

DIRECTORS' REPORT

The Directors of Cummins Auto Services Limited have pleasure in presenting the Third Annual Report with the audited accounts of the Company for the year ended 31st March, 2003 with the following financial results

	Rupees '000	
	2002-2003	2001-2002
Income	157,038	70,955
Profit/ (Loss) for the year	(86,901)	(43,233)
Profit/ (Loss) carried to Balance Sheet	(136,623)	(49,722)

DIVIDEND

As no profits are available for distribution, no dividend is recommended for the year under review.

OPERATIONS

Your Company is in the process of implementing Phase I of Networked Highway Solutions covering the golden quadrangle of the country to provide unique benefits to fleet operators. As a pilot, in this phase your Company has set up 4 Suraksha stops on NH-8, including one at Vadodara as a Joint Venture Company, and one Suraksha stop at Chennai under a similar Joint Venture arrangement to study the market and stabilise the operating systems and processes. These Suraksha Stops have now completed one full year of operations and registered significant growth and established acceptance for the Annual Maintenance Contracts (AMC's) offered by your Company which is reflected in the large number of AMC's signed by the fleet operators. During the year your Company has gained valuable experience of implementing this new concept of Networked Highway Solutions, which will help in expanding the network in the coming years.

Your Company has also been successful in forging strategic alliances with some very large corporations, which enhances the basket of service and product offerings and bring additional value packages for the fleet operators. These strategic alliances enabled your Company to realign the model to extend the scope of products to include Fuel and Tyre stations at all the existing and forthcoming Service centres.

The Parts Business has registered a significant growth and established a good foothold in the aftermarket for automotive spares with a large network of dealers spread across the country. Your Company has also developed new vendors during the year, which helped to enhance the range of spare parts offered under its GAP brand.

DIRECTORS

During the year under review, the Board of Directors in their meetings held on 13th September, 2002 and 1st November, 2002, co-opted Mr. Arun Jyoti and Mr. Vinod Dasari respectively as Additional Directors.

Mr. Samidh Mukhopadhyay and Dr. Ajoy Kumar resigned as Directors of the Company effective 7th May, 2003. Your Directors wish to place on record their appreciation for the contribution of Mr. Samidh Mukhopadhyay and Dr. Ajoy Kumar during their tenure as Directors.

In accordance with the provisions of the Companies Act, 1956, Mr. Ravi Venkatesan, Director, retires by rotation and is eligible for reappointment.

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AUDITORS

M/s Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General Meeting.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The operations of your Company are not energy intensive. Your Company is committed to the mission of conservation of energy. And accordingly initiated several measures to reduce energy consumption through purchase of energy efficient generator sets, computer terminals and equipment. Awareness is also being inculcated amongst the employees to reduce wastage of energy.

The nature of business of your Company requires that it stays abreast with emerging technologies and develop capabilities in such areas. Your Company is consistently upgrading in the areas of e-commerce technologies.

During the year under review, there was no foreign exchange earned. However, expenditure in foreign exchange on travelling is equivalent to Rs.442,561/-.

PARTICULARS OF EMPLOYEES

No employee of the Company was in receipt of salary exceeding the amount specified in Section 217(2A) of the Companies Act, 1956, during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors report that:

- i. In the preparation of Annual accounts, the applicable accounting standards had been followed and there was no material departure from the accounting standards.
- ii. Your Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2002-03 and of loss of the Company for that period.
- iii. Your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. Your Directors had prepared the annual accounts for the year under review on a going concern basis.

For and on behalf of the Board



Vinod Dasari
Chairman

Place : Pune
Date : 5th June, 2003

AUDITORS' REPORT
TO THE MEMBERS OF CUMMINS AUTO SERVICES LIMITED

1. We have audited the attached Balance Sheet of Cummins Auto Services Limited as at March 31, 2003, and the related Profit and Loss Account for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The accounts of the Company for the year ended March 31, 2002 were audited and reported by another firm of Chartered Accountants vide their unqualified opinion dated June 10, 2002. The balances as at March 31, 2002 as per the audited accounts, regrouped / reclassified where necessary, have been considered as opening balances for the purpose of these financial statements.
4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
 - (a) We have 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 appears from our examination of those books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2003, and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2003 from being appointed as a director as referred to in Section 274(1)(g) of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and Schedules 1 to 12 annexed thereto,

