

Annexures to the Directors' Report

Annexure 3 – MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Economic Trends and Implications

- The year 2019 was a difficult year for the Global economy as the growth decelerated to 2.4% amid continued weakness in global trade and investment¹.
- Global headwinds and challenges in the domestic financial sector moderated the growth of Indian economy in FY 2019-20. The GDP growth of India reduced to 5.0% in FY 2019-20 as compared to 6.1% in FY 2018-19².
- In response to the slowing economic growth, Government of India announced a slew of economic measures - capital infusion and consolidation of public sector banks, cut in the corporate tax rate and liberalization of FDI norms for select sectors. These measures are expected to improve credit growth, increase capital inflows, reinvigorate private investments, and thereby boost economic growth.
- With the goal to make India a \$5 trillion economy by 2025, Government of India has rolled out a National Infrastructure Pipeline (NIP) under which ₹ 102 lakh crore³ of infrastructure projects will be implemented in the next 5 years. National Infrastructure Pipeline is expected to give a massive boost to infrastructure development across sectors such as roads, railways, airports, energy etc.
- The Economic Survey of India 2020 forecasted India's economic growth to rebound strongly to 6.0% - 6.5%⁴ in FY 2020-21. However, the recent outbreak of coronavirus (Covid-19) has brought considerable human suffering and economic disruption. Severe restrictions to slow the spread of coronavirus are taking a toll on both domestic and global economy. Amid expectation of sharp contraction in the global economy, International Monetary Fund (IMF) has slashed India's economic growth estimate for FY 2020-21 from 5.8% to 1.9%⁵.
- Governments and Central Banks across the globe are taking fiscal and monetary measures to counter the economic fallout caused by Covid-19 and stabilize the world economy.

Note:

1. World Bank: Global Economic Prospects January 2020
2. Second Advance Estimates from National Statistical Office (NSO)
3. Press Information Bureau - Government of India
4. Ministry of Finance - Government of India
5. International Monetary Fund (IMF)

2. Opportunities and Threats

Key Opportunities

Power Generation

- Rapid urbanization, infrastructure development and need for power assurance for all will continue to drive the demand for power back-up solutions.
- While the power deficit of the Country continues its declining trend, your Company expects the power generation business to grow owing to Government's significant emphasis on key segments data centre, healthcare, infrastructure and commercial realty.

- With the emission norms getting more stringent for the power back up industry, your Company is focused on developing and bringing forward best-in class products for the customers.

Industrial

- Indian Government has been emphasising on 'Make in India' clause in tenders of Public Sector Undertakings (PSU) establishments to promote local manufacturing, thus posing entry barriers to players with imported offerings. Your Company continues to leverage this opportunity across various industrial markets with PSU participation.
- **Railways:** Indian Railways continues to focus on 100% electrification of its broad-gauge track routes. This is expected to drive the demand for Diesel Electric Tower Cars (DETCs) for the next 2-3 years, which are used for installation and maintenance of overhead electric equipment.

Increasing focus on safety has prompted Indian Railways to increase its fleet of Self-Propelled Accident Relief Trains (SPART) to improve the accident relief coverage for its entire network. Emphasis on track safety is also fuelling the demand for track maintenance vehicles, especially considering the increasing rail network and dedicated freight corridors becoming operational. The demand for these applications is expected to grow for next 4-5 years.

- **Mining:** Coal India Ltd. has set itself an annual production target of 1 billion tonnes by 2024 and is expected to spend the bulk of its capex in the next few years on acquiring heavy machinery and transport wagons. Your Company anticipates that these stiff targets would drive an increased demand for higher tonnage mining equipment.
- **Marine:** With Indian Navy working to boost its operational capability by inducting new warships and auxiliary vessels and Defence Ministry pushing PSU shipyards to focus on export orders, there has been sustained flow of projects to defence PSU shipyards with many shipyards having a healthy order book for the upcoming years.

The Blue Revolution scheme announced by the Indian Government for growing fish production in India aims to offer various subsidies for the organized fishing boat building industry. This is expected to provide impetus to the market for fishing boat engines in long term.

