		
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	5% increase	5% decrease	
<b>Gratuity</b>							
March 31, 2021	<b>(933)</b>	<b>1,013</b>	<b>1,005</b>	<b>(936)</b>	<b>(1,466)</b>	<b>1,157</b>	
March 31, 2020	(871)	947	939	(873)	(1,358)	1,109	
<b>Pension</b>							
March 31, 2021	<b>(85)</b>	<b>89</b>	<b>NA</b>	<b>NA</b>	<b>(31)</b>	<b>13</b>	
March 31, 2020	(85)	89	NA	NA	(33)	15	
<b>Ex-gratia</b>							
March 31, 2021	(2)	2	NA	NA	(19)	8	
March 31, 2020	(2)	2	NA	NA	(20)	9	
<b>PF</b>							
March 31, 2021	(28)	25	-	-	-	-	
March 31, 2020	(21)	23	-	-	-	-	
Assumptions Sensitivity level	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, 2021	<b>(2)</b>	<b>3</b>	<b>5</b>	<b>(5)</b>	<b>(16)</b>	<b>7</b>	
March 31, 2020	(2)	2	5	(4)	(15)	7	

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.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures

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

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

b) Transactions with related parties as per the books of account during the year ended March 31, 2021

			₹ Lacs
Transaction	Name of the party		Total
Purchase of goods	Cummins Inc.	March 31, 2021	<b>11,525</b>
		March 31, 2020	17,361
	Tata Cummins Private Limited	March 31, 2021	<b>72,180</b>
		March 31, 2020	90,775
	Cummins Technologies India Private Limited	March 31, 2021	<b>17,779</b>
		March 31, 2020	26,714
	Others	March 31, 2021	<b>41,677</b>
		March 31, 2020	39,199
Sale of goods	Cummins Limited	March 31, 2021	<b>38,227</b>
		March 31, 2020	44,751
	Cummins Technologies India Private Limited	March 31, 2021	<b>15,399</b>
		March 31, 2020	18,178
	Others	March 31, 2021	<b>42,288</b>
		March 31, 2020	45,639
Purchase of assets	Cummins Inc.	March 31, 2021	<b>3</b>
		March 31, 2020	2
	Cummins Technologies India Private Limited	March 31, 2021	<b>41</b>
		March 31, 2020	27
Sale of assets	Cummins Technologies India Private Limited	March 31, 2021	<b>3</b>
		March 31, 2020	2,442
Services rendered (Refer note vi)	Cummins Inc.	March 31, 2021	<b>1,341</b>
		March 31, 2020	1,857
	Valvoline Cummins Private Limited	March 31, 2021	<b>3,850</b>
		March 31, 2020	3,762
	Cummins Technologies India Private Limited	March 31, 2021	<b>11,192</b>
		March 31, 2020	11,395
	Tata Cummins Private Limited	March 31, 2021	<b>1,785</b>
		March 31, 2020	2,256
	Cummins Power Generation Inc.	March 31, 2021	<b>3,030</b>
		March 31, 2020	-
Others	March 31, 2021	<b>181</b>	
	March 31, 2020	2,108	

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

			₹ Lacs
Transaction	Name of the party		Total
Services received (Refer note vii)	Cummins Inc.	March 31, 2021	<b>120</b>
		March 31, 2020	807
	Cummins Technologies India Private Limited	March 31, 2021	<b>4,176</b>
		March 31, 2020	2,599
	Others	March 31, 2021	<b>376</b>
		March 31, 2020	140
Royalty	Cummins Inc.	March 31, 2021	<b>1,241</b>
		March 31, 2020	5,214
Support services	Cummins Inc.	March 31, 2021	<b>13,061</b>
		March 31, 2020	9,674
	Cummins Africa Middle East (Pty) Ltd.	March 31, 2021	<b>243</b>
		March 31, 2020	1,817
Reimbursements paid	Cummins Technologies India Private Limited	March 31, 2021	<b>8,414</b>
		March 31, 2020	11,123
	Cummins Inc.	March 31, 2021	<b>1,475</b>
		March 31, 2020	1,641
	Others	March 31, 2021	<b>1,082</b>
		March 31, 2020	1,113
Reimbursements received (Refer note viii)	Cummins Technologies India Private Limited	March 31, 2021	<b>5,263</b>
		March 31, 2020	8,166
	Cummins Generator Technologies India Private Limited	March 31, 2021	<b>810</b>
		March 31, 2020	1,031
	Tata Cummins Private Limited	March 31, 2021	<b>1,124</b>
		March 31, 2020	1,298
	Others	March 31, 2021	<b>636</b>
		March 31, 2020	285
Remuneration paid (Refer note iii)	Sandeep Sinha (Upto August 16, 2019)	March 31, 2021	-
		March 31, 2020	75
	Ashwath Ram (w.e.f August 17, 2019)	March 31, 2021	<b>276</b>
		March 31, 2020	184
	Rajiv Batra (Upto March 31, 2020)	March 31, 2021	-
		March 31, 2020	428
	Ajay Patil (w.e.f. April 1, 2020)	March 31, 2021	<b>188</b>
		March 31, 2020	-
	Hemiksha Bhojwani (Upto May 11, 2020)	March 31, 2021	<b>21</b>
		March 31, 2020	50
	Vinaya Joshi (w.e.f. June 17, 2020)	March 31, 2021	<b>17</b>
		March 31, 2020	-

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

			₹ Lacs
Transaction	Name of the party		Total
Transfer of export benefits	Cummins Research and Technology India Private Limited	March 31, 2021	<b>4</b>
		March 31, 2020	-
Dividend paid	Cummins Inc.	March 31, 2021	<b>19,792</b>
		March 31, 2020	24,033
Donations paid	Cummins India Foundation	March 31, 2021	<b>1,608</b>
		March 31, 2020	1,723
Contributions paid	Cummins India Limited Officers Provident Fund	March 31, 2021	<b>998</b>
		March 31, 2020	1,059
	Cummins Group Employees Superannuation Scheme	March 31, 2021	<b>1,611</b>
		March 31, 2020	1,964
Cummins Group Officers Gratuity Scheme	March 31, 2021	<b>2,914</b>	
	March 31, 2020	2,824	
Sitting fees and commission to independent directors	Nasser Munjee	March 31, 2021	<b>20</b>
		March 31, 2020	20
	Prakash Telang	March 31, 2021	<b>21</b>
		March 31, 2020	19
	Priya Dasgupta	March 31, 2021	<b>21</b>
		March 31, 2020	18
	Rajeev Bakshi	March 31, 2021	<b>21</b>
		March 31, 2020	20
	Venu Srinivasan (Upto September 1, 2020)	March 31, 2021	<b>9</b>
		March 31, 2020	19
Rama Bijapurkar (w.e.f. June 17, 2020)	March 31, 2021	<b>17</b>	
	March 31, 2020	-	
Anjuly Chib Duggal (Upto April 6, 2020) *	March 31, 2021	<b>0</b>	
	March 31, 2020	20	
Equity contribution - share based payments	Cummins Inc.	March 31, 2021	<b>217</b>
		March 31, 2020	178

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

#### c) Amounts outstanding as at March 31, 2021

			₹ Lacs
Particulars	Name of the party		Total
Trade payables	Cummins Asia Pacific Pte Ltd	March 31, 2021	<b>2,024</b>
		March 31, 2020	3,766
	Cummins Inc.	March 31, 2021	<b>6,761</b>
		March 31, 2020	10,536
	Cummins Limited	March 31, 2021	<b>5,951</b>
		March 31, 2020	3,874
	Cummins Technologies India Private Limited	March 31, 2021	<b>10,123</b>
		March 31, 2020	8,812
	Tata Cummins Private Limited	March 31, 2021	<b>4,443</b>
		March 31, 2020	143
	Others	March 31, 2021	<b>6,513</b>
		March 31, 2020	8,030
Other current financial / non-financial liabilities	Cummins Inc.	March 31, 2021	<b>2,824</b>
		March 31, 2020	7,869
	Others	March 31, 2021	<b>102</b>
		March 31, 2020	-
Trade receivables	Cummins Angola Limited	March 31, 2021	-
		March 31, 2020	1,237
	Cummins Limited	March 31, 2021	<b>4,549</b>
		March 31, 2020	5,004
	Cummins Technologies India Private Limited	March 31, 2021	<b>7,631</b>
		March 31, 2020	7,532
	Cummins West Africa Limited	March 31, 2021	<b>1,945</b>
		March 31, 2020	964
	Cummins Inc.	March 31, 2021	<b>935</b>
		March 31, 2020	996
	Others	March 31, 2021	<b>9,334</b>
		March 31, 2020	12,442
Other current financial assets	Cummins Technologies India Private Limited	March 31, 2021	<b>126</b>
		March 31, 2020	202
	Valvoline Cummins Private Limited	March 31, 2021	<b>1,266</b>
		March 31, 2020	823
	Tata Cummins Private Limited	March 31, 2021	<b>1,122</b>
		March 31, 2020	647
	Cummins Inc.	March 31, 2021	<b>98</b>
		March 31, 2020	14
Others	March 31, 2021	<b>12</b>	
	March 31, 2020	187	

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

- i) The names of the related parties under the appropriate relationship included in notes 43(b) and (c) above are as follows:

Nature of relationship	Name of the party
Fellow subsidiaries (with which there are transactions)	Chongqing Cummins Engine Co Ltd CMI TR Mtr Guc Sistemleri Satis Servis Ltd Sirketi Consolidated Diesel Company Cummins (China) Investment Co. Ltd. Cummins Africa Middle East (Pty) Ltd. Cummins Arabia FZCO Cummins Asia Pacific Pte. Ltd. Cummins Belgium NV Cummins Brasil Ltda Cummins Bridgeway LLC Cummins C&G Holding Limited Cummins Caribbean LLC Cummins Comercializadora S. de R.L. de C.V. 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 Limited Cummins Ghana Limited Cummins Italia SPA Cummins Japan Limited Cummins Limited Cummins Maroc SARL Cummins Middle East FZE Cummins Natural Gas Engines, Inc. Cummins Norway AS Cummins Npower LLC Cummins NV 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 Korea Co Ltd Cummins Sales and Service Philippines Inc. Cummins Sales and Service Sdn. Bhd. Cummins Sales and Service Singapore Pte Ltd CUMMINS SAUDI ARABIA LLC

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

Nature of relationship	Name of the party
	Cummins South Africa (Pty.) Ltd.
	Cummins South Pacific Pty Ltd
	Cummins Southern Plains LLC
	Cummins Spain SL
	Cummins Technologies India Private Limited
	Cummins West Africa Limited
	Distribuidora Cummins Centroamerica Costa Rica, S.de R.L.
	Distribuidora Cummins S.A.
	OOO Cummins
	Shanghai Cummins Trade Co. Ltd.
	Taiwan Cummins Sales & Services Co. Ltd.
Key management personnel	<p>Sandeep Sinha - Managing Director (upto August 16, 2019)</p> <p>Ashwath Ram - Managing Director (w.e.f August 17, 2019)</p> <p>Rajiv Batra - Chief Financial Officer (upto March 31, 2020)</p> <p>Ajay Patil - Chief Financial Officer (w.e.f April 1, 2020)</p> <p>Hemiksha Bhojwani - Company Secretary (upto May 11, 2020)</p> <p>Vinaya Joshi - Company Secretary (w.e.f June 17, 2020)</p>
	<p><b>Directors</b></p> <p>Mark Levett - Chairman of the Board (upto September 30, 2020)</p> <p>Steven Chapman - Chairman of the Board (w.e.f October 1, 2020)</p> <p>Antonio Leitao - Non-executive Director (upto September 1, 2020)</p> <p>Norbert Nusterer</p> <p>Suzanne Wells (upto September 30, 2019)</p> <p>Donald Jackson</p> <p>Lorraine Meyer</p>
	<p><b>Independent Directors</b></p> <p>- Nasser Munjee</p> <p>- Prakash Telang</p> <p>- Priya Dasgupta</p> <p>- Rajeev Bakshi</p> <p>- Venu Srinivasan (upto September 1, 2020)</p> <p>- Anjuly Chib Duggal (upto April 6, 2020)</p> <p>- Rama Bijapurkar ( w.e.f June 17, 2020)</p>
Associate	Cummins Generator Technologies India Private Limited

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 43. Related party disclosures (contd.)

Nature of relationship	Name of the party
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 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, 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2020: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- iii) Liability for post employment benefits, other long term benefits, termination benefits and certain short term benefits such as compensated absences is provided on an actuarial basis for the Group as a whole. Accordingly the amount for above pertaining to key management personnel is not ascertainable and, therefore, not included above.
- iv) Related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type are disclosed separately.
- v) The information given above has been reckoned on the basis of information available with the Group and relied upon by the auditors.
- vi) Services rendered include renting services, testing services, business support services, etc.
- vii) Services received include testing services, solution contract support services, license fees, etc.
- viii) Includes recoveries on account of employee cost, travel costs, training, IT services, etc.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 44 Segment information

On a review of all the relevant aspects including, in particular, the system of internal financial reporting to the Board of Directors, which is the Chief Operating Decision Maker ('CODM') and considering the economic characteristics of the operations, the Group is of the view that it operates in two segments viz. 'Engines' and 'Lubes'. Lubes segment comprises of a joint venture viz. Valvoline Cummins Private Limited, which is accounted for as per equity method under relevant Ind AS standard. The CODM evaluates the Group's performance based on an analysis of various parameters. Engine segment comprises of Cummins India Limited and other Group companies, which has been aggregated considering the nature of products, class of customer etc.

Following information is provided to the CODM for Lubes segment for monitoring its performance:

Particulars	₹ Lacs			
	Year ended March 31, 2021	Year ended March 31, 2021*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	428,749	134,011	134,011	428,749
Profit before tax	74,518	21,475	13,493	82,500
Profit after tax *	55,521	15,964	7,982	63,503

Particulars	₹ Lacs			
	Year ended March 31, 2020	Year ended March 31, 2020*	Elimination / Adjustments	Total
	Engines	Lubes		
Sales	509,587	129,418	129,418	509,587
Profit before tax	72,788	21,202	13,242	80,748
Profit after tax *	62,601	15,921	7,961	70,561

#### Notes:

\* The above numbers represent full numbers in the Statement of Profit and Loss of Valvoline Cummins Private Limited and are not Group's proportionate share.

For relevant information relating to Engine segment refer consolidated Statement of Profit and Loss and Balance Sheet.

- 45 As set out in section 135 of the Companies Act, 2013, the Group is required to contribute **₹ 1,608 lacs** (March, 31 2020: ₹ 1,723 lacs) towards Corporate Social Responsibility activities, as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the current year, the Board has approved and the Group has contributed **₹ 1,608 Lacs** (March 31, 2020: ₹ 1,723 Lacs) 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, 2021

### 46 Financial risk management objectives and policies

#### Financial risk factors:

The Group has well written policies covering specific areas, such as foreign exchange risk and investments which seeks to minimise potential adverse effects on the Group's financial performance due to external factors. The Group uses derivatives to hedge foreign exchange risk exposures. The Group's senior management oversees the management of these risks. All derivatives and investment activities for risk management purposes are carried out by specialist team that has appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculation purpose may be undertaken. The Board of Directors reviews and approves policies for managing each of these risks.

The Group's activities are exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks as follows:

##### i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, GBP and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities denominated in a currency that is not the Group's functional currency.

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from recognised assets and liabilities, the Group uses forward contracts.

The following table demonstrates the sensitivity relating to possible change in foreign currencies with all other variables held constant:

Currency	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
USD	1%	69	51
Euro	1%	1	18
Others	1%	5	4
<b>Total</b>		<b>75</b>	<b>73</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.

The Group has a borrowing ₹ 458 Lacs outstanding as at March 31, 2021. The interest on loans is payable at a rate of T-bill / Repo / CD + Spread. While the interest provision as at March end is fixed, the interest for the remainder tenure of the loans is subject to fluctuate basis the movement in T-bill/Repo/CD rate.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 46 Financial risk management objectives and policies (contd.)

