

INDEPENDENT AUDITOR'S REPORT

To the Members of Cummins India Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Cummins India Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, the Statement of Profit and Loss, including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter

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

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 36 to the standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020

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

Re: Cummins India Limited (“the Company”)

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

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

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

Amounts disclosed above are excluding interest and penalty.

*Not yet deposited

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

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

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020

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

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

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

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

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

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

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

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

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

Opinion

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

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal

Partner

Membership Number: 501160

UDIN: 20501160AAAABJ9791

Place : Pune

Date: June 17, 2020