- **Oil & Gas and Pumps:** In Budget 2020, Indian Government has announced plans to increase share of natural gas in India's energy basket from 6.2% to 15%. Accordingly, Government is pushing for massive investment in the City Gas Distribution (CGD) network in India over the next decade, as evident from the recent (9th and 10th) rounds of CGD bidding. As per LOIs awarded in the CGD bidding rounds, the Government is aiming to increase the number of CNG stations from 1,758 nos. currently (covering 11% of the country's geographical area) to 8,181 CNG stations (covering 53% of geographical area) by 2030.
- **Construction:** Under "National Infrastructure Pipeline", more than 60% of infrastructure projects are from construction intensive sectors like Roads, Railways, Irrigation, Urban infrastructure and Ports. These would contribute to the growth of excavators and other earth moving equipment.

With stricter Construction Equipment Vehicle (CEV) Bharat Stage (BS) IV emission norms announced for wheeled construction equipment (from October 2020) and non-wheeled BSIV CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) under discussion, your Company will strengthen its leadership position by leveraging global experience, technology leadership and strong partnerships with all major equipment manufacturers.

Distribution

- Your Company expects to maintain its position even in these testing times on the back of increased government spending and foreign investments in the infrastructure sector and our business development initiatives.
- Mining is another segment in which growth is expected to be driven by demand of new dump trucks from Coal India and penetration in the growing private mining sub-segment through higher engagement.

- Focus on sub-segments like Data Centres, IT/ITEs, Pharma, etc. where customers' willingness to pay is high.
- Increased focus on the on-highway segment through new and improved products and ensuring availability in the market via. improved footprint.

Exports

- The roll out of higher speed, more reliable & faster 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 Rail market in specific Asia Pacific region, where we can build upon our existing local presence in those markets.

Key Threats

Power Generation

- With the domestic players expanding their product ranges and international players gaining foothold in the market, competition is intense in the segment.

Industrial

- **Railways:** As Indian Railways shifts its focus onto electric-powered platforms from diesel-driven ones, DEMUs (Diesel Electric Multiple Units), which are used for short-to-medium distance intercity passenger transport, will gradually be replaced by MEMUs (Mainline Electric Multiple Units). Hence, DEMU market is expected to continue its decline.

Electrification focus of Indian Railways is also leading to adoption of HOG system (Head-On Generation) in mainline trains, which will render the power car DA sets as a standby option. Consequently, trains are expected to have 1 power car instead of the current 2 power cars, which will bring down the power car market by ~50%.

- **Mining:** Indian Government has allowed 100% FDI in coal mining, opening doors for foreign private coal mining players to enter India. This is likely to increase outsourcing of mining activities to private contractors and equipment sourced from outside India.
- **Construction:** An increase in equipment cost is foreseen as the market transitions from current mechanical products to electronic platforms in the future due to change in emission norms. This could temporarily impact the demand in immediate years of implementation. Your Company is working to mitigate the impact by improving the total ownership cost for the end user by improving fluid efficiency.

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.
- Railways focus on electrification is leading to adoption of Head-On-Generation (HOG) system that would result in lower utilization of Power cars.
- Competition from global OEMs as well as Multichannel Parts Suppliers is expected to intensify.

Exports

- Your Company anticipates volatility in demand due to economic slowdown, rising geopolitical tension, foreign currency fluctuation and increased protectionism.

- Your Company is experiencing strong competitive activity in Powergen markets, Global OEMs as well as Genset assemblers are driving increased competition.
- Lower Commodity Prices, specifically Crude Oil, would continue to dampen demand from Africa and Middle East markets.
- In future, stringent emission norms in countries like China could result in lower demand for Powergen HHP engines and will necessitate investments in new engines.

3. Product-wise Performance

Power Generation

- Your Company continues to improve and enhance current products in the portfolio across the nodes to ensure best offerings for the customers.
- Enhanced digital controls technology introducing MLD (Master less Load Demand) feature with our High-Horsepower genset controllers has been developed for the ease of customers.
- In low horse power, a 40kVA product with a reduced footprint (~15%) and height (~3%) has been developed – optimizing the total cost of ownership of the product for the customers.