The following table demonstrates the sensitivity of interest payable:

	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Working Capital Loan	0.50%	2	82

#### 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:

	% change	₹ Lacs	
		March 31, 2021	March 31, 2020
		Effect on profit before tax and pre-tax equity	Effect on profit before tax and pre-tax equity
Mutual funds	0.50%	163	391

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 Group is exposed to credit risk primarily from trade receivables, contract assets, other receivables, deposits with banks and loans given.

##### Trade receivable and contract assets

Senior management is responsible for managing and analysing the credit risk for each new customer before standard payment, delivery terms and conditions are offered. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment. The utilisation of credit limits is regularly monitored.

An impairment analysis is performed at each reporting date for all customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10.

##### Other receivables, deposits with banks and loans given

Credit risk from balances with banks is managed by the Group's treasury department in accordance with Group's policy approved by the Risk Management Committee. Investments of surplus funds are made within the credit limits and as per the policy approved by the Board of Directors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance of the above assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5,9,12 and 13.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 46 Financial risk management objectives and policies (contd.)

#### c) Liquidity risk

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

As per the Group's policy, treasury team invests surplus cash in marketable securities and time deposits with appropriate maturities or sufficient liquidity to provide headroom to meet the operational needs. At the reporting date, the Group held mutual funds of ₹ 32,668 lacs (March 31, 2020: ₹ 78,146 lacs) and other liquid assets of ₹ 12,160 lacs (March 31, 2020: ₹ 18,147 lacs) that are expected to readily generate cash inflows for managing liquidity risk. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

₹ Lacs				
As at March 31, 2021	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	158	1,864	-	-
Lease liabilities	-	583	1,513	384
Trade payables	-	73,102	-	-
Royalty and support services	-	2,918	-	-
Unpaid dividend	1,316	-	-	-
Retention money	-	2,375	126	-
Dealer deposits	-	-	2,384	-
Others	-	5,190	-	-

As at March 31, 2021	On demand	Less than 12 months	1-5 years	More than 5 years
Borrowings	390	48,536	-	-
Lease liabilities	-	602	1,668	729
Trade payables	-	69,735	-	-
Royalty and support services	-	7,869	-	-
Unpaid dividend	1,341	-	-	-
Retention money	-	2,946	1,349	-
Dealer deposits	-	-	2,173	-
Others	-	4,657	-	-

#### d) Capital management

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

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

	March 31, 2021	₹ Lacs March 31, 2020
Borrowings	2,022	48,926
Less: Cash and cash equivalents	12,160	18,147
<b>Net debt</b>	<b>(10,138)</b>	30,779
Equity	465,137	440,204
<b>Gearing ratio (times)</b>	<b>-</b>	0.07

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 47 Fair values

The following table provides a comparison by class of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value		Fair value	
	March 31, 2021 ₹ Lacs	March 31, 2020 ₹ Lacs	March 31, 2021 ₹ Lacs	March 31, 2020 ₹ Lacs
<b>Financial assets:</b>				
FVTPL of investments in mutual funds	<b>32,669</b>	78,146	<b>32,669</b>	78,146
<b>Financial liabilities</b>				
FVTPL of Foreign exchange forward contracts	<b>35</b>	672	<b>35</b>	672
<b>Non-current assets</b>				
Investment properties	<b>101,992</b>	103,664	<b>122,861</b>	121,584

The Management assessed that cash and cash equivalents, other bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of investments in mutual funds is based on the price quotation at the reporting date obtained from the asset management companies. The fair value of investments in equity is based on the price quotation at the reporting date derived from quoted market prices in active market. The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as defined in accounting policy 1d and investment properties by valuation method as defined in Note 3

	₹ Lacs			
	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</b>				
March 31, 2021	-	32,669	-	32,669
March 31, 2020	-	78,146	-	78,146
<b>Financial liabilities at FVTPL</b>				
<b>Forward contracts liability</b>				
March 31, 2021	-	35	-	35
March 31, 2020	-	672	-	672
<b>Non-current assets</b>				
<b>Investment properties</b>				
March 31, 2021	-	-	122,861	122,861
March 31, 2020	-	-	121,584	121,584

There has been no transfer between Level 1 and Level 2 during the year. For details of valuation method, assumption used for valuation of investment properties, refer note 3.

- 48** There are no new standards that are notified, but not yet effective, upto the date of issuance of these financial statements.
- 49** Exceptional Items comprise one-time expense on account of Voluntary Retirement Program (VRP) and Reduction In Force (RIF) aggregating to ₹ Nil (March 31, 2020: ₹ 1,605 Lacs) and ₹ Nil (March 31, 2020: ₹ 380 Lacs) respectively.

## Notes to Consolidated Financial Statements for the year ended March 31, 2021

### 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	₹ Lacs	As % of consolidated profit and loss	₹ Lacs	As % of consolidated other comprehensive income	₹ Lacs	As % of consolidated total comprehensive income	₹ Lacs
<b>Parent</b>								
Cummins India Limited								
Balance as at March 31, 2021	<b>94.74%</b>	<b>440,677</b>	<b>97.30%</b>	<b>61,787</b>	<b>-71.51%</b>	<b>(15)</b>	<b>97.24%</b>	<b>61,772</b>
Balance as at March 31, 2020	94.84%	417,496	89.19%	62,934	96.33%	(1,757)	89.00%	61,177
<b>Subsidiary (Indian)</b>								
Cummins Sales & Service Private Limited								
Balance as at March 31, 2021	<b>0.41%</b>	<b>1,885</b>	<b>0.16%</b>	<b>102</b>	<b>152.44%</b>	<b>32</b>	<b>0.21%</b>	<b>134</b>
Balance as at March 31, 2020	0.40%	1,751	0.26%	184	0.93%	(17)	0.24%	167
<b>Associate (Indian)</b>								
Cummins Generator Technologies India Private Limited								
Balance as at March 31, 2021	-	<b>30,284</b>	<b>5.23%</b>	<b>3,319</b>	<b>-198.36%</b>	<b>(42)</b>	<b>5.16%</b>	<b>3,277</b>
Balance as at March 31, 2020	-	27,790	5.89%	4,157	2.30%	(42)	5.99%	4,115
<b>Joint Ventures (Indian)*</b>								
Valvoline Cummins Private Limited								
Balance as at March 31, 2021	-	<b>23,666</b>	<b>12.57%</b>	<b>7,982</b>	<b>217.43%</b>	<b>46</b>	<b>12.65%</b>	<b>8,028</b>
Balance as at March 31, 2020	-	22,811	11.28%	7,961	0.44%	(8)	11.57%	7,953
Cummins Research and Technology India Private Limited								
Balance as at March 31, 2021	-	<b>558</b>	<b>0.01%</b>	<b>8</b>	<b>0.00%</b>	-	<b>0.01%</b>	<b>8</b>
Balance as at March 31, 2020	-	542	0.05%	33	0.00%	-	0.05%	33
<b>Adjustments arising out of consolidation</b>								
March 31, 2021	<b>4.85%</b>	<b>22,575</b>	<b>-15.27%</b>	<b>(9,695)</b>	<b>0.00%</b>	-	<b>-15.27%</b>	<b>(9,695)</b>
March 31, 2020	4.76%	20,957	-6.67%	(4,708)	0.00%	-	-6.85%	(4,708)
<b>Total for March 31, 2021</b>	<b>100.00%</b>	<b>465,137</b>	<b>100.00%</b>	<b>63,503</b>	<b>100.00%</b>	<b>21</b>	<b>100.00%</b>	<b>63,524</b>
Total for March 31, 2020	100.00%	440,204	100.00%	70,561	100.00%	(1,824)	100.00%	68,737

\* 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, 2021

**51** The year ending March 31, 2021 was severely impacted due to COVID-19, though there were improvements in market and supply chain conditions towards the end of the year. The Company has assessed the impact of COVID-19 on its assets, including property, plant and equipments, receivables, inventory, etc. and it was concluded that the impact is not significant. However, the estimate of the impact of COVID-19 may differ from the same ascertained up to the date of approval of these financial statements by the Board of Directors, based on how the COVID-19 situation evolves over a period of time.

### **52 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.

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

For and on behalf of the Board

per Tridevlal Khandelwal  
Partner  
Membership Number: 501160

Ashwath Ram  
Managing Director  
DIN : 00149501

Nasser Munjee  
Director  
DIN : 00010180  
Place : Goa

Vinaya Joshi  
Company Secretary  
PAN : AMQPJ5216P

Ajay Patil  
Chief Financial Officer  
PAN : AAJPP9246Q

Place: Pune  
Date: May 26,2021

Place: Pune  
Date: May 26,2021

# Business Responsibility Report 2020-21

# **BUSINESS RESPONSIBILITY REPORT 2020-21**

(As per Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

This Business Responsibility Report is a disclosure of adoption of responsible business practices by the Company for all its stakeholders. The Report describes the initiatives taken by the Company from environmental, social and governance perspective. It has been designed to provide basic information about the Company, information related to its performance and processes and information on principles and core elements of the Business Responsibility Reporting.

## **INTRODUCTION**

### **Vision, Mission, Values and Principles**

#### **Mission**

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

#### **Vision**

Innovating for our customers to power their success

#### **Values**

- **Integrity**

Doing what you say you will do and doing what is right

- **Diversity and Inclusion**

Valuing and including our differences in decision making is our competitive advantage

- **Caring**

Demonstrating awareness and consideration for the wellbeing of others

- **Excellence**

Always delivering superior results

- **Teamwork**

Collaborating across teams, functions, businesses and borders to deliver the best work

#### **Leadership Culture**

Inspiring and encouraging all employees to achieve their full potential

#### **Brand Promise**

Powering our customers through innovation and dependability

#### **Strategy**

Delivering value to all stakeholders

## Section A

### General Information about the Company

- Cummins India Limited
- Corporate Identity Number (CIN) L29112PN1962PLC012276
- Registered Office Address:  
Cummins India Office Campus, Tower A, 5<sup>th</sup> Floor, Survey No. 21, Balewadi, Pune 411045
- Website : [www.cumminsindia.com](http://www.cumminsindia.com)
- Email id : [cil.investors@cummins.com](mailto:cil.investors@cummins.com)
- Financial Year reported 2020-21

### BUSINESS SECTORS:

Cummins India Limited was established in 1962 and is a leading manufacturer of diesel and natural gas engines, generator sets and related services.

The Company comprises of three businesses – Engine Business (serving the Construction and Compressor segments with Heavy, Medium and Light Duty engines), Power Systems Business (serving Mining, Marine, Rail, Oil & Gas, Defense, and Power Generation) and Distribution Business.

#### A. Engine Business:

The Engine Business manufactures and markets diesel engines for off-highway applications. Starting from 50 hp spanning up to 600 hp. These engines power construction and compressor equipment including repowering opportunities in these segments.

#### B. Power Systems Business:

The Power Systems Business provide power generation systems for prime, standby and distributes power generation requirements. The diesel generators cater to a wide range of individual and institutional customers in various segments such as Infrastructure, Manufacturing, Data Centers, Realty, Healthcare and Hospitality in domestic market. It also provides customized integrated power solutions for Railways, Mining, Marine, Pumps, Oil and Gas and Defense sectors. The business also manufactures and exports low kilowatt generator sets from its production unit located at Cummins Megasite in Phaltan, Maharashtra.

#### C. Distribution Business:

The Distribution Business provides products, services and solutions for uptime of Cummins equipment and engines. The business is engaged in providing after-market support to customers in India, Nepal and Bhutan. Over the years, the business has grown from strength to strength, and has successfully established itself as a 'dependable' after-sales service support arm of the Company. At present, it supports more than 6,27,000 engines in the field covering more than 2.24 lac customers.

The Distribution Business has a country-wide network of 18 dealerships with over 436 service points supported by a pool of more than 3,500 trained engineers and technicians. This network possesses the necessary infrastructure and adequate technical capability to meet the Company's service standards and is constantly upgraded as per changing product and customer needs.

### Key Products of the Company as per Balance Sheet

The Company's primary products are Compression Ignition Internal Combustion Engines, Generator Sets and Component or Parts thereof.

### Locations from where business activity is undertaken by the Company

The Company has its operations spread across the country with its registered and corporate office in Pune. Additionally, the Company has four zonal offices in Pune, Gurgaon, Kolkata and Bangalore and has area offices at 14 locations across India. The operations are carried out at multiple facilities situated in Pune, Chennai, Pirangut and the Megasite in Phaltan.

## Markets served by the Company

The Company serves domestic markets in India, Nepal and Bhutan and also exports its products to various countries with USA, Europe, Mexico, Africa Middle East and China being the top destinations.

## Section B

### Financial details of the Company

Paid-up Capital	:	₹ 5,544 Lacs
Total Turnover	:	₹ 4,25,609 Lacs
Total Profit after Taxes	:	₹ 61,787 Lacs

## CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SPEND

Cummins has a long history of corporate responsibility, based on the framework of linking the impact on our stakeholders to responsible business operations. Our employees have also invested talent, passion and resources trying to solve problems in our communities and society since the company's inception in 1919. This heritage is reflected in a statement made by former Cummins CEO J. Irwin Miller more than 40 years ago: "Business has a very large stake in the quality of the society within which it operates. We flourish only as we are rooted in a society which is healthy, orderly, just and which grants freedom and scope to individuals and their lawful enterprises".

Far more than just complying with the law of the land or philanthropy, Cummins Corporate Responsibility means not only making responsible business decisions, but affirmatively reaching out to help our communities and engage our workforce in addressing community needs.

Cummins believes a company is only as healthy as the communities where it does business. Acting responsibly will contribute to the company's health, growth, profitability and sustainability. This includes:

- Decision making that considers our responsibility to a full array of stakeholders.
- Setting a high standard for all aspects of corporate citizenship.
- Using our values, talents, resources and global position to drive improvement in our communities and the world.

The Company focuses its resources on three global priority areas: Environment, Education, and Equality of Opportunity while also undertaking strategic projects

- **Higher Education:** Improving quality and alignment of educational systems to ensure students of today are ready for the workforce of tomorrow.

Cummins provides a development platform for students through its various programs like Education Assistance to Socially and Economically Weaker Sections, Women Education and Employability supported by Cummins College of Engineering and Vocational Education- TEC.

- **Energy and Environment:** Ensuring that everything Cummins does leads to a cleaner, healthier and safer environment.

The opportunity to pursue a better life should be available to everyone. Cummins has a long history of reaching out to those denied access to opportunity. As a company, we are committed to ensuring that everyone in our workforce has equal access to opportunity.

Cummins' employees have a wealth of experience in reducing negative environmental impact – both in its products and facilities. Cummins takes that knowledge and commitment outside of their walls, thus working towards giving power to 'all'. With support of the local government bodies, skilled and experienced NGOs and academia, Cummins has worked actively in projects in the areas of Afforestation, Solid Waste Management, Water Conservation, Air Pollution and Renewable Energy

- **Equality of Opportunity:** Increasing opportunity and equity for those most in need.

It is one of our most deeply held values. As we work to improve communities throughout the world, likewise, we are committed to help remove barriers that may prohibit people from achieving their full potential. In each Cummins community, we seek to support the groups that are marginalized with the belief that when anyone is unable to access basic economic or social opportunities, the entire community is impacted. While committed to the holistic development

of villages, Company also has partnered with several non-profit institutions like organizations serving disabled and underprivileged, with an intent of providing better life to their residents. During occurrences of natural disasters, the Company aims to reach out to affected communities to provide necessary relief and rehabilitation.

#### ■ **Strategic Projects:**

In an effort to accelerate the achievement across a diverse range of social, developmental and environmental goals for our communities, Cummins has placed strategic focus on projects – Cummins Powers Women, Phaltan Model Town, Clean Air Delhi and Monsoon Resilient Maharashtra under the umbrella of its CSR projects.

The focus areas, their underlying themes and strategic projects are owned and driven by the leadership team who play an instrumental role in setting the vision and direction for various initiatives. Employee engagement in the CSR initiatives also contributes significantly towards strengthening the communities.

