

DIRECTORS' REPORT

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

1. FINANCIAL RESULTS:

On Standalone basis:-

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

On Consolidated basis:-

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

Financial summary

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

APPROPRIATION OF PROFIT:

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

2. RESERVES:

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

3. COVID-19:

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

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

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

5. DIVIDEND:

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

6. SHARE CAPITAL:

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

7. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

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

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

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

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

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

c) Valvoline Cummins Private Limited (VCPL):

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

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

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

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

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

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

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

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

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

9. DEPOSITS:

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

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

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

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

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

11. CONSERVATION OF ENERGY:

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

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

The other key initiatives across multiple areas are highlighted below –

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

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

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

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

12. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

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

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

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

A. New Product Development: -

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

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

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

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

C. Future plans include:-

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

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

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

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

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

13. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

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

* Equivalent value of various currencies

14. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT:

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

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

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

15. EXTRACT OF THE ANNUAL RETURN:

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

16. RISK MANAGEMENT:

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

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

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

17. INTERNAL FINANCIAL CONTROL:

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

18. VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

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

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

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

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

19. CODE OF CONDUCT COMPLIANCE:

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

20. DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

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

21. DIRECTORS:

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

Appointments and Re-appointments

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

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

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

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

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

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

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

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

Cessation

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

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

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

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

b) Committees of the Board:

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

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

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

c) Policy on Director's Appointment and Remuneration:

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

d) Board Performance Evaluation Mechanism:

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

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

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

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

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

22. NUMBER OF MEETINGS OF THE BOARD:

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

23. KEY MANAGERIAL PERSONNEL:

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

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

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

24. PARTICULARS OF EMPLOYEES:

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

25. INDUSTRIAL RELATIONS:

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

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

26. AUDITORS:**STATUTORY AUDITORS:**

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

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

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

SECRETARIAL AUDITOR:

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

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

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

COST AUDITORS:

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

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

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

27. CORPORATE SOCIAL RESPONSIBILITY POLICY AND ITS REPORT:

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

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

28. BUSINESS RESPONSIBILITY REPORT:

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

29. SECRETARIAL STANDARDS:

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

30. DIVIDEND DISTRIBUTION POLICY:

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

31. INVESTOR EDUCATION AND PROTECTION FUND (IEPF):

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

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

32. GENERAL:

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

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

ACKNOWLEDGEMENT:

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

On behalf of the Board of Directors,

Place : Pune
Date : June 17, 2020

Mark Levett
Chairman
DIN: 00368287

Ashwath Ram
Managing Director
DIN: 00149501

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