Industrial

- Based on value-additions and integrated solutions introduced over the previous year, Industrial Projects business across rail, mining, marine, oil & gas, pumps and defence segments witnessed healthy growth in FY 2019-20.
- The Rail segment reported strong growth in FY 2019-20 on the back of integrated solutions in the Diesel Electric Tower Car segment and offerings in the Power Car segment.
- The Construction segment reported de-growth in FY 2019-20 due to decline in demand from earthmoving equipment and road machinery industry.

Distribution

- Witnessed growth in New Engines business by focusing on the Distributor OEMs and re-introducing Gas engines as a product for Automotive Bus segment.
- Focused on increasing engagement with OEMs and supplied customized batteries to OEMs for the first time.
- To bolster growth, your Company introduced new products such as clutches, coolants, DEF and batteries for E-rickshaw for the On-Highway market.

Exports

- Low Horsepower Power Generation business witnessed sluggish growth in the markets and increased competitive pressure, in addition to factors outlined in the Threats section above. These factors have resulted in downward pressure on price and decline in revenue.

4. New Business initiatives for Financial Year 2019-20

Power Generation

- To improve the service and reach of the products, your Company focused on improving the reach of the channel with the appointment of 8 new dealerships across the country.
- 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.
- Programs for developing products for readiness of upcoming tighter emission norms in power generation have been initiated.

Industrial

- Your Company developed QSN14 engine for multi-purpose tamping machines application, which are used for maintenance of railway tracks.
- In line with Indian Railway's digitization plan of introducing smart trains, your company has developed and delivered power cars equipped with Remote Monitoring System (RMS). RMS would help the Railways in real-time monitoring of the condition of the power car DA sets.
- Your Company has supplied its VTA28 engine to Central Railways for powering the locomotive (ZDM-3) of the narrow-gauge heritage train, which operates in the Kangra valley terrain between Kalka and Shimla.
- Your Company has successfully entered into the high tonnage dump truck market by supplying QSK50 and QSK60 engines for indigenously manufactured dump trucks. This would pave way for your Company to establish its presence in the high tonnage equipment market, which has robust growth prospects in the upcoming years.
- With a view to fortify its presence in the construction market, your Company has begun supplying power packs for stone crusher application thus entering in to a new market segment.
- To address the upcoming BSIV emission norms for the Off-highway segment in the Indian Market, your Company has initiated programs to launch BSIV certified global electronic engine platforms for all customers. There is growing acceptance from key Off-Highway partners in India for Cummins new 4 and 6 cylinder engine offerings.

Distribution

- Pilot telematics devices were installed on select customers' DG sets and real time data from these DG sets was transmitted to the Command Centre in Head Office. Data was monitored and analysed to generate insights that were passed on to the customers as a part of preventive and predictive maintenance.
- Rapid Response team addressed critical issues in the field and reduced the engine downtime using advance remote diagnosis tools such as Virtual Engineer and Real wear Head-Mounted Tab that enables us to carry out two-way communication with the site.
- To reduce the customer response time, your Company launched 'Service Response Guarantee' that entitles customers to one free service, if the engineer fails to reach the site within 4 hours.

Exports

- Given competitive pressures, your Company has undertaken several product enhancement actions to strengthen our position in the marketplace. This includes enhancements to existing products along with cost optimization.
- Your Company has launched KTA19-G4; 18.9 Litre displacement 6-cylinder Diesel Engine for specific Power Generation markets with ratings of 550kVA/500kWe.

- Your Company has also launched Low kVA products that are RoHS (Restriction of Hazardous Substances) compliant for Europe and other markets.
- In addition, your Company continues to improve robustness of its products through specific actions in the Quality area.

5. Achievements

Power Generation

- The Power Generation business has achieved volumes of nearly 22,000 generator sets in FY 2019-20, providing nearly 4,000 MW of backup power to customers across India.
- In high horse power, the first 95L product sale and installation was successfully executed in the Indian market for a prestigious public sector entity for their fertilizer manufacturing plants.