In addition to CSR activities undertaken by the Company, Cummins employees also participate in Corporate Social Responsibility through the Company's Every Employee Every Community (EEEEC) program. EEEEC enables each employee to use at least four work hours to contribute to local projects, and successfully leverages and unleashes their unique skillsets. Employees are encouraged to bring their family and friends to volunteer in projects of their choice thereby becoming brand ambassadors for the specific project's cause. At Cummins, Community Involvement Teams (CITs) are formed through whom organized, employee driven structures through which CSR initiatives are carried out in communities in which the Company operates.

*For details related to CSR activities undertaken by the Company and total spend on CSR activities, kindly refer Annexure 11 attached to the Directors' Report for Financial Year 2020-21.*

## **Section C**

### **Other Details**

Company has a wholly-owned subsidiary Cummins Sales & Service Private Limited (formerly known as Cummins Svam Sales & Service Private Limited) that enhances its distribution capabilities.

The Company continues to own 50% equity shares respectively in Cummins Research and Technology India Private Limited and Valvoline Cummins Private Limited and 48.5% in Cummins Generator Technologies India Private Limited.

The Company engages in business with various Cummins entities in India that also actively participate in the Business Responsibility (BR) initiatives of the Company in a collaborative manner. However, entities outside of Cummins, like its suppliers, distributors, etc. are not included in the BR initiatives of the Company.

## **Section D**

### **BR Information**

#### **1. Details of Director/ BR Head responsible for BR:**

<b>DIN Number</b>	:	00149501
<b>Name</b>	:	Mr. Ashwath Ram
<b>Designation</b>	:	Managing Director
<b>Telephone</b>	:	020 6706 7000
<b>Email ID</b>	:	<a href="mailto:cil.investors@cummins.com">cil.investors@cummins.com</a>

**2. Principle wise (as per NVGs) BR Policy**

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business NVGs released by Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are as follows:

**Principle 1:**

Business should conduct and govern themselves with ethics, transparency and accountability.

**Principle 2:**

Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

**Principle 3:**

Businesses should promote the well-being of all employees.

**Principle 4:**

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

**Principle 5:**

Businesses should respect and promote human rights.

**Principle 6:**

Businesses should respect, protect and make efforts to restore the environment.

**Principle 7:**

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

**Principle 8:**

Businesses should support inclusive growth and equitable development.

**Principle 9:**

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**Principle-wise (as per NVGs) BR Policy/Policies (Reply in Y/N):**

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for-	Y	Y*	Y	Y	Y*	Y	N	Y	Y*
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	Y	-	Y	-
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	-	Y	Y	-	Y	-	-	-
4.	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	N	N	-	N	-	Y	-
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	Y	-	Y	-

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
6.	Indicate the link for the policy to be viewed online?	#	-	-	-	-	-	-	-	-
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y**	-	Y**	Y**	-	Y**	-	Y**	-
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	-	Y	Y	-	Y	-	Y	-
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	-	Y	-	Y	-
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	-	N	N	-	Y	-	N	-

\* The policies relate to safe and sustainable products, Human Rights and Customer Relations and are embedded in the Company's Vision, Mission, Values, Strategic Principles, the Cummins Operating System and the Company's Code of Conduct.

\*\* Policies are communicated to internal stakeholders and the same are available on the Company's intranet. Wherever required, the policies are also communicated to the external stakeholders.

# Ethics Helpline

The Company has an ethics helpline where employees can place anonymous complaints against ethics violations observed or are victims themselves as per the policy of the Company. The ethics helpline can be reached through the following modes:

- Online : [ethics.cummins.com](http://ethics.cummins.com)
- Ethics Hotline: 000 800 100 1071 and 000 800 001 6112 (anonymous report is possible and the report can be filed in Hindi as well)
- Contact Ethics and Compliance: Email to [ethicsandcompliance@cummins.com](mailto:ethicsandcompliance@cummins.com)
- Contact entity Line HR Leader or India Master Investigator: Email to [fp023@cummins.com](mailto:fp023@cummins.com)

Wherever the answer to Sr. No. 1 against any principle, is 'No', explanation is given below: -

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-

Replies to the questions on above Principles, are stated in this Matrix		Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
<b>Sr. No.</b>	<b>Questions</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>	<b>P7</b>	<b>P8</b>	<b>P9</b>
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Indicate the link for the policy to be viewed online	-	-	-	-	-	-	-	-	-
7	Any other reason (please specify)	-	-	-	-	-	-	#	-	-

# The Company has a track record of pioneering achievements, long experience and is a leader in the engine and power generation business and initiates dialogue with the government through various industry bodies and associations. However, no need for a formal policy has been felt.

### 3. Governance Related to BR

The Board of Directors of the Company review the BR performance of the Company on a regular basis, but at the least, annually. The Managing Director reviews the BR activities of the Company on a regular basis. The Company publishes the Business Responsibility Report annually, which forms part of the annual report.

The hyperlink for viewing this report is: <https://www.cummins.com/en/in/investors/india-annual-reports>

## Section E

### Principle-wise Performance

#### Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability.

The Company has designed and implemented a well-defined Ethics Policy which covers its employees as well as employees of its subsidiary, joint ventures, associate companies, and distributors. Additionally, in their meeting held on January 28, 2005, the Board of Directors have adopted the Code of Conduct which is devised in order to enable the Directors to strive to perform their duties according to the highest standards of honesty, integrity, accountability, confidentiality and independence.

The Company's view on ethics and fostering the right environment is reflected in the following statement from India Leadership team where they mention, "Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently."

The Cummins Code of Conduct applies to all its employees, customers and business associates. In addition, the Cummins Code of Conduct is also applicable to the subsidiaries, joint ventures and its employees, customers and business associates. All employees are expected to follow the Code of Conduct on or off company property when they are on Cummins business or acting as an agent or on behalf of Cummins.

At Cummins, several principles under the Cummins Code of Conduct are implemented effectively to drive ethical behaviour at all levels. The Cummins Code of Conduct covers ten basic principles:-

- We will follow the law everywhere
- We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect
- We will compete fairly and honestly
- We will avoid conflicts of interest

- We will demand that everything we do leads to a cleaner, healthier and safer environment
- We will protect our technology, our information and our intellectual property
- We will demand that our financial records are accurate and that our reporting processes are clear and understandable
- We will strive to improve our communities
- We will communicate honestly and with integrity
- We will create a culture where all employees take responsibility for ethical behavior

Cummins is dedicated to exceeding customer expectations by always being first to market with the best products and this goal, in part, is accomplished through partnership with suppliers who share Company's commitment to quality and value and who operates under a philosophy that focuses on integrity and "doing the right thing." To support this philosophy, Cummins has a Supplier Code of Conduct (elaborated under Principle 4) which applies to all businesses that produce goods or provide services for Cummins and to its subsidiary, joint ventures, divisions or affiliates.

Cummins has adopted the following competition guidelines: -

- We do not bribe anyone for any reason
- We get business because our products, services and people are the best
- We do not use the confidential information of others to gain an improper advantage
- We do not mislead others or compromise our integrity to gain an advantage

Cummins is committed to transparency in its financial reports. Cummins cooperates fully with its auditors and under no circumstances withholds information from them. At Cummins, a robust system of financial controls and processes is maintained to ensure the accuracy and timeliness of its financial reporting. The accuracy of Cummins financial reports is critical to its credibility and no fraud, false or misleading financial entries or statements are tolerated.

Cummins ensures that each of its employees have a stake in living the Code of Business Conduct and enforcing the rules and principles enshrined in the same. These principles are intended to guide Cummins employees' treatment of one another, as well as their interaction with customers, suppliers, partners, public officials and other stakeholders.

The Cummins Code of Conduct is implemented and monitored on a regular basis through several mechanisms:

- New Hire Global Onboarding (GOB) Program, on-going trainings like Right Environment Every Time (REET) and Prevention of Sexual Harassment (POSH) Training and online global core policy trainings
- Annual Ethics Certification
- Ethics Help-line, Organizational Support and Vigil Mechanism Policy
- Townhalls and All employee communications done by Leaders
- Regular updates to Senior Management

**New Hire Global Onboarding (GOB) Program, on-going trainings like Right Environment Every Time (REET) and Prevention of Sexual Harassment (POSH) Training and online global core policy trainings**

Cummins puts its ethics and compliance principles into practice through various training programs like the new hire Global Onboarding (GOB) program, REET training, POSH training and also multiple online global trainings on core policies targeted at appropriate employee groups in order to promote ethical behavior. Cummins has a policy describing how employees are supposed to treat each other at work. All employees are required to attend the 'Treatment of Each Other at Work Policy' training course and complete refresher courses, as needed from time to time. It applies to all employees, customers and suppliers. All suppliers working closely with employees are expected, in their contracts, to understand and comply with this policy. It also applies to employees away from the Company property when they are on Company business or acting as an agent of Cummins.

A training module on the Anti-Bribery Policy was introduced in 2015, to ensure strengthening of the knowledge on the subject and awareness among employees. Refresher courses are conducted, as needed from time to time. The Code of Conduct related to insider trading ('Code') was launched in May 2015, for regulating, monitoring and reporting the Insider Trading by the Company employees and other connected persons. The Company also conducts several mandatory online training courses such as Careful Communications at Work, Doing Business Ethically, Data Privacy, Information Classification and

Protection, Preventing Workplace Violence, Conflicts of Interest etc on the Cummins Learning Center, Cummins' in-house learning management system.

### **Annual Ethics Certification**

Cummins Employees in certain grades and key positions are also required to complete the Annual Ethics Certification form. The Annual Ethics Certification process reinforces commitment to Cummins' ethical policies and the Code of Business Conduct, promoting an ethical culture.

### **Ethics Help-line, Organizational Support and Vigil Mechanism Policy**

All Cummins employees worldwide, regardless of position, are expected to observe high ethical standards. Employees whose actions can bind the Company or set the tone for others have a particular responsibility. Therefore, each employee is expected to follow the Cummins Code of Business Conduct.

Considering violations of Cummins' ethical policies could lead to corporate or personal liability, it is of utmost importance that each of us understands, adheres to and remains familiar with these policies.

Cummins has a robust and well-governed ethics investigation process. All ethics concerns are reported through the ethics website, the ethics helpline or through the Master Investigator, HR or Manager. All cases get assigned to trained in-house investigators for investigation and appropriate actions are recommended after approval from senior leaders.

Cummins has a Vigil Mechanism Policy which is strictly enforced to ensure more employees feel free to reach out and report likely issues.

The Company has also constituted an Internal Committee (IC) across all its locations in India.

At Cummins, employees have several different options to report ethics related issues. Besides being able to reach out to Managers or HR, employees have the option to anonymously report issues through three separate channels: -

- Regularly monitored voice mail box
- Online at [ethics.cummins.com](https://ethics.cummins.com)
- Toll-free number

### **Statistics (April 01, 2020 – March 31, 2021):**

Under the Ethics, Conflict of Interest, Theft, Bribery & Corruption, Fraud, Abuse and fraud with Company benefits and forms, IT Abuse, Improper Supplier or Contractor Activity and Treatment of Each Other at Work Policy category, the Company received and closed 22 complaints during the year.

The Internal Committee formed as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ('POSH Act') resolved 2 complaints during the year.

### **Townhalls and All employee communications done by Leaders**

Senior Leaders, in their regular town halls and all employee meetings, sensitize employees about the importance of creating the right environment, creating an ethical organization and awareness about ethics policies and examples of ethics cases and their actions which helps in increasing awareness and driving accountability amongst employees at all levels.

### **Regular updates to Senior Management**

The Senior Management is highly involved in all matters related to Ethics at Workplace. They are responsible for closely monitoring the implementation of the policies. Each quarter, the Senior Management receives an update on issues reported in their business or function, and the actions taken thereafter. Additionally, the same is also placed before the Audit Committee of the Board of Directors on a quarterly basis.

### **Principle 2: Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

The Company continued to focus on sustainability initiative like waste recycling, GHG reduction, solar PV installations, regenerative dynos, water conservation and reuse of treated water in process, water neutrality, green supply chain, returnable packaging etc.

Cummins' commitment to Health, Safety and Environment continued in year 2020-21, reinforcing its responsibility towards employees, natural resources and the environment. Following is the incident rate recorded in 2020. While there is a decrease

of around 57% in the employee incident rate in 2020, the incident rate for contractors has increased due to reduced working hours and increase in no of contractor related injury incidents in 2020. Sites have taken efforts through various projects and have focused on trainings to strengthen the safety culture.

Safety	Employees		Contractors	
	2019	2020	2019	2020
Incident Rate	0.767	<b>0.333</b>	0.122	<b>0.34</b>

Cummins has established health and safety teams at its Plant's locations to continuously monitor the health and safety of its Plants. The Company also has defined mechanism to oversees implementation of its HSE Policy. All operational facilities of the Company diligently monitored and tracked the quantity and quality of their emissions/wastes generation as per their consent requirement and have been reporting it to the concerned Pollution Control Boards on an annual basis in the form of Environment Statement.

Cummins is driving environment awareness initiatives across all its plants. Under these initiatives, the Company had a weeklong celebration of Environment Day (Environment Week) to reinforce its commitment to the environment. The Health, Safety and Environmental (HSE) department continues to focus on developing people on environment aspects, identify improvement opportunities, undertake Greenhouse Gases (GHG) reduction projects and train people on pollution prevention, water conservation etc. All the environmental performance parameters are tracked in an IT software where data on GHG, waste and water are tracked as Key Performance Indicator (KPI) and every year targets are set on baseline.

Your Company generated 13,545 metric tons of Green House Gases (GHG), consumed 20,446 kilo gallons of water and generated 3,478 metric tons of waste. This includes Distribution Business Office locations. Out of the total waste generated, 3473 Metric tons of waste is recycled. Your Company's recycling rate is 99.86%.

Kothrud Engine Plant (KEP) received the ACMA (Automotive Component Manufacturers Association of India) Award for reduction of water footprint in January 2020. KEP also received the ACMA New Normal award for implementation of physical controls to curb COVID-19 for smooth operation startup in November 2020. CPG SEZ received the COVID-19 Risk Management Champion 2020 award by Legasis Compliplus 10/10 awards. The Integral Coach Factory-Chennai Project Site (PSBU – Project Business) won the customer award for the "Best Contribution in HSE Initiatives and Implementation at ICF in 2019-2020".

Product safety is a key priority at Cummins. Certain substances such as asbestos, cadmium and mercury can never be used in Cummins products. These rules apply to all Cummins entities and all direct or indirect suppliers around the world. Cummins has been working on supply chain transformation that focuses on eliminating waste in supply chain operations and transforming it into a green supply chain. This includes exhaustive work on introducing returnable packaging, reducing transit lead time to procure parts and bundling shipment through milk run. Further, there has been a continuous effort in reducing premium freight.

Sustainable risk management is more than just protecting the critical assets of the Company. It is actively managing risks to protect the Company's business, its people and its reputation. Risk management is also about taking acceptable risks to pursue opportunities that allow a company to deliver business objectives and strategies and increase stakeholder value. Business Continuity Planning allows site leaders to recognize key risks in advance and prepare for major events that could impact their sites, employees, and ultimately their ability to serve the customers. The goal of Business Continuity Planning is to limit business exposure to risks and speed recovery to normal operation. Cummins Security is chartered to protect employees, facilities and information assets by implementing risk reduction strategies across the globe. Achieving this requires a sustainable security program that is collaborative in nature and delivers services that are aligned with the Company's strategic growth objectives.

The Company works extensively to continuously improve procurement procedure to ensure sustainability of its suppliers. The procedure includes seven separate areas of Sourcing, Contract Development and Negotiation, Procure to Pay, Supplier Management, Risk Management, Change Management and Supplier Quality Improvement. The procedure also includes the adherence to Supplier Code of Conduct (SCOC) by the suppliers which requires them to follow key ethical principles set forth by Cummins including the Supplier being required to protect the environment.

The Company believes strongly in ensuring that the waste generated in its facilities is disposed in compliance with all local rules and regulations. Cummins globally and in India has three strategic target areas to reduce waste:-

- Reduce Waste
- Increase Waste Reuse thereby reduce Waste Disposed
- Increase 'Zero' Waste Sites

The Company meticulously abides by all the Health, Safety and Environmental (HSE) laws and has developed a common HSE policy applicable to all groups and communicated to all suppliers and vendors. Cummins has comprehensive policies and procedures, governed by the dedicated HSE department, which covers the Company, Contractors, Dealerships, Group Joint Ventures, and Suppliers etc. to implement and monitor the same.