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give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
- ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : 5th June, 2003

Vasant Gujarathi
Partner

Annexure referred to in paragraph 4 of Auditors' Report of even date to the members of Cummins Auto Services Limited on the accounts for the year ended March 31, 2003.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets. As explained to us the management conducted a physical verification of majority of the assets during the year. No material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account. In our opinion, the frequency of physical verification of fixed assets is reasonable.
2. The fixed assets of the Company have not been revalued during the year.
3. Physical verification of stock-in-trade and service stocks has been conducted by the management at reasonable intervals.
4. In our opinion, the procedures of physical verification of stock-in-trade and service stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on such verification between the physical stocks and the book records were not material and these have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock-in-trade is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of Section 370 are not applicable to a Company on or after the commencement of The Companies (Amendment) Act, 1999, of India.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of Section 370 are not applicable to a Company on or after the commencement of The Companies (Amendment) Act, 1999, of India.
9. The parties and employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts, as stipulated or as rescheduled, and are regular in the payment of interest, where applicable.
10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchases of stock-in-trade, plant and machinery, equipment and other assets and for the sale of goods.

11. There are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements as is evident from the register maintained under Section 301 of the Act and aggregating during the year to Rs. 50,000 or more in respect of each party.
12. Since the Company does not have any raw materials, stores or own manufactured finished goods, the question of determination of unserviceable or damaged stores, raw materials or finished goods and provision thereof does not arise.
13. The Company has not accepted deposits from the public.
14. As informed to us, the operations of the Company do not generate any realisable by-products or scrap.
15. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
16. The requirement of maintenance of cost records, prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, is not applicable to the Company.
17. The Company has been regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
18. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at March 31, 2003, which were outstanding for more than six months from the date they became payable.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses of employees or directors which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations and / or accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

In respect of service activities of the Company:

21. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with the size and nature of its business, and such system provides for a reasonable allocation of materials.
22. The Company has a reasonable system of allocating man-hours utilised to relative jobs, commensurate with the size and nature of its business.
23. The Company has a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue and allocation of stores and allocation of man-hours utilised to relative jobs as stated in paragraph 21 and 22 above.

In respect of trading activities of the Company:

24. We are informed that there are no damaged goods in respect of trading activities of the Company.

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : 5th June, 2003

Vasant Gujarathi
Partner

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BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule Number	Rupees '000	As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
SOURCES OF FUNDS:				
Shareholders' funds:				
Share capital	1		100,000	100,000
Loan funds:				
Secured Loans	2	9,381		18,987
Unsecured Loans	3	155,015		40,000
			164,396	
			<u>264,396</u>	<u>158,987</u>
APPLICATION OF FUNDS:				
Fixed assets:				
Gross block	4	100,795		90,911
Less: depreciation		13,229		3,512
Net block			87,566	87,399
Investments	5		16,501	16,504
Current assets, loans and advances:				
Inventories	6	17,700		19,264
Sundry debtors		39,401		16,696
Cash and bank balances		2,138		6,202
Loans and advances		30,043		21,983
		89,282		64,145
Less: Current liabilities and provisions:				
Current liabilities	7	64,754		59,192
Provisions		1,255		187
		66,009		59,379
Net current assets			23,273	4,766
Deferred tax/ (liability)				
(see note 15, schedule 12)				
Deferred tax asset	8		6,622	—
Deferred tax liability			(6,622)	—
			—	—
Miscellaneous expenditure				
(to the extent not written off or adjusted)	9		433	596
Profit and Loss account				
			136,623	49,722
			<u>264,396</u>	<u>158,987</u>
Notes:				
	12			

Note: Schedules 1 to 9 and 12 are an integral part of the balance sheet

In terms of our report of even date

For Price Waterhouse
Chartered Accountants

Vasant Gujarathi
Partner

Place : Pune
Date : 5th June, 2003

Vinod Dasari
Chairman

Alok Singh