Industrial

- Your Company has supported the production plans of Indian Railways with record shipments of power car (327 sets) and DETC (137 sets) to various rail factories along with installation and commissioning (I&C) of 910 engines.
- Your Company has won appreciation letter from Integral Coach Factory for the second consecutive year for exemplary performance in I&C (Installation and Commissioning) execution. Your Company has secured the order from a major shipyard in the country for supply of 800 kWe DG sets for Indian Navy Survey Vessels (4 shipsets).
- Your Company has shipped prototype engines, for the upcoming BS IV emission norms in Off-highway segment, to multiple OEMs and for multiple applications. Your Company is working with XCMG, a key global customer, in their launch of India-manufactured excavators. Further our existing customers enhanced their market presence by launching new equipment variants powered with our engines.

Distribution

- The Net Promoter Score (NPS) which is a measure of customer loyalty, has improved to 84.86% this year which has resulted in placing the Distribution Business in the first place across all Cummins regions globally, consecutively for 3 years.

Exports

- Your Company has successfully shipped newly launched KTA19 G-drive to Africa & Middle East markets. The product delivers efficient solution and enhanced derating performance through a simple mechanical design for Power Generation customers.
- Your Company recently showcased QSB7 Fit for Market (FFM) Genset at the Middle East Energy Show, Dubai. The product offers fully integrated system with compact footprint allowing lower shipping & logistics cost.

6. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

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

- With increased focus of Indian Railways on electrification, your Company is looking to leverage the growth in electrical equipment market by exploring new opportunities in EMUs, MEMUs, train sets and auxiliary power for locomotives.
- Your Company maintains its strong partnership with major shipyards and continues to liaison with Indian Navy and Coast Guard to offer its main propulsion engines and diesel generator set offerings for upcoming naval projects and pursuing new opportunities. Your Company also plans to expand its presence in the fishing boats market.
- Your Company aims to maintain its market leadership in the compression gas engines market with product improvements and further grow the market share in the CGD market.
- Your Company continues to invest in new technologies in the mining segment for higher capacity equipment and emission regulations.
- Your Company is committed to strengthen its position as technology leader and partner with major equipment manufacturers for their new product launches for the BSIV CEV (Construction Equipment vehicle) and CEMM (Construction, Earthmoving, Material Handling and Mining Equipment) emission norms changes. Business development is being pursued actively with new customers for existing and new applications.

Distribution

- Your Company would continue to provide support to its customers even during these challenging times of Covid-19 pandemic.
- Your Company expects to maintain its current position into next year with the focus on leveraging technology to enhance customer support.
- Your Company will look to leverage adjacencies with its channel and improve last-mile reach by strengthening its retail presence and increasing the service touchpoints.

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. Your Company has received a positive response for the Fit for Market KTA19-G4 product, specifically from Africa and Middle East markets. Your Company is working on additional Fit for Market products in the Low Horsepower segment to be introduced later this year.
- Your Company is experiencing high demand from Data Centre market and is well positioned to meet the same.
- Your Company continues to improve the support provided to its customers and distributors located around the world through enhanced Account Management Structure, Factory Fly-in programs as well as other Marketing assistance.

7. Risks and Concerns the Management Perceives

- Volatility in oil prices, financial market instability and potential trade wars posed a threat to the economic outlook.

- NBFC crisis impacted grassroots level economic activity in turn affecting industrial businesses. Government's active steps to revive NBFC sector will be much needed to bring back growth in Construction and Compressor segments.
- Your Company's export growth hinges on the increase in demand in partner countries, which continues to be uncertain and weak. Because of our international business presence, we are exposed to foreign currency exchange rate risks.
- By the end of Q4 FY 2019-20, the novel Covid-19 disease emerged across the globe and was declared as a pandemic by WHO. Your Company followed instructions given by various State and Central Government and implemented lockdown across offices, manufacturing locations, dealerships and partner sites. Considering the lockdown, we expect our operations to be affected depending on the tenure of the lockdown and revival of economic activity.

Measures to mitigate risks

- To counter the slowdown in global economic growth and demand, it is imperative to maintain focus and leadership in the domestic market. New product and market development, overall portfolio diversification and better market penetration for existing products will continue to be 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 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 the 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.

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, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. Your Company has continued its efforts to align all its processes and controls with global best practices.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, the Management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by the Internal Audit department and supported by the Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit Committee. An ongoing program, for the reinforcement of the Cummins Code of Conduct is prevalent across the organization. The Code covers transparency in financial reports, ethical conduct, and regulatory compliance, conflicts of interests review and reporting of concerns. Anti-fraud programs including whistle blower mechanisms are operative across the Company.