The Company understands the importance of adopting a proactive approach to address issues like climate change and global warming.

On the operations front, the Company continued energy conservation programs with more projects observed this year for reducing GHG footprint off site and promoting energy efficiency. These initiatives are driven through Six Sigma projects on energy conservation, unplugged challenge, energy audits and environment champions training.

Energy saving initiatives like unplugged challenge, replacement of light fixtures with LED lamps, etc have been undertaken to reduce the energy consumption in plants. Your Company has worked towards enhancing the utilization of renewable energy at site by installing solar PV plant of 400 kWp at Power Generation business unit Phaltan SEZ in the Financial Year 2020-21.

### **Principle 3: Businesses should promote the well-being of all employees**

Your Company is committed to building the right leadership skills at all levels of the organization which in turn contributes significantly towards building the right environment at the workplace. With a strong emphasis on 'Hire to Develop', the Company provides Sponsored Educational programs and various Leadership Development programs to develop both functional expertise and people skills respectively.

All sponsored education programs are consciously designed in partnership with prestigious institutes in India and offered as formal degree/certification to the employees. The sponsored education programs *inter-alia* include:

- General Management program: Two-year Executive MBA programs at different levels of leadership roles in partnership with institute like S.P. Jain Institute of Management and Research – Mumbai.
- Technical Development program: Two-year degree course in Masters in Automotive Engineering & a 3.5-year Bachelors in Technology course in partnership with BITS Pilani.
- PhD program for professional employees in the Engineering function from IITs in India and IISc, Bengaluru.
- Visionary Leaders for Manufacturing (VLFM) Senior Manager Programme offered by Confederation of Indian Industry (CII)

Your Company also offers an education assistance policy to employees who are interested in pursuing formal education as a part of their self-development or upgrading their functional capabilities.

Leadership Development programs include Global Leadership Development Program, Authentic Leadership Program, Building Success in Others, Front Line Leadership Development Program and Building Success in You program. Furthermore, Cummins also encourages job moves across functions, entities and locations to ensure varied exposure and growth of its employees.

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

### **Diversity & Inclusion**

Diversity and Inclusion is in the DNA of Cummins. We had launched four (4) Employee Resource Groups (ERGs) focusing on the primary dimensions of diversity namely: Generation, Culture, Person with Disability (PwD), and LGBTQ+ since 2018. While promoting the Organization's Diversity and Inclusion agenda, these ERGs work on initiatives that contribute in making the Organization's environment 'Inclusive' in every sense so that the employees bring in their full potential at workplace. Projects and initiatives undertaken by these ERGs includes revisiting internal policies and processes, introducing new policy or guidelines to support a diverse dimension, rolling out effective workshops and awareness events focusing on 'inclusion', conducting infrastructural audits and recommending workplace adjustments, amongst others. We continue to focus on increasing our gender (female) talent, which is today at 33%. As the next step, Cummins is working to achieve gender parity in our workforce, by moving the needle to 50% representation of female talent. In this journey, the WE Network (Women Empowerment Network) ERG will continue to be a strong partner with the business. As we continue the hiring primarily through our campus and lateral hiring, we would also focus on the pool of talent who have taken a career break but are now all geared up to restart their career.

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

Cummins continues to be sensitive to the fact that today's working couples live in nuclear family setups and depend a lot on the Corporate on-site child-care facility. The Creche facility at all our sites are in demand and demonstrates on how much trust our employees have on the operations of these centers. For Cummins, creches are not just a legal compliance but reiterates our core value 'Caring'. The company has taken steps to ensure that the prime focus of these centers is not just to provide a safe and child friendly environment, but also ensure that there are various interventions planned throughout the year that stimulates the child's development and also gives opportunity to the parent (employee) in participating and playing an active role in the same, thus making them feel engaged in their child's key growing years. These onsite creche facilities contribute greatly in attracting and retaining talent. Since March 24, 2020, due to pandemic and government regulations, the day care centres were not operational.

During these testing times, WE Network organized webinars on Psychological Safety during and post COVID-19. Despite the pandemic, Ekam, the ERG focused on Culture rolled out awareness sessions for North and North-East regions. The ERG for Person with Disability, Wings, rolled out policy for Equal Employment Opportunity. Nexus, the ERG focused on Generation organized a webinar on 'Dealing with Change – Generation Perspective'. And the India Pride ERG launched Pride Ally Program & India Pride Handbook.

### **Cummins Health and Wellness Program**

Cummins continued its journey in the area of Health and Wellness, throughout FY 2020-21. Being COVID-19 Pandemic year, the major focus was on COVID-19 related activities, to take care of the physical & mental health of the employees.

Thermal screening, provision of minimum two surgical mask per person per day, adhering to social distancing in the entire workplace, frequent sanitization of the workplace, provision of the isolation room at all worksites were set up to ensure all the worksites of the Company are absolutely safe for the employees, during the pandemic.

Travel related guidelines were set up to ensure the employee travel safely and appropriate care was taken to protect the employee from contracting the COVID-19 infection.

Various communicating measures were implemented for communicating the COVID-19 appropriate behaviors with our employees like Do and Demonstrate, social distancing, actions by Plant Leadership Teams, lead by example and demonstrating safe behavior, Toolbox Talks, shop floor rounds and appreciation of employees demonstrating safe behavior etc Leadership talks, creatives, emailers and writeups on notice boards were implemented to emphasize the importance of preventive measures to be followed during festive season and further emphasis was given on disclosure of symptoms post festive holidays.

The identified confirmed COVID cases were provided with all necessary help in getting appropriate medical treatment. Regular follow ups were done with these employees to ensure they get right medical treatment on time, follow healthy lifestyle to have fast recovery without any major aftereffects of COVID-19. Assistance was provided for hospitalization, procuring antiviral medications or plasma for the treatment of the employee or the dependent. Post COVID-19, OPD was started for recovered employees to take care of the aftereffects of COVID-19 infection.

Regular webinars were conducted on various topics related to COVID-19 to take care of the physical health of the employees. Frequent webinars were conducted on the topics related to mental health. Some of the topics are as mentioned below:

- Working from Home: Getting Balance Right
- Managing elderly and family members,
- Adjusting the New Normal
- Guiding children and teens
- Strengthening Relationships

The Company has a structured process to identify the potential amongst employees, in order to confer rewards and recognition. Career development is supported through innovative Human Resource interventions like the Integrated Talent Management System.

The Company employs around 3,237 permanent employees out of whom, around 751 are women employees. The Company also has 285 student category apprentices and 163 temporary employees, taking the total employee strength to 3685, which also includes 1 permanent employee with disabilities.

Apart from this, the Company also employs around 1215 contractual and 147 temporary basis (fixed term) employees. The Company has never engaged any child/ forced/ involuntary labors in any of its facilities and there have been no complaints pertaining to discriminatory employment during the financial year. Safety, skill up-gradation and mandatory trainings to ensure value alignment, is conducted for various categories of employees. In order to establish proper control measures and to ensure compliance to the law and internal processes, the Company is continuing with automated time and attendance system as well as quarterly audit of Contract Labor Management process.

The Company has a recognized Trade Union. As on as on March 31, 2021, approximately 31.3% of production and staff associates forms part work force who are members of the Trade Union.

Demonstrating Cummins' core value of Diversity and Inclusion, the organization strongly believes and advocates embracing the diverse perspectives of all people and honoring them with dignity and respect. The various steps taken by Cummins will go a long way in improving gender representation for the organization and set a definitive benchmark for industries in the Automotive Sector. These steps have been introduced after complete compliance with legal requirements as well as absolute adherence to the safety and security of women, further reinforcing Cummins as a 'great and safe place to work'.

<b>Sr. No.</b>	<b>Category</b>	<b>No. of complaints filed during the Financial Year (April 2020 – March 2021)</b>	<b>No. of complaints pending as on the end of the Financial Year (April 2020 – March 2021)</b>
1.	Child labor/ forced labor/ involuntary labor	NIL	NIL
2.	Sexual Harassment	2	NIL
3.	Discriminatory employment	NIL	NIL

**Principle 4: Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized**

While Cummins' Code of Conduct ("Code") protects and promotes the ethical behavior that makes it a great place to work, Cummins' Supplier Code of Conduct applies to all businesses that provide product or services to Cummins and its partners, joint ventures, divisions or affiliates. The Supplier Code of Conduct helps the Company to ensure that it is doing business with other companies around the world that share the same values as Cummins.

The Supplier Code of Conduct is built around seven principles:

1. Suppliers must obey the law everywhere
2. Suppliers must treat people with dignity and respect
3. Suppliers must avoid conflicts of interest
4. Suppliers must provide a safe and healthy workspace
5. Suppliers must protect Cummins technology, information and intellectual property
6. Suppliers must protect the environment and conserve natural resources
7. Suppliers must assist Cummins in enforcing this Code

Each principle includes compliance guidelines to make the Code more user-friendly. For example, under Principle No. 2 regarding treating people with dignity and respect, the Code states: "Suppliers should have formal policies prohibiting harassment, discrimination and ensuring fair treatment of all employees." It also states suppliers must respect employees' right to bargain collectively and ban forced or child labor.

In line with the Principle No. 6 dealing with protecting the environment and conserving natural resources, the Code casts specific responsibility on suppliers and states to comply with all applicable environmental laws, regulations and standards. Suppliers should establish procedures for notifying community authorities in case of an accidental discharge or release of hazardous materials into the environment, or in case of any other environmental emergency". It also states that "Suppliers should implement an audit program for compliance to applicable environmental regulation and standards, including a means to ensure corrective actions, minimal environmental impact and avoidance of recurrence".

Aligned to its Mission, Vision, Core Values and eight Leadership behaviors, Cummins continues its focus on the well-being of all its stakeholders including shareholders, customers, vendors, employees and the communities it is part of.

Laying a special emphasis on groups which are disadvantaged, marginalized and vulnerable, Cummins strives to improve their lives focusing mainly in the areas of education and empowering under privileged to lead safe and healthy life in a greener environment among other initiatives.

Even as the vaccine roll out is underway across the world, most communities are still coming to terms with the global human and economic devastation that COVID-19 pandemic has wrought. As life returns to the new normal, the impacts of the pandemic will take a long time to recover from.

Right from the beginning of the outbreak, Cummins has responded to the COVID-19 crisis through a series of immediate and emergency interventions addressing urgent and evolving needs on the ground.

Through the crisis, we engaged with our partner organizations – governmental and non-governmental, to care for our communities. Through shared experiences of the pandemic, together, we discovered new and more meaningful ways to serve those who were most in need.

The purpose of our actions to respond to community needs amid the COVID-19 pandemic had been to provide support and relief through interventions that directly impacts –



**Frontline COVID-19 warriors** – groups engaged directly in fighting the pandemic – doctors, nurses, paramedics, health & sanitation workers



**Socially & Economically Disadvantaged** – most impacted by the economic fallouts of the pandemic are daily wage earners and migrant laborers in our communities



**Resource scarce communities** – villages and slums in our communities which are vulnerable



**Through Cummins India Foundation (CIF), these efforts are channeled by** - partnerships with State, Central, Local Government Bodies to provide relief to those in urgent need



Working with Organizations on the ground with a plan and structure in place to give immediate relief



Partnerships with large industry associations who are amplifying and channelizing resources to quickly provide support directly to the hospitals and people working on the frontlines



Leveraging internal and partner organizations' technical expertise to source scarce medical equipment

## Caring for our communities amid the COVID-19 pandemic



**1,50,000+ lives supported; #100+ Grant appeals approved** - COVID relief



**Donated life-saving medical equipment** to hospitals in collaboration with MCCIA and CII



**25,000+ 3 Ply masks** donated to hospitals



**5,000+ Virus Testing kits** donated to local health agencies



**8,500+ N95 masks** donated to hospitals



**6,000+ Safety goggles** donated to hospitals



**2,500+ Full Body PPE\* suits** donated to hospitals



**5,000+ surgeon caps** donated to hospitals



**30,000+ Protection kits** (masks, gloves, sanitizers) donated to police, sanitation and health officials



**11,000+ Face shields** donated to hospitals and police force in our communities



**2,000+ Nylon Swabs** donated to hospitals



**200+ Health centres and 2 hospitals** provided with **2,600+** sanitizers and hand wash materials



**10,000+ Litres of Disinfectant** donated to Pune, Phaltan Municipal Bodies, 22 Model Villages, 14 non-model villages



**15,000+ Daily wage earning families** benefited through dry ration kits (rice, wheat, pulses, salt etc.)



**57,000+ Cooked meals** served to migrant laborers and homeless



**3,000+ Sanitary Napkins** donated to economically and socially disadvantaged girls and women

## **Nurturing Brilliance – Cummins Scholarship Program**

With a vision to provide financial & non-financial benefits to meritorious/ promising students coming from socio-economically challenged backgrounds, who aim for Higher Education (BE or Diploma), in 2006, Cummins launched a Scholarship Program “Nurturing Brilliance”.

Commenced at Pune with 13 students getting scholarships, program evolved in every facet. We enhanced the reach of this scholarship program from 13 to 200. At the same time six sigma methodology was adopted, to have a robust selection process to reach out to the maximum and the most needful students. In this journey of nurturing brilliance, 1739 students have been benefitted so far (including selections from FY 2020-21).

With the support from cross functional teams, the program for 2020-21 was executed virtually. This helped us to offer all benefits under the Nurturing Brilliance to the needy students while keeping them protected from COVID. All the process stages including awareness, applications, aptitude test, personal interviews, reimbursement process, etc. were virtually designed. This has been attempted for the first time in the history of the program.

Digitization of Nurturing Brilliance has reduced fuel consumption and GHG emissions as Scholars are no longer required to travel to local Cummins offices for document submission. Reduced usage of at least 18,000 papers per annum created an impact of Carbon Footprint Avoidance of 29.81 MTCO<sub>2</sub> / Year.

Beyond providing financial assistance, Cummins also entrusts these scholars to its experienced Senior Leader, who as Mentors provide guidance through the entire duration of the course. Our mentorship program looks at providing each scholar with a mentor who can help to make the right choices, provide them with relevant exposure and guide them in decisions which will shape their careers. Many of our experienced employees and leaders are intensively involved in this program.

To improve soft skills of our scholars from FY 2020-21 onwards, CIF has introduced e-learning of Soft skills module. This module supports students in enhancing their employability skills.

## **Local Community Care**

In our 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. Cummins employees along with its partners work relentlessly towards providing these groups a healthy environment, safe infrastructure, multiple recreation facilities and good education.

Cummins has supported the residents with better and safe infrastructure which also includes improving natural lighting in the premises, proper ventilation, recreation facilities etc. Use of LED bulbs, biogas, kitchen garden and use of Solar energy has helped in significant reduction in operating expenses and has encouraged the use of renewable resources of energy. Continuous employee engagement helps in process improvements and replication of best practices.

In the challenging time of COVID-19 pandemic, Cummins continued its support to these NGOs. In the year 2020, Cummins supported 11 NGOs serving underprivileged and disabled people across all plant locations in India. To safeguard residents at NGOs, Cummins teams remotely monitored project progress. Active employee participation and leadership involvement has enabled a successful project implementation across NGOs.

## **Principle 5: Businesses should respect and promote Human Rights**

Respect for Human Rights is fundamental to the sustainability of Cummins and the communities in which we operate. In our Company and with our partners, we are committed to ensuring that people are treated with dignity and respect. Your Company believes that the organization gets stronger because of the diversity of its employees and as a Company serving customers globally, it needs a work environment that is welcoming and allows employees to best use their unique talents and diverse perspectives so ideas and innovation can flourish.

The Company strictly forbids discrimination, harassment, retaliation and strives to provide equal opportunity and fair treatment for all. Cummins prohibits discrimination or harassment based on an individual's race, color, religion, gender, gender identity and/or expression, national origin, disability, union affiliation, sexual orientation, age, veteran status, citizenship or other status protected by applicable law.

The Company supports human rights around the world and strives towards complying with all applicable laws regarding treatment of the employees and other stakeholders. The Company has zero tolerance policy on bonded, child or forced

labour. The Company respects employees' freedom of association, right to bargain collectively and all other workplace human rights.

The Company is committed to quality and value which also extends to its joint ventures, suppliers and other partners. Cummins makes sure that its suppliers and partners treat their stakeholders in ways that reflect Cummins values and Supplier Code of Conduct. Cummins does business only with those suppliers and partners that share its passion for sustainable practices and policies.

### **Principle 6: Businesses should respect, protect and make efforts to restore the environment**

Cummins firmly believes the companies that are successful in future will deliver more value to customers with lesser environmental impacts. Cummins intends on being one of those companies. Environmental sustainability is an interconnected systems concept – our communities and our business depend on our collective response to improve the health of the planet.

Following are the details of few key projects that the Company supports in this area:

#### **The Monsoon Resilient Maharashtra (MRM)**

The "Monsoon Resilient Maharashtra" project was conceived and undertaken to address the acute scarcity of water in the rural communities of Maharashtra. Droughts are cyclic in Maharashtra and continue to haunt the state bringing acute challenges to the farmers. Farmers in the state heavily depend on the monsoons for their agriculture activity, with very little fall back on other source of income. MRM aims to make these communities resilient to the challenges that come with erratic, inadequate and untimely monsoons.

From the very beginning, emphasis of the project was water budgeting or appropriate use of available water. With this goal in mind, there is focus on both sides, the supply side i.e. improving the quantity of water available to the community, and the demand side, which focusses on judicious use of water by instituting protocols and improved agricultural practices. After tirelessly working for four years on improving the supply side of water, the project progressed to managing demand side of water i.e. ensuring efficient utilization of available water through improved agricultural practices, and sustainable alternate livelihoods. In demand side management, MRM imparts extensive hands on training and through external field visits, ensures implementation of the said practices.

We have developed, piloted, and scaled up the unique MRM model to address scarcity of water in Maharashtra. The four-pronged approach of a ridge to valley watershed development aided with Hydrogeology, remote sensing data and including community participation has been established. A third-party impact assessment report recorded substantial growth in the predefined indicators.

In MRM, concerted effort is made to build capabilities within the community to enhance engagement during the watershed implementation. In FY 2020-21 MRM added 13 more villages, extending its reach to a total of 36 villages in just a span of 4 years. It has positively impacted more than 55,000 plus lives. More than 1 billion gallons of additional water has been generated across 36 villages, 41 water reservoirs have been desilted 0.3 Million m<sup>3</sup> sand removed from these reservoirs and increase in water percolation through surface area treatment of 0.6 Million m<sup>3</sup> area across 23 villages. Sustainable agriculture trainings to 972 farmers across 18 villages resulted in 23% productivity improvement and 10% reduction in cost. The project also led to cumulative additional annual income of 52 lacs for ~940 women farmers through goat rearing and poultry. Livestock reproduction will further help to increase the annual income of these farmers in the coming years.

#### **Clean Air Better Life (CABL)**

In Delhi, poor quality air irreversibly damages the lungs of 2.2 million or 50 percent of all children. India has the world's highest death rate from chronic respiratory diseases and asthma, according to the WHO. The primary sources of smoke are stubble burning, lit garbage, road dust, power plants, factories, and vehicles. In 'Clean Air Better Life' initiative Cummins in partnership with CII, NITI Aayog started working towards engaging business, civil society and government to learn from peers and take actionable steps to improve the air quality in cities which have reached crisis levels like Delhi-NCR.

Under this initiative four taskforces were formed (Clean Fuel, Clean Transport, Biomass Management and Clean Industry) which aim towards solutions for detrimental situations created due to rampant biomass burning, transport services, harmful fuel emissions and industry sources. Suitable interventions for Clean Fuel, Clean Transport, Biomass Management and Clean Industries is recommended through experts by the means of the taskforces. During the peak pollution period in November 2018, more than 1800 primary schools had to be shut down in the region for the first time. One the major reason was the practice of stubble burning by the farmers in and around Delhi and NCR cities. Thus, under the task force on 'Biomass Management', a pilot on 'Crop Residue Management' project was rolled out to curb the practice of crop residue burning in the North-Western States. Based on solutions identified by Biomass Management Report, the pilot project supported farmers

undertake sustainable agricultural practices in the region. It also incentivized farmers for 'in-situ' treatment of paddy-straw. Various awareness sessions and campaigns were conducted promoting sustainable residual management process. Various universities and colleges participated to help train farmers adopt these practices.

After the success of CABL initiative in Delhi and NCR region, Cummins took the learnings to Indore city and implemented the project in Indore along with Delhi NCR in FY 2020-21. CABL has reached more than 1,57,924 acres of farmland across 172 villages in 7 districts. In 2020-21 more than 27,863 farmers were trained and supported to reduce stubble burning. Through our effort, 12.7% tonne PM10 was avoided in air pollution at source in each adopted village. There was 10% drop in cost to farmers in their farm operations and 5.2% growth in crop yield, as compared to their existing practices.

### **Enabling Sustainable and Integrated Waste Management in our communities**

India generates 62 Million Tones waste / year of which only 27% is being treated. Several health, social, economic and environmental impacts are consequences of improper waste management. People's participation, availability of the right resources, systems and technology form key factors in ensuring proper waste management right from generation to disposal in any community, town or city. Strong social awareness and will are the foundational pillars to the right waste management behaviors.

To address these gaps, Cummins has been working closely with local government authorities since 2010 to promote behavioral change and introduce sustainable waste management in our communities. Through extensive employee participation under the EEEIC initiative along with strong collaboration with partners, in 2019, many of the core programs were scaled to greater heights and some new partners were onboarded on this journey. Need was felt for creating 'Zero Waste Slums; – an area largely underserved and wrought with many challenges.

### **Creating Zero Waste Slums**

As the city of Pune is growing in scale, the problem of its waste generation is also increasing exponentially. Today, Pune generates approximately 2100 tons of solid waste per day. Rapidly growing city population has led to strained infrastructure causing a major waste management and disposal issue. In addition, unscientific disposal of heterogeneous solid waste in the overflowing landfills is polluting environment and causing health disorders.

Zero Waste is a philosophy that encourage redesign of resource life cycles so that all products are reused and that no trash is sent to Landfills or incinerators. This project was started with Pune Municipal Corporation back in the year 2012 at Katraj ward where Cummins volunteers spent months together to spread awareness about the benefits of segregation of waste. This model was replicated at Baner-Balewadi and Kothrud wards.

Building on the successes of these initiatives, in 2019, the focus turned to creating zero waste slum at Laxmi Nagar slum in Kothrud. Close to forty percent of the population in Pune live in slums, where the waste management systems are severely lacking collection levels are poor, segregation are almost non-existent and riddled with many socio-economic challenges that drive the behavior on a day-to-day basis. Launched in 2019 along with Pune Municipal Corporation, the Kothrud slum project explores the ways and means for creating an ecosystem of behavioral change in more than 1200 families, with a holistic approach to waste management. Considering women as change agents for health & hygiene in slum, the focus has been on to upgrade vocational, marketing & entrepreneur skills of Women Self Help Group which resulted into income generation for 20 women.

FY 2020-21 was a challenging year. The lockdown brought everyone and everything to a standstill including the projects. Door to Door collection system reduced to 17% from 80% because of it. As lockdown was lifted, in the short few months of our intervention, through different initiatives, door to door coverage increased to 67% and 5 out of 8 identified chronic spots in the area have been eliminated. During early 2020, this system completely collapsed due to increased COVID-19 cases in the slum as well as in waste pickers' community and focus was shifted to re-establish the waste segregation & door to door collection.

Swachata Mitra (sanitation worker) has been our front-line workers ever since the pandemic broke down. Cummins made safety as the first priority and ensured that we took all possible safety measures for our Swachata Mitras. Each of our workers were provided with face shields, hand gloves, masks, gum boots, full body PPE suit and yellow bags for collection of segregated waste. Their effort on ground resulted in improved rates for waste collection & segregation from 13% to 75%. In addition, it also led to an increase in the collection fee, major source of income generation for waste picker every month. About 108 Tons of waste collected, diverted from landfills and sanitized before recycling, leading to an equivalent carbon footprint avoidance of close to 332 MT.

### **Inorganic Waste Management – Ensuring Responsible Recycling of E-waste and Plastic Waste**

**E-Waste:** Discarded electronic and electrical items are considered as E-Waste. This is the fastest growing stream of waste in the country. In 2016, As per a report<sup>1</sup> India was the 5<sup>th</sup> largest producer of e-waste in the world and less than 30% of the population is aware of the need for and the right methods of E-Waste management. Considering the growth rate in consumption of electronic items over the next 3 years, the situation has become alarming and hence a need to address the issue. .

**Plastic Waste:** India generates ~26,000 Tons of plastic every day – of which at least ~10,000 Tones remains uncollected ending up in landfills or oceans. It is estimated that by 2050, the amount of plastic in seas and oceans will outweigh the fish.

In the light of above facts, Company perceived an urgent need to address this issue and has undertaken projects in the area of Inorganic Waste Management in Pune.

Cummins partnered with various NGOs, schools and local communities to create awareness on e-waste and plastic waste. Teams from Cummins and PMC are working with authorized recyclers for ensuring Eco-friendly processing of E-Waste and Plastic Waste. Cummins has been powering sustainable and end to end Electronic and Plastic management solutions since 2014 through an integrated approach, which is innovative, inclusive, collaborative, replicable and scalable.

In Financial Year 2020-21, Cummins and implementing partners taking cognizance of COVID-19 pandemic, replaced door to door awareness campaigns, screening in schools and strategically developed remote awareness campaigns including digital awareness campaigns, online screening among school students and society members. This resulted into -

- With use of the social media, more than 3,50,000 citizens were made aware of the Zero-Contact plastic and e-waste collection program.
- Online sessions conducted for 200 schools covering 2,50,000+ students.
- “Zero Contact Collection Drives” were organized in about 500 housing societies and community spaces to enable safe and environmentally friendly disposal of E-Waste and Plastic Waste.
- Enabled Sustainability by instituting systems and processes for safe collection and disposal of close to 48 MT of E-Waste and 110 MT of Plastic Waste, by conducting 100 drives and establishing permanent centers in partnership with authorized recyclers.
- Cummins along with NGO partners & PMC organized a “Mega Drive” which ran 300 Collection centers on a single day across the city.

Ensuring sustainability through institutionalization, Cummins has helped establish more than 25 Collection centers across the city. This project has grown organically from creating mass scale awareness to changing mindset about handling e-waste which contain toxic elements and plastic waste which has infiltrated our daily lives.

### **WASH at School - School Readiness amid and post COVID-19**

Every year, many of our interventions across Pune city takes us to hundreds of local schools frequently. To name a few, Be it the Friends of the Oceans project, E Waste drives, Nirmalya initiative or Coach them Young. Children are considered as the most effective change agents. Many of our interventions are centered around nurturing awareness and reinforcing the importance of environment conservation while enabling them to become brand ambassadors in their communities.

Early in 2020, COVID-19 pandemic triggered a strict lockdown which meant our interventions with the schools had to be paused.

As slowly schools began preparations to restart, resource-scarce municipal run schools needed aid to ensure safety of children and staff. To support such schools with students coming from economically lower section of the society, Cummins along with our NGO partners prepared a detailed Standard Operating Process to help schools prepare for a safe and smooth restart. This program covered 32 schools benefiting more than 11,000 students and 469 staff.

Staff and student safety revolved around two key targets –

- **Social Distancing**
- **Sanitation and Hygiene**

<sup>1</sup> An article in Business Standard dated May 25, 2016 with subject ‘India is 5th largest producer of e-waste in world: Study’

The detailed implementation plan involved the following elements –

- **Infrastructure upgradation** - Social distance marking, foot operated water taps, foot operated sanitizer stand, liquid soap stands, isolation room with beds and other requirements.
- **Disinfection/ Sanitation** - Sodium hypochlorite, sanitizer & liquid soap bottles, Personal Protection Equipment (PPE), exhaust fans, mask & hand gloves etc were made available.
- **Screening Process** - Screening gun, screening location selection, screener PPE, screener training was completed.
- **Waste management** - Fixing COVID-19 waste storage location and establishing COVID-19 waste disposal process
- **Communication and Awareness** - Communication Plan/schedule, Awareness training modules, Signages on safety etc were provided.

### **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 festival / religious events that took place every year in the state of Maharashtra. The Nirmalya project is a multi-dimensional, multi-stakeholder level project that involves months of planning, logistics and coordination during the annual Ganesh festival.

It revolved around creating a mindset transformation among citizens to not pollute water bodies by immersing Ganesh idols and Nirmalya (organic material like flowers, coconut, spices which are offerings). The Nirmalya so collected at immersion points is composted and this organic and fertile compost is distributed to the farmers in the area.

Around August 2020, 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 PMC to establish decentralized Nirmalya collection process, moving from immersion ghat to household /society level.

SWaCH waste pickers were provided separate bags for door to door collection of Nirmalya which was later sent to central place for composting. Cummins helped PMC by designing awareness creatives, pamphlets, banners and 200,000 printed posters for “Celebrating Eco-friendly & Safe Ganesh Festival” during COVID-19. Cummins also promoted immersing POP idol at home using ammonium bicarbonate powder and opting for Mrinmay Ganesh (making Ganesh idol at home using farm soil with organic mixture). More than 5 Lac citizens were made aware, 150 Tons of Nirmalya converted into organic compost, 1 Lac POP idols got immersed at home and more than 1000 families enjoyed making eco-friendly Ganesh idol at home.

**Year-round compost generation from temple flower waste:** Building on the success of the Nirmalya project, a year-round composting program of temple flower waste was kickstarted in 2019-20. After its successful pilot in with three wards of Pune, this project aims to compost around 20 Tons of flower waste daily and to create additional income opportunity for at least 6 people of disadvantaged section of the society. Based on the success of this project, the plan is to further replicate it in other wards of the city.

**Creating incense sticks from temple flower waste:** This initiative serves the dual objectives of women empowerment and responsible waste management, it was launched in 2019. As part of the pilot initiative, 6 tribal women have been provided income generating opportunity to convert temple flower waste into incense sticks. The plan is to scale it to other wards and to create market linkages in the months to come.

### **Urban Watershed Management Initiatives – leading to conservation of 3000+ Million Gallons of water.**

Urbanization in Pune district is among the highest in the state, and the rapid growth in Pune’s urban area leading increase demand for water. Climate change has led to erratic and less rainfall in the surrounding areas. Existing water bodies like wells, lakes run dry – leading to non-availability of water for many months over the year. Communities are heavily dependent on external water supply by water tankers and there is inadequate infrastructure to stop and store water.

Through subject matter experts and implementing partners, Cummins has developed a watershed development framework for urban areas. The approach includes increasing the capacity of existing water bodies and preventing pollution by creating awareness in our communities.

The projects begin with a hydrogeological survey which is the foundational document on which the next three years’ interventions are planned. Solutions like continuous contour trenches, lakes, check dams, revival of ponds and spring boxes have been implemented in 2020. These interventions spread across Khadakwasla, Special Reserve Police Force’s Wadachiwadi area, Aundh Military area have resulted in conservation of over 1459 Million Gallons of water.

Plans are in place to enhance the capacities and rejuvenating existing water bodies around Pune that will have a significant impact on our communities.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

For Cummins, the major advocacy areas are related to emissions for automotive, power generation and off-highway equipment sectors. Cummins had major success on the power generation advocacy front with the Government launching lower emission, Europe-like CPCB II generator emissions. Every year, Cummins works with respective associations to encourage better and tighter emission norms to improve the quality of air in the country. This is also Cummins' contribution to society aligned to its belief that advanced technologies can lead to cleaner air.

The Company partners with respective industry associations on various advocacy initiatives related to the industry. The Society of Indian Automobile Manufacturers (SIAM) takes up issues related to the auto sector with the Government, NGOs and think-tanks. Cummins advocates issues on the automotive segment along with SIAM as a partner. On broader issues relating to the business, environment and society, Cummins works very closely with Confederation of Indian Industries (CII). Similarly, for issues on power generation, Cummins works with the Indian Diesel Engines Manufacturers Association (IDEMA) and Indian Construction Equipment Manufacturers' Association (ICEMA) for construction industry related issues.