The Board takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management program, the Company's business units and corporate functions address opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. The business risk

is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the senior management. The Risk Management Committee reviews business risk areas covering leadership excellence, customer centricity, technical capability and capacity, VPI execution, legal & 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 2019-20	FY 2018-19	Explanation for significant change
Debtor Turnover	4.21	4.25	NA
Inventory Turnover	5.62	6.21	NA
Interest Coverage Ratio	56.49	85.87	Reduced by 29.38 due to reduction in Profit Before Tax of 26%
Current Ratio	2.16	2.24	NA
Debt Equity Ratio	0.43	0.39	NA
Operating Profit Margin (%)	15.11%	18.49%	NA
Net profit Margin (%)	12.20%	12.77%	NA

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

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Return on Net Worth (%)	15.15%	17.80%	16.25%	17.68%

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 3,447 as on March 31, 2020.

Leadership Excellence

Your Company focuses on investing & 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, 159 managers underwent the 'Leadership Conversations – Building Success in Others' program. In FY 2019-20, 19 employees were sponsored for higher education at your Company's partner institutions such as the S. P. Jain Institute of Management and Research (SPJIMR) for post graduate management program and the two-year master's in Technology course in partnership with BITS Pilani for our professional 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.

Hire-To-Develop and Seamless Talent Deployment

Your Company is continuing with the important initiative of hire-to-develop which presents growth opportunities to employees for self-development by taking up responsibilities across functions and businesses. At least 89 professional employees have moved into different roles or functions internally within the Organisation. There were 14% 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.

Recruitment

Continuing the focus around employing the right and diverse talent at both entry & experienced level and developing them for future roles within the organization, this year, your Company hired 18 entry level employees from partnered Engineering & Management Institutes supplemented with 16 experienced hires.

Around 12 women were hired (which is 35% of total hires in FY 2019-20), thus showcasing the commitment towards gender equality. Your Company has increased its focus on diversity beyond gender by hiring workforce from diverse backgrounds viz. region, differently abled & LGBTQ.

Your Company has made some good investments in attracting talent from the industry and hired Engineering Technical Experts, Technical and Business Leaders & Experts in emerging technologies thereby continuing with our commitment to invest in upscaling technology.

This year your Company also forayed its presence on Social Media Platforms viz. LinkedIn, Facebook & 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 help us attract potential talent for your organization.

Diversity and Inclusion

Diversity and Inclusion is in the DNA of your Company. Your Company had launched four (4) new Employee Resource Groups (ERG) focusing on the primary dimensions of diversity namely: Generation, Culture, Person with Disability (PwD), 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 range from 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. We continue to focus on increasing our gender (female) talent, which is today at 31%. 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 and demonstrates

on how much trust our employees have on the operations of these centres. For your Company, creches are not just a legal compliance. Reiterating our Company value 'Caring', the Company has taken steps to ensure that the prime focus of these centres is not just to provide a safe & 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.

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 & 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. Multiple initiatives are rolled out & some are in planning phase to attract & retain talent at Megasite. Your Company hosted multiple events wherein families of employees were invited to show our plants followed by a cultural program. These events were in addition to our broad employee engagement plan. Cummins residential campus housing has more than 55% female employees out of total 400 beneficiaries, is equipped with gymnasium, yoga room, indoor & outdoor sports facility. This facility also houses a convenience shop for daily needs which is run by a self-help group through our Corporate responsibility initiatives.

At Cummins Megasite, Your Company has achieved 21% female representation amongst the shop-floor employees and 23.3% female representation amongst the professional employees. The creche facility was expanded to double its capacity to cater to the growing need. Around 96 kids are getting benefited through state of art facility, balanced diet & care through expert staff. Your organization is supporting Government's skill enhancement program through Apprentice, Diploma and Vocational trainees. Your Company has received a special approval to train apprentices in all the shifts which also helped to double the apprentice number as trainee. Automated biometric attendance system helps to improve governance of flexi workforce along with a systematic internal audit mechanism for compliances in this area.

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 & 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 Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act").

Other Update

During the FY 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 ₹ 1604.92 Lacs.

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.