The Company also encourages fuel economy as that not only conserves precious fossil fuels but also lowers consumption and provides a lower carbon footprint on the environment. All these efforts are done under the aegis of one or more industry associations.

**Principle 8: Businesses should support inclusive growth and equitable development**

Cummins is an Equal Opportunity Employer, extending this belief company constantly tries to increase opportunity and equity for those who are in utmost need through its various Corporate Social Responsibility projects that address social justice issues.

**“Cummins Powers Women” project with Rise Up, an NGO**

**Theme: Towards a New Horizon**

Cummins is engineering solutions to gender inequality in our communities by partnering with global non-profits to accelerate the advancement of women and girls, reinforcing Cummins' internal commitment to the prosperity of women around the world.

FY 2020-21 marks the third anniversary of this global initiative – Cummins Powers Women (CPW). This initiative has funded trainings, resulting in launch of over 60 advocacy projects globally. These projects have changed laws and policies which benefits 17 million women and girls across the globe.

In India, we continue the journey for empowering girls and women steadfast with our partner, 'Rise Up' which focuses on advancing health, education and equity for girls, youth and women everywhere. Year 2020 marked the one-year anniversary of Cummins India's first leadership and advocacy accelerator for 21 incredible grassroots leaders working on girls and women rights. This year faced with the challenges of the global pandemic, these leaders supported the communities they worked in, which were largely vulnerable and belonging to the economically disadvantaged sections. While they responded to the communities during COVID-19, they continued focus on their advocacy work, collectively impacting close to 1.9 Million girls and women by influencing changes in over 4 laws and more 15 government policies.

Building on the success of the first accelerator, Yea 2020 also saw the successful launch and conclusion of Cummins India's second leadership and advocacy accelerator which took an online avatar in light of the pandemic. 19 amazing individuals from NCR took part in this journey that will further empower to usher change in their communities, strengthen their leadership and launch strategies that increases girls' and women's access to education and opportunities.

Over the course of the next year, we will continue to work to work with these leaders on their advocacy projects to advance gender equity in their communities.

Our program envisions the enabling, over time, of 200 such visionaries across the country and thereby catalyze them to create large-scale positive impact towards empowering women and girls in India.

**Phaltan Town Development**

This project was conceived with a vision to make Phaltan the best in its category and size in India by 2030. There are many components of a model town, however, a need assessment of the town indicated that solid waste management required most attention, hence was taken up on priority to be addressed.

In this journey Cummins' role is of a catalyst, mostly collaborating with the local community to provide the much-needed support to tackle the waste in the town. Cummins along with the implementing partner has created awareness for systematic segregation and door to door collection of waste. In both respects there has been a drastic improvement in cleanliness, resulting in a visible change in the town.

A concerted effort led to improved hygiene of the town. Round the clock monitoring of these spots was done to ensure sustenance and selected 30 spots were beautified to convert them into usable spaces.

In our effort to make Phaltan a clean and green town, PMT undertook various new initiatives in FY 2020-21. To improve sanitation and hygiene amongst students to effectively tackle COVID-19 and other health related issues, handwash station has been installed in 26 schools, positively impacting more than 18,000 students. To reduce waste going to landfills from various wards, Self Sufficient Wards were launched this year to promote waste recycle and tackling waste at source. Around 29,200 kgs of waste were diverted from going to landfills.

### **Holistic Rural Development Program**

Cummins commitment towards holistic rural development started with one village in 2010, and its journey has come a long way as it touched the lives of people in 25 villages in 2020. This program benefits more than 50,000 lives in rural areas. With the support of the village community, partnerships with the expert NGOs and government agencies we have now successfully replicated model village work at all plant locations in India.

To scale up model village project impact, Cummins has partnered with NABARD for 3 model village projects by signing an MOU of 50:50% funding partnership. Availability of partial funding through partnership helped Cummins to take up additional villages. This partnership will help Cummins to reach out to more villages in upcoming years.

Efforts put in water shed development and water conservation helped the villages conserve ~ 462 Mn Gallons of water every year. This was done through check dams, Ponds, desilting, contour trenches, soak pits etc. This ensured availability of water for drinking and irrigation throughout the year. To uplift the educational infrastructure and provide quality education, Cummins upgraded 28 schools by providing toilets, classrooms, clean drinking water, e learning software, benches, theme painting, playground, compound wall etc. This resulted in improved learning and reduction in dropout rate. With help from Cummins medical team, health checkup camps, health awareness and cataract surgeries are performed for the poor in villages.

In Year 2020, Cummins continued support for holistic development of villages with focus in increasing income of families. With help from subject matter experts and scientific approach, Organic Farming and Community Farming program was scaled up. So far 559 Model farmers are developed and have adopted 100% organic farming practice. Organic farming complemented with the use of new equipment has resulted into increased agricultural yield to which doubled income of many families. For increasing income from dairy farming ~ 60 farmers were given training by a subject matter expert agency. This resulted in significant increase in milk production.

**Empower-Her** is an initiative for financial inclusion and independence of women at model villages Under this program, we launched the initiative "Udgam" at Phaltan Megasite in 2017 which aims at creating awareness about Sanitary Hygiene, usage of sanitary napkins and enabling Entrepreneurship by setting sanitary pads production machine to produce eco-friendly napkin at lower cost. Manufacturing and marketing of the product is done by women self-help group with the support of Anganwadi and Asha workers. Project provides additional income beyond agriculture to women in villages.

This program was quite successful and gained good response from villagers at our three sites in Phaltan, Jamshedpur and Dewas. Post reviewing the success and impact, this project was replicated at 2 more locations in partnership with Cummins Suppliers in Maharashtra. Cummins Medical team and Subject Matter Experts were key pillars in successful execution and replication of this project. This helped to have best practices for health awareness, improved manufacturing, procure mandatory certification from approved laboratory. Subject matter expert team from Cummins is also helping Udgam Program in establishing external marketing linkages. This project addresses an important aspect of women health in rural areas which remained neglected. With the best community impact and high replication potentials, Cummins plan to replicate "Udgam" program in partnership with stakeholder/ supplier/s at various locations in India.

Empower HER initiative has so far benefitted more than 1138 women with additional income opportunity to support their families. Women Entrepreneurship developed through women self-help groups (SHG) for setting up small enterprises like Water ATM, Back yard Poultry, milking machine etc. Water ATMs have sustained with the increased awareness on clean drinking water and maintenance of the water ATM done by women self-help group. So far Cummins has installed and sustained Water ATMs in 7 villages providing clean and safe drinking water to villagers. Cummins continued to support women SHGs for setting up back yard poultries. Many women have enhanced their back-yard poultries to find additional income.

Responding to the pandemic situation of COVID-19, Cummins extended support to all 25 model villages in India. More than 6,000 PPE kits were provided to Health workers and Anganwadi workers. Sanitization of Common places was done using sodium hypochlorite in each village. Sanitizers were provided to Village Panchayat along with a setup of Hand wash center. 1586 Needy families of Daily wage earners and labors in model villages were supported by providing ration kits during lock down.

### **Cummins College of Engineering for Women, Pune**

India's 1<sup>st</sup> women's engineering college-The Cummins College of Engineering for Women (CCEW), was conceptualized and launched in 1991 in Pune with financial support of Cummins India Foundation in partnership with Maharshi Karve Stree Shikshan Samstha.

Our collaboration with Cummins College of Engineering for Women, Pune has come a long way with the 25<sup>th</sup> batch graduating. Cummins' senior executives are deeply involved in this signature project, frequently interacting with the staff and students. The students get a chance to interact with the industry through internships and exchange programs. Regular PhDs and paper presentations keep the staff updated on technology. Continuous development of the college is being ensured through new infrastructure and up-gradation of lab equipment.

COVID-19 pandemic impacted every sector known in a significant way. Annual Year 2020-21 was a significantly challenging year for education. The whole academic calendar was impacted, prioritizing student's safety, there was a paradigm shift in the way of learning. CCEW along with Cummins tackled this challenge strategically and ensured that learning was not affected. Despite many challenges CCEW continued to uphold its high standard in education and was conferred as the Best College Award in Professional Urban category by University of Pune. One of the faculty received Pune Innovation award and despite economic uncertainty, more than 72% of students got placed with an average package of 9.85 Lacs.

### **Technical Education for Communities (TEC)**

The globalized world today requires right skills to convert the growth opportunities into jobs. Fundamentally there is a void when it comes to the content and context of the education which generally phase lags with the need of rapidly changing manufacturing industries across the globe.

Cummins global initiative TEC (Technical Education for Communities) aims at bridging the skill gap and increasing the access of good jobs for students through its comprehensive five pillar framework comprising of 1. Market Relevant skills 2. Quality curriculum 3. Effective Teachers 4. Workplace & Classroom learning 5. Career Guidance.

Cummins is addressing this opportunity globally through TEC: Technical Education for Communities. TEC provides a comprehensive education framework and set of tools to strengthen school programs and improve the job prospects of students.

In our effort to reach out to more students under TEC India, we have established TEC sites at Indore in partnership with dealers (Deccan sales and services), which is in addition to our two existing TEC associations with it is in Phaltan and Kolhapur.

Along with uplifting the vocational education system, TEC India is also committed towards nurturing female students and their representation in technical education at our TEC sites.

### **Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

The Company is dedicated to serving the customers in the best possible way. Cummins continues to strengthen customers relationships, support and engagement through:

- Formation of key account management structure
- Standard sales process for the channel
- Dealer engagement
- Service penetration improvement

The introduction of the Cummins CARE mobile application is another step towards providing increased value to the customer and improving customer satisfaction. The application would enable customers to raise service requests instantly, track the real-time progress of service, see service history and provide feedback with the convenience of their own smartphones.

Through this initiative, the Company has been able to take huge strides in providing best in class service and support. With customer feedback, the Company will continually enhance and evolve the functionality of Cummins CARE.

The Distribution Business continues to leverage savings due to Six Sigma projects and has successfully executed 11 Customer Focused Six Sigma Projects. Most projects are aligned to key business initiatives for driving improvement in customer support, supply chain, business growth and channel management.

The Net Promoter Score (NPS), a measure of customer loyalty strengthened to 88.17% (for Q4 of FY 2020-21) resulting in the Distribution Business in India to be on top in the global NPS scores across Cummins sites. For context, the channel served over six lacs service requests in this period.

Cummins provides a 24 X 7 India Cummins Care to its customers to reach out through a Toll-Free number or e-mail to register their grievances. In the Financial Year 2020-21, 1014 complaints were registered, 927 were resolved and 87 of which were under resolution on March 31, 2021. There were 10 active consumer litigations at the end of March 2021, with 1 case resolved during the year.

Cummins displays product information on the product label as mandated as per local laws. Cummins recognizes and respects consumer rights under various Acts (e.g. Sale of Goods Act) and does not restrict the freedom of choice and free competition in any manner while designing, promoting and selling its products.



# **Business Responsibility Report 2020-21**

## **Executive Summary**

*This document summarizes the Business Responsibility Report and reflects Cummins' broad view on sustainability, including safety, diversity and inclusion, people development and engagement in addition to the Company's environmental initiatives, efforts to nurture innovation and its community improvement programs.*

## Right environment statement

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

- Cummins India Leadership Team

## Supporting communities amid the COVID-19 pandemic

Right from the beginning of the outbreak, Cummins has responded to the COVID-19 crisis through a series of immediate and emergency interventions addressing urgent and evolving needs on the ground. Through the crisis, we engaged with our partner organizations – governmental and non-governmental, to care for our communities.



Reaching out-Distribution of dry ration kits



Supporting the economically and socially disadvantaged



Supporting the front line warriors



## Living our core value of Caring

**2,500+**

Full body PPE suits donated to hospitals

**25,000+**

3 ply masks donated to hospitals

**Donated life-saving**

medical equipment to hospitals in collaboration with MCCIA and CII

**15,000+**

Daily wage earning families benefited through dry ration kits (rice, wheat, pulses, salt, etc.)

**1,50,000+**

Lives supported;  
**100+** grant appeals approved for COVID-19 relief

**57,000+**

Cooked meals served to migrant laborers and homeless

**30,000+**

Protection kits (masks, gloves, sanitizers) donated to police, sanitation and health officials

**10,000+**

Litres of disinfectant donated to Pune, Phaltan municipal bodies, 22 model villages, 14 non-model villages

**11,000+**

Face shields donated to hospitals and police force in our communities

**5,000+** Virus testing kits donated to local health agencies

**2,000+**

Nylon swabs donated to hospitals

**8,500+**

N95 masks donated to hospitals

**6,000+**

Safety goggles donated to hospitals

**200+** Health centers and 2 hospitals provided with **2,600+** sanitizers and hand wash materials

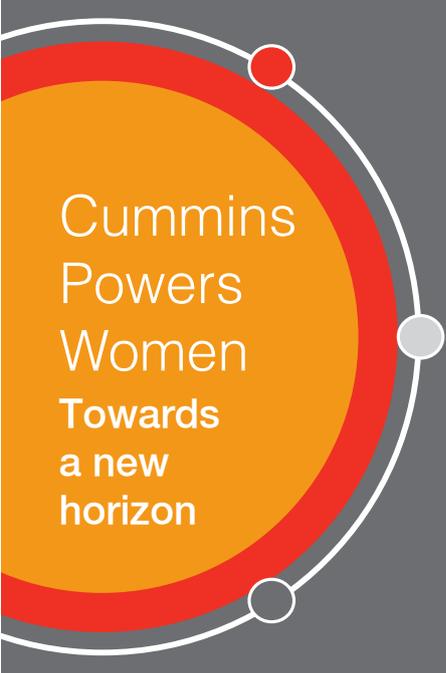
**3,000+** Sanitary napkins donated to economically and socially disadvantaged girls and women

**5,000+**

Surgeon caps donated to hospitals



Image taken during pre-COVID times.



- 2020-21 marks the 3<sup>rd</sup> anniversary of the global initiative – Cummins Powers Women. In India, we continue the journey for empowering girls and women with our partner, Rise Up.
- 2020 marked the one-year anniversary of Cummins India’s first leadership and advocacy accelerator for 21 incredible grassroots leaders working on girls and women rights.
- Impacted close to 1.9 million girls and women by influencing changes in over 4 laws and more than 15 government policies.
- Building on the success of the first accelerator, 2020 also saw the successful launch and conclusion of Cummins India’s second leadership and advocacy accelerator which took an online avatar in light of the pandemic.
- 19 amazing individuals from NCR took part in this journey to strengthen their leadership and launch strategies that increase girls’ and women’s access to education and opportunity.

## WASH at school - School readiness during COVID-19

Helping city schools prepare for a safe restart amid COVID-19.



**Supporting City Municipal Schools Prepare Amid COVID-19** - Cummins along with our NGO partners helped schools prepare for a safe and smooth restart by implementing various initiatives:

- **Infrastructure Upgradation** - Social distance marking, foot-operated water taps, sanitizer stands and isolation rooms
- **Disinfection/Sanitation** - Sanitizer and liquid soap bottles, Personal Protection Equipment (PPE), mask and hand gloves

- **Screening Process** - Screening gun, screening location selection and screener PPE
- **Waste Management** - Fixing COVID-19 waste storage location and COVID-19 waste disposal process
- **Communication and Awareness** - Training modules and signages on safety

This program covered **32 schools** benefiting **more than 11,000 students** and **469 staff.**

# Monsoon Resilient Maharashtra

- Total reach of **36 villages**
- **55,000+** lives impacted
- **1 billion+** gallons of additional water generated



## “Zero Contact Collection Drives” for plastic and e-waste

- During the COVID-19 pandemic, when door-to-door awareness came to a grinding halt, Cummins decided to go virtual and conducted awareness digitally among school students.
- Instituted systems and processes for safe collection and disposal of close to 48 MT of e-waste and 110 MT of plastic waste by conducting 100 drives and establishing permanent centers in partnership with authorized recyclers.
- Cummins along with NGO partners and Pune Municipal Corporation (PMC) organized the ‘Mega Drive’ running across 300 collection centres of the city on a single day.
- **3,50,000** citizens made aware
- Online sessions conducted for **200 schools**
- **2,50,000+** students educated
- Drives organized in about **500 housing societies** and **community spaces**

# Creating Zero Waste Slums

- Re-established the waste segregation and door-to-door collection system that collapsed due to increased COVID-19 cases in the slum as well as in waste pickers' community.
- Safety being our first priority and **“Swachata Mitra”** sanitation workers being the front-line warriors, we **implemented safety and health measures** by providing face shields, hand gloves, masks, gum boots, full body PPE suits and yellow bags for collection of segregated waste, which resulted in **improved** rates for **waste collection and segregation** from **13% to 75%** and **increase in the** collection fee - **major source of income generation for waste picker** from 5-6k to 10-12k per month.
- About **108 tons of waste** collected, diverted from landfills and sanitized before recycling,

leading to an equivalent carbon footprint avoidance of close to **332 MT**.



*No more pollution, when you choose to be a part of the solution!*

## Organic Festival Waste Management during COVID-19

- Post the easing of lockdown restrictions after the first wave of the pandemic, of the pandemic, it was yet not safe for people to congregate in large numbers during festival times. Cummins helped PMC to establish **decentralized nirmalya collection process** - moving from immersion ghat to household/ society level.
- SWaCH **waste pickers** were **provided separate bags** for door to door collection of nirmalya which was later sent to a central place for composting.
- Helped PMC by designing awareness creatives, pamphlets, banners and 200,000 printed posters for **“Celebrating eco-friendly and safe Ganesh festival during COVID-19.”**
- Promoted immersing POP idol at home using ammonium bi-carbonate powder and opting for

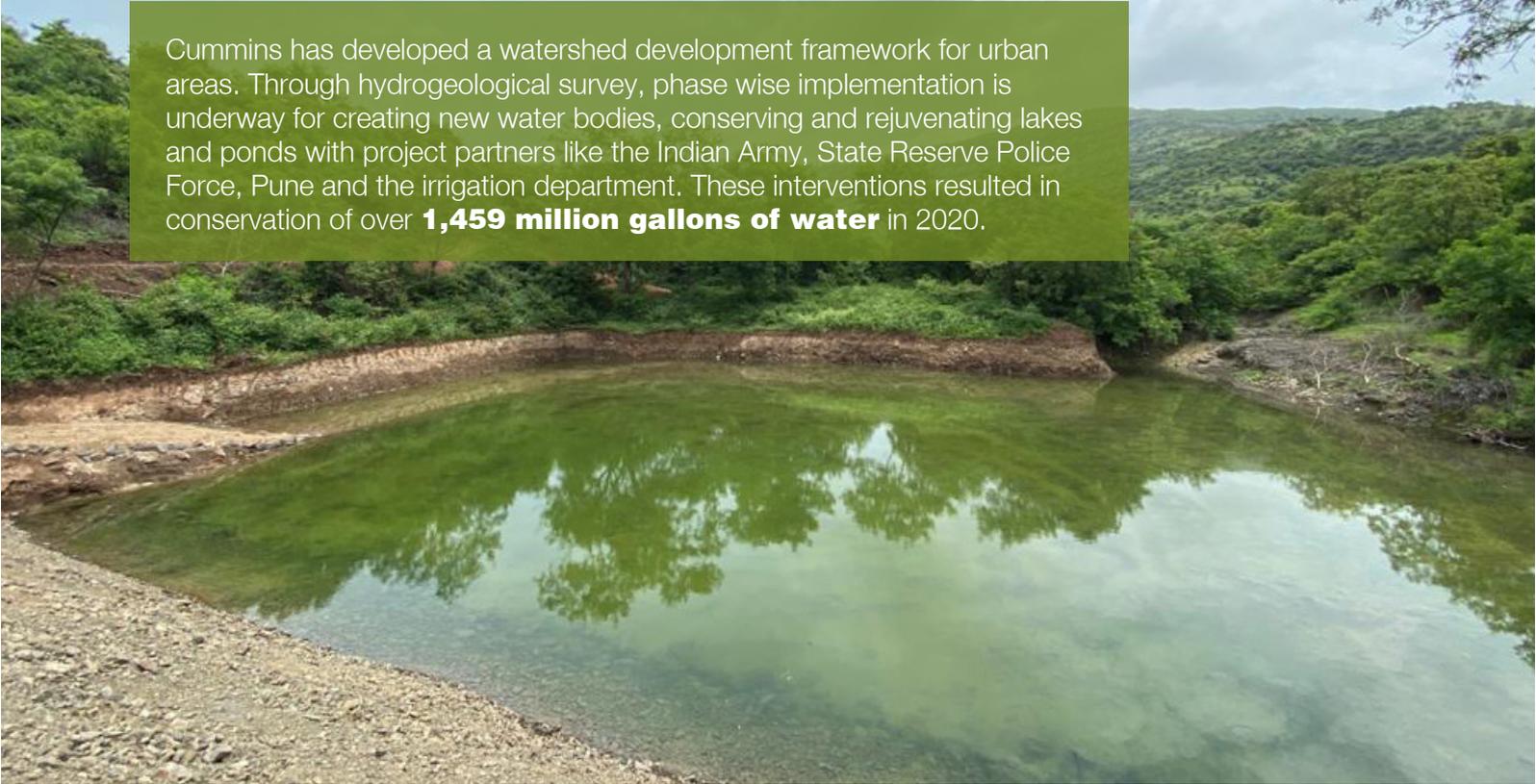
Mrinmay Ganesh (making Ganesh idol at home using farm soil with organic mixture).

- More than **5 lakh** citizens were made aware, **150 tons of nirmalya** was converted into organic compost, **1 lakh POP idols** were immersed at home and more than **1,000 families** enjoyed making eco-friendly Ganesh idols at home.



# Urban Watershed Management initiatives

Cummins has developed a watershed development framework for urban areas. Through hydrogeological survey, phase wise implementation is underway for creating new water bodies, conserving and rejuvenating lakes and ponds with project partners like the Indian Army, State Reserve Police Force, Pune and the irrigation department. These interventions resulted in conservation of over **1,459 million gallons of water** in 2020.



“While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance.”

- J. Irwin Miller  
Former CEO, Cummins Inc.

## Health and wellness

### 7 Levers of Healthy Lifestyle

- Physical Activity
- Nutrition
- Sleep
- Stress Management
- Substance Free (staying away from addictions)
- Clean Water
- Sunshine and Clean Air

## Who we are

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

Founded in

1962

India

Headquarters

Cummins India  
Office Campus,  
Pune

Over **3,237**  
employees across India

The gender diversity  
is **23.2%**

### Markets and Segments

- Serves domestic markets in India, Nepal and Bhutan and exports its products to various countries across the globe with USA, UK, Mexico, Singapore and China being the top five destinations
- Caters to segments such as construction, compressor, mining, marine, railway, oil and gas, pumps, defense and power generation

Net Sales

**₹ 4,256**

Crores

### Cummins India Facilities

**5** world-class factories

**1** parts distribution center

**430+** service touch points

All factories and offices demonstrate the five principles of sustainability



Safe



Green



Clean



Lean



Diverse

## COVID-19 vaccination drive conducted by Cummins Group Entities in India including CIL



The oldest beneficiary to get vaccinated at our facility is **93 years old**

Megasite Phaltan made a record by vaccinating more than **2,100** beneficiaries, the **highest number of vaccine administrations in a day at a single vaccination center** in Maharashtra (as of 11<sup>th</sup> June)



**14,000+** vaccines administered

**300+** on-ground volunteers

**25+** sites pan India



**Three generations of a family** felt safe to visit our Cummins India site to get themselves vaccinated



Our partner - **Valvoline** got their employees and families vaccinated at India Office Campus



**Cummins India Limited**  
**Registered Office:**  
Cummins India Office Campus,  
Tower A, 5<sup>th</sup> Floor,  
Survey No. 21, Balewadi,  
Pune - 411 045, Maharashtra, India.  
Tel: +91 20 67067000  
Fax: +91 20 67067015  
CIN: L29112PN1962PLC012276

[www.cumminsindia.com](http://www.cumminsindia.com)  
[Cil.investors@cummins.com](mailto:Cil.investors@cummins.com)

## Cummins India Limited

Registered Office: Cummins India Office Campus, Tower A, 5<sup>th</sup> Floor,  
Survey No. 21, Balewadi, Pune 411 045  
(CIN : L29112PN1962PLC012276)  
Telephone : 020 67067000 Fax : 020 67067015  
Website : www.cumminsindia.com  
E-mail : cil.investors@cummins.com

### NOTICE OF THE 60<sup>TH</sup> ANNUAL GENERAL MEETING

To

The Members of Cummins India Limited,

**NOTICE** is hereby given that the Sixtieth Annual General Meeting of the Members of Cummins India Limited will be held on Thursday, the 12<sup>th</sup> day of August 2021, at 3:30 p.m. Indian Standard Time (IST) through Video Conference ("VC") / Other Audio Visual Means ("OAVM") facility, to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited standalone financial statements of the Company for the Financial Year ended March 31, 2021, 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, 2021 and the report of the Auditors thereon.
3. To declare final dividend on equity shares for the Financial Year ended March 31, 2021 and to confirm the payment of interim dividend for the Financial Year 2020-21.
4. To appoint a Director in place of Mr. Donald Jackson (DIN: 08261104), who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Sixtieth Annual General Meeting till the conclusion of Company's Sixty-Fifth Annual General Meeting.

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 as amended from time to time and as may be applicable, M/s. Price Waterhouse & Co Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 304026E/E-300009), be and are hereby appointed as Statutory Auditors of the Company in place of retiring auditors M/s. S R B C & Co. LLP, Chartered Accountants (Firm Registration No. 324982E), to hold the office from the conclusion of 60<sup>th</sup> meeting until the conclusion of the 65<sup>th</sup> Annual General Meeting, at such remuneration and on such terms & conditions as may be decided by the Audit Committee or the Board of Directors of the Company, from time to time during their tenure."

#### SPECIAL BUSINESS:

6. **To appoint Mr. Steven Chapman (DIN 00496000) as a Director**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Article 110 of the Articles of Association of the Company, Mr. Steven Chapman (DIN 00496000), who was appointed by the Board of Directors of the Company as an Additional Director with effect from October 01, 2020 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1)

of the Act and pursuant to recommendation of the Nomination and Remuneration Committee and the Board of Directors and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director (Non-Executive and Non-Independent), be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

**7. To ratify remuneration payable to the Cost Auditor, M/s. C S Adawadkar & Co., for the Financial Year 2021-22**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration not exceeding ₹ 950,000/- (Rupees Nine Lakhs 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 for the year ending March 31, 2022, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified.”

**8. To approve the material related party transaction(s) with Cummins Limited, UK**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT approval of the Members of the Company be and is hereby accorded for material related party transaction(s) for sale of engines/gensets, their parts and accessories by the Company to Cummins Limited, UK in the ordinary course of business and at arm’s length basis for an estimated amount of ₹ 50,000 Lakhs (Rupees Fifty Thousand Lakhs only) for the Financial Year 2021-22.”

**9. To approve the material related party transaction(s) with Tata Cummins Private Limited**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT approval of the Members of the Company be and is hereby accorded for material related party transaction(s) for purchase of B, C and L series internal combustion engines, parts and accessories thereof by the Company from Tata Cummins Private Limited in the ordinary course of business and at arm’s length basis for an estimated amount of ₹ 1,10,000 Lakhs (Rupees One lakh Ten Thousand Lakhs only) for the Financial Year 2021-22.”

Registered Office:  
Cummins India Office  
Campus, Tower A,  
5<sup>th</sup> Floor, Survey no. 21,  
Balewadi,  
Pune 411 045

By Order of the Board,  
For Cummins India Limited,

Place : Pune  
Date: July 16, 2021

Vinaya Joshi  
Company Secretary  
Membership No. : A25096

## NOTES:

- A.** The Statement of additional information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) in respect of Item Nos. 4 to 9 and the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (“the Act”) in respect of Special Business under Item Nos. 5 to 9 of the Notice, is annexed hereto.
- B.** Additional information in respect of Directors seeking appointment/ re-appointment at the 60<sup>th</sup> AGM is annexed to the Notice.
- C. General instructions to the Members participating in the 60<sup>th</sup> AGM through VC/OAVM facility**
1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated January 13, 2021 read with circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 (collectively referred to as “MCA Circulars”) and SEBI vide its Circulars dated May 12, 2020 and January 15, 2021 (collectively referred to as “SEBI Circulars”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and SEBI Circulars, Companies are permitted to conduct their AGM on or before December 31, 2021 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 Circulars, the 60<sup>th</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 60<sup>th</sup> AGM shall be the Registered Office of the Company.
  2. In terms of the MCA Circulars and SEBI Circulars, since the physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 60<sup>th</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, for participation in the 60<sup>th</sup> AGM through VC/OAVM facility and e-Voting during the 60<sup>th</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 60<sup>th</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 [cil.investors@cummins.com](mailto:cil.investors@cummins.com).
  4. Members attending the AGM through VC/OAVM facility shall be counted for the purpose of reckoning the quorum for 60<sup>th</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 60<sup>th</sup> AGM through VC/OAVM facility and e-Voting during the 60<sup>th</sup> AGM.
  7. In line with the MCA Circulars and SEBI Circulars, the Notice of the 60<sup>th</sup> AGM and Annual Report for FY 2020-21 is being sent to the members on their registered email ID with the Depositories/RTA in electronic form. 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 60<sup>th</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 3:15 p.m. IST i.e.15 minutes before the time scheduled to start the 60<sup>th</sup> AGM and the Company may close the window for joining the VC/OAVM facility 15 minutes after the scheduled time to start the 60<sup>th</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 Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the 60<sup>th</sup> AGM without any restriction on account of first-come first-served principle.

10. The Company has fixed Thursday, August 05, 2021 as the 'Cut- off Date' for the purpose of remote e-voting and as 'Record Date' for determining entitlement of Members to final dividend for the Financial Year ended March 31, 2021, if approved at the 60<sup>th</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 Record Date only shall be entitled to avail the facility of remote e-voting or e-voting during the AGM.
12. In case of joint shareholders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. Pursuant to MCA Circulars and SEBI Circulars dated May 05, 2020 and January 15, 2021, the Notice of the 60<sup>th</sup> AGM along with the Annual Report for FY 2020-21 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 60<sup>th</sup> AGM and the Annual Report for FY 2020-21 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.: (022) 49186270  
Fax No.: (022) 49186060  
Contact person: Mrs. Sujata Poojary  
E-mail :[sujata.poojary@linkintime.co.in](mailto:sujata.poojary@linkintime.co.in) /[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 26, 2021, has recommended Final Dividend of Rs. 8/- per equity share. The Record Date for final dividend for the Financial Year 2020-21 will be Thursday, August 05, 2021. The final dividend once approved, by the Members in the ensuing AGM, will be paid on Tuesday, September 07, 2021, 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
a) Shareholders not having PAN / valid PAN  or  b) A shareholder who has not filed the income tax returns in the last two years and TDS in this case exceeds ₹ 50,000 for each of the two years. List of such cases to be provided by the Income Tax Department 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 2021-22 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, Section 206AB of Income Tax Act, 1961 is also applicable w.e.f. July 01, 2021 to non-resident shareholders who have not filed their income tax returns in the last two years:

- a) if such shareholders have a Permanent establishment in India; and
- b) Tax deducted at source in their case exceeds ₹ 50,000 in each of the last two years.

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, 2021 is Saturday, July 31, 2021. Please note that submission of documents post July 31, 2021, shall not be considered for the purpose of final dividend to be declared in the 60<sup>th</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 Members are requested to contact RTA in case of any queries on the same.

19. Unclaimed dividends for the Financial Year 2013-14 and 2014-15 can be claimed from the Company by completing the requisite formalities. To claim final dividend for the Financial Year 2013-14 and interim dividend for the Financial Year 2014-15, the requisite formalities are required to be completed prior to August 31, 2021, and October 10, 2021 respectively. Thereafter the unclaimed dividend for the said years is liable to be transferred to the Investor Education and Protection Fund established by the Central Government as per Section 125 of the Act. For details of unclaimed dividend(s), the Members are requested to write to Link Intime India Private Limited, Mumbai at the above given address.
20. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts, if not given already. Members holding shares in physical form can submit their PAN to the Company / Link Intime India Private Limited.
21. In accordance with the proviso to Regulation 40(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from April 01, 2019, transfer of shares in physical mode is prohibited and mandates holding in demat except in case of transmission and transposition. Accordingly, Members are requested to convert physical holding to demat through depository participant. Members may contact the Company/ RTA for any assistance in the said process of physical to demat of shares.
22. Pursuant to Section 72 of the Companies Act, 2013, Shareholders holding shares in physical form may file nomination in the prescribed Form SH-13 with the Company's Registrar and Transfer Agent. In respect of shares held in electronic / demat form, the nomination form may be filed with the respective Depository Participant. The Nomination Form SH-13 prescribed by the Government can be obtained from the Registrar and Share Transfer Agent or from the Company.

Registration of nomination makes easy for dependents to access your investments and set out proportion of your benefits to the nominees. Registration and/or updation of bank mandate ensures the receipt of dividend and/ or any other consideration timely, faster and easier and more important avoids fraudulent encashment of warrants. Members are requested to submit their bank registration documents i.e. request letter, cancelled cheque and self-attested photocopy of PAN Card and address proof with the Company and/or Depository Participants.

23. The Company had on February 10, 1987, sub-divided each Equity Share of the face value of ₹ 100/- each into ten Equity Shares of the face value of ₹ 10/- each. Subsequently, on December 04, 2000, the Company sub-divided each Equity Share of the face value of ₹ 10/- each into five Equity Shares of the face value of ₹ 2/- each. The Company has in the past sent reminders to those Members who have not claimed new certificates for sub-divided Shares of the face value of ₹ 2/- each. Members who have not so far surrendered their old certificates in exchange for new certificates for sub-divided Shares of the face value of ₹ 2/- each, are requested to do so immediately.

24. The Company on September 26, 2011, allotted Bonus shares in the ratio of 2:5. Members holding shares in physical form, to whom shares certificates were sent by post and but returned unclaimed by postal authorities are requested to contact the Registrar and Transfer Agent of the Company immediately.
25. Members requiring information on the audited financial statement for the year ended March 31, 2021 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.
26. During the 60<sup>th</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)
27. 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 e-voting during the meeting in a fair and transparent manner. Members may note that the scrutinizer will provide consolidated report for the votes casted through remote e-voting and e-voting during the meeting.

**D. Instructions for 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, August 09, 2021 (9.00 a.m. IST) and ends on Wednesday, August 11, 2021 (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, August 05, 2021, 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 “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ 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 “Access to e-Voting” 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> <li>2. Select “Register Online for IDeAS Portal” or click at <a href="https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp</a>.</li> <li>3. Please follow steps given in points 1-5 above.</li> </ol> <p><b>‘NSDLSpeede’ : NSDL Mobile App</b></p> <p>Members may download the mobile app by scanning the QR code mentioned below for seamless voting experience.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p><b>App Store</b></p>  </div> <div style="text-align: center;">  <p><b>Google Play</b></p>  </div> </div> <p><b>B. e-Voting website of NSDL</b></p> <ol style="list-style-type: none"> <li>1. Open web browser by typing the following URL: <a href="https://www.evoting.nsd.com/">https://www.evoting.nsd.com/</a> either on a personal computer or on a mobile phone.</li> </ol>

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>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>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>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> <ol style="list-style-type: none"> <li>1. 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/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on <b>New System Myeasi</b>.</li> <li>2. 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>3. If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a>.</li> <li>4. 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>1. 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>2. 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>3. 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.**

<b>Login Type</b>	<b>Helpdesk Details</b>
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.: 1800 1020 990 and 1800 224 430
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 022- 23058738 or 022-23058542-43

**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 i.e. Demat (NSDL or CDSL) or Physical</b>	<b>Your User ID is:</b>
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company 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 General 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 e-voting user manual available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800 1020 990 and 1800 224 430 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 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 General Meeting**” menu against the Company Name. Members are requested to click on the VC/OAVM link placed under Join General 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. 3.15 p.m. IST and shall be closed after the expiry of 15 minutes after such scheduled time.
3. Members are encouraged to join the Meeting 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, Manager, NSDL on email ID: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or call on Toll-free Nos.: 1800 1020 990 and 1800 224 430.
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, August 09, 2021 (9.00 a.m. IST) and Wednesday, August 11, 2021 (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 (116375) 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, August 05, 2021.
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. 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, August 05, 2021, may obtain the User ID and Password by sending a request at 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 or call on toll free nos. 1800 1020 990 and 1800 224 430. 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, August 05, 2021 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 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 and statement of additional Information as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to following items of the Notice:**

### **Item No. 4**

**To appoint a Director in place of Mr. Donald Jackson (DIN: 08261104), who retires by rotation and being eligible, offers himself for re-appointment.**

Mr. Donald Jackson (DIN: 08261104) joined the Board of Cummins India Limited on October 30, 2018.

Mr. Donald Jackson (DIN: 08261104), (aged 52 years) holds Masters in Business Administration from Rice University (Houston, Texas) and a Bachelors in Business Administration in Finance with a Minor in Spanish from Texas Christian University (Ft. Worth, Texas).

Mr. Jackson has thirty years of experience as a Global Financial Risk Management Professional. Since May 2015, Mr. Jackson has headed the Global Corporate Treasury function at Cummins Inc. including Debt Capital Markets, Foreign Exchange & Commodity Risk Management, Bank Relationships, Short Term Liquidity, Corporate Credit and Pension Risk Management at Cummins Inc. Mr. Jackson took on responsibility for the Tax function in July 2020.

Prior to joining Cummins Inc. as Assistant Treasurer in September 2013, Mr. Jackson spent seventeen years with Hewlett-Packard (HP) where he worked for fourteen years in various Treasury areas including Foreign Exchange, International Treasury, Pension Risk Management & Reporting, Debt Capital Markets and Global Liquidity Management.

In his last role with HP, Mr. Jackson spent over three years as an expatriate in Sao Paulo, Brazil as Country Controller. Prior to joining HP, Mr. Jackson worked for six years as a Foreign Exchange Trader in the Capital Markets area at Grupo Financiero Banamex-Accival (a financial institution headquartered in Mexico).

The details of directorship or membership of Committees of Mr. Donald Jackson forms part as Annexure to the Notice. For Mr. Jackson'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 2020-21.

The Company has received the relevant disclosures from Mr. Donald Jackson *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. Donald Jackson 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. Donald Jackson, 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 as set out at Item No. 4 of the Notice for approval by the Members.

### **Item No. 5**

#### **Appointment of Statutory Auditors**

The Company's Auditors M/s S R B C & Co. LLP, Chartered Accountants (Firm Registration No. 324982E) were appointed as Statutory Auditors of the Company for five years tenure starting from 55<sup>th</sup> Annual General Meeting till the conclusion of this 60<sup>th</sup> Annual General Meeting of the Company.

In view of the provisions of Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, it is proposed to appoint M/s. Price Waterhouse & Co. Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 304026E/E-300009) from the conclusion of this Annual General Meeting till the conclusion of 65<sup>th</sup> Annual General Meeting. M/s. Price Waterhouse & Co Chartered Accountants LLP have informed the Company vide letter dated May 13, 2021, that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

Further, pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the proposed remuneration and terms of appointment of M/s. Price Waterhouse & Co. Chartered Accountants LLP are as follows:

The proposed fee for the said appointment for first year will be ₹ 125 Lakhs (excluding taxes and reimbursement of out of pocket expenses at actuals) which is in line with the industry standards and is not materially different from the fee paid to the erstwhile Auditors.

The power may be granted to the Audit Committee or the Board of Director to alter and vary the terms and conditions of appointment or to revise remuneration for the remaining tenure, in such manner and to such extent as may be mutually agreed with the Statutory Auditors.

The remuneration paid to the Statutory Auditors will be disclosed in the Corporate Governance Report and/or the Annual Financial Statements of the Company on an annual basis.

Key terms of appointment and the responsibilities of M/s. Price Waterhouse & Co. Chartered Accountants LLP with Firm Registration No. 304026E/E-300009:

- a) M/s. Price Waterhouse & Co. Chartered Accountants LLP shall audit the Financial Statements of the Company as defined in Section 2(40) of the Act, for the term starting from this AGM upto the conclusion of the 65<sup>th</sup> AGM (for the period starting with quarter ending September 30, 2021). The Financial Statements of the Company include consolidated Financial Statements of the Company;
- b) The audit will be conducted by M/s Price Waterhouse & Co. Chartered Accountants LLP with the objective of expressing an opinion on the aforesaid Financial Statements which, inter-alia, includes assessment of risk, reporting on whether the Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls separately;
- c) The audit will be conducted in accordance with the Standards on Auditing (SAs) as referred by the Companies Act, 2013 and other applicable authoritative pronouncements;
- d) Identify and inform the financial transactions or matters that might have any adverse effect on the functioning of the Company;
- e) Perform a limited review of financial results, including consolidated financial results, to be prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- f) Carry out such other functions or engagements, which are required to be undertaken by the Statutory Auditors in terms of any statute or regulation or otherwise.

The Audit Committee has taken into account the experience and expertise of the Auditors and recommended them to the Board for appointment. M/s Price Waterhouse & Co. Chartered Accountants LLP, is registered with the Institute of Chartered Accountants of India (Registration No. 304026E/E300009). The Firm was established in the Year 1991 and was converted into a Limited Liability Partnership in the Year 2014. The registered office of the Firm is in Kolkata and has 10 branch offices in various cities in India. The Firm is engaged in providing auditing and assurance services to its clients and is a member firm of M/s Price Waterhouse & Affiliates, a network of firms registered with the Institute of Chartered Accountants of India.

M/s. Price Waterhouse & Co. Chartered Accountants LLP have confirmed that they have subjected themselves to the peer review process of Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the ICAI. The Company has received their eligibility and willingness for the said appointment.

In view of the same, the Board at its meeting held on May 26, 2021 has approved appointment of M/s. Price Waterhouse & Co Chartered Accountants LLP, on the recommendation of the Audit Committee, and subject to approval by the Shareholders at this ensuing Annual General Meeting.

No Director or Key Managerial Personnel, or their respective relatives is 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 No. 6**

##### **To appoint Mr. Steven Chapman (DIN: 00496000) as a Director**

Mr. Steven Chapman (DIN: 00496000), (aged 67 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. Steven M. Chapman worked for 35 years with Cummins Inc., a leading global power corporation with complementary business segments that design, manufacture, distribute and service a broad portfolio of power solutions. Since joining the company in 1985, Mr. Chapman held various roles of increasing responsibility 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 served on the global Cummins Leadership Team and its predecessors since 2002. Mr. Chapman currently serves as an independent director on the boards of Cooper Tire & Rubber Co. (NYSE: CTB) and Axalta Coating Systems Ltd. (NYSE: AXTA) and as a director of ZAO Cummins Kama, a joint venture between Cummins and Russia truck manufacturer Kamaz. Mr. Chapman is also a Senior Advisor to the US-China Industrial Cooperation Partnership, a private equity fund managed by Goldman Sachs, and he serves as a member of the board of trustees for Carthage College in Kenosha, Wisconsin, and the Yale Greater China Board of Advisors.

Based on the recommendations of Nomination and Remuneration Committee, the Board of Directors appointed Mr. Steven Chapman (DIN: 00496000) as an Additional Director of the Company with effect from October 01, 2020, under Article 110 of the Articles of Association of the Company.

Under Section 161 of the Companies Act, 2013 Mr. Steven Chapman holds office of the Additional Director till the date of this Annual General Meeting. A notice has been received from a Member, as required under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. Steven Chapman for office of the Director of the Company.

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 2020-21.

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, no other Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution at set out as Item No. 6 of the Notice for approval of the Members.

## **Item No. 7**

### **To ratify remuneration payable to the Cost Auditors, M/s. CS Adawadkar & Co., for the Financial Year 2021-22**

The Board of Directors of the Company on the recommendation of the Audit Committee, have approved the appointment of M/s. CS Adawadkar & Co., Pune, to conduct the audit of the cost records of the Company for the Financial Year 2021-22 at the remuneration not exceeding ₹ 950,000/- (Rupees Nine Lacs Fifty Thousand only) plus applicable taxes and re-imbusement 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. CS Adawadkar & Co., Pune, are reasonable and in line with the rates prevailing in the market for the similar assignment.

No Director or Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

The Board recommends the Ordinary Resolution as set out at Item No. 7 of the Notice for approval by the Members.

## **Item Nos. 8 and 9**

To approve the material related party transactions with Cummins Limited, UK and Tata Cummins Private Limited

Under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Related Party Transactions shall require prior approval of the Audit Committee and all material Related Party Transactions shall require approval of the Shareholders. The said Regulation further provides a definition of the term 'Material' as follows:

“a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last Audited Financial Statements of the Company.”

As a part of its regular business, the Company sells the internal combustion engines gensets their parts and accessories, etc. to Cummins Limited, UK at an arm's length basis under the purchase orders raised from time to time and in the Financial Year 2021-22, the aggregate value of these transactions is likely to be around ₹ 50,000 Lakhs (“Cummins on-going transaction”).

Further, as a part of its regular business, the Company purchases B, C and L series internal combustion engines, their parts and accessories, etc. from Tata Cummins Private Limited (“TCPL”) at an arm's length basis under the purchase orders raised from time to time and in the Financial Year 2021-22, the aggregate value of these transactions is likely to be around ₹ 1,10,000 Lakhs (“TCPL on-going transaction”).

Cummins Limited, UK is a subsidiary of Cummins Inc., USA which is the holding company of the Company. TCPL is 50:50 joint venture company between Cummins Inc., USA and Tata Motors Limited, India. Cummins Inc., USA is the holding company of the Company.

Mr. Ashwath Ram, Managing Director (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also the Managing Director of TCPL.

Mr. Ajay S. Patil, Chief Financial Officer (also, the Key Managerial Personnel as per Section 203 of the Companies Act, 2013) of the Company is also the Director of TCPL.

Mr. Ashwath Ram holds 13,600 shares in the Company. However, none of his relatives holds any shares in the Company, Cummins Limited, UK or TCPL.

The Audit Committee of the Board of Directors of the Company reviewed the Cummins on-going transactions and TCPL on-going transactions and recommended the same for approval by the Board of Directors at their meeting held on January 28,

2021. The Board of Directors at their meeting held on January 28, 2021 reviewed the Cummins on-going transactions and TCPL on-going transactions and proposed the same to be placed before the Members for their approval.

The Members' approval to the above material related party transactions is sought in terms of Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Except Mr. Ashwath Ram, Managing Director and Mr. Ajay S. Patil, Chief Financial Officer, being interested in the TCPL on-going transactions at Item No. 9 as Managing Director of TCPL and Director of TCPL, no other Director, Key Managerial Personnel or their respective relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 8 and 9 of the Notice.

The Board recommends the Ordinary Resolution as set out at Item Nos. 8 and 9 of the Notice for approval of 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 16, 2021

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 2 in respect of the Directors' appointment/ re-appointment is provided below:**

Name	Age (Years)	Educational Qualification	Experience/ Expertise/ Brief Resume	Relationship with other Directors / Key Managerial Personnel (KMP)	Directorships and No. of Membership of Committees in other entities* as on March 31, 2021	Shareholding as on March 31, 2021
Mr. Donald Jackson (DIN: 08261104)	52	Holds Masters in Business Administration from Rice University (Houston, TX.) and a Bachelors in Business Administration in Finance with a Minor in Spanish from Texas Christian University (Ft. Worth, TX). (USA)	Refer item No. 4 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	NIL	NIL
Mr. Steven Chapman (DIN: 00496000)	67	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. 6 of the explanatory statement of the Notice convening the meeting	Not related to any Director/ KMP	NIL	NIL

\* Listed entities in India

Note on Terms and conditions of appointment or re-appointment including remuneration: Mr. Donald Jackson and Mr. Steven Chapman, Non-Executive and Non-Independent Directors, are liable to retire by rotation and are not entitled to any remuneration from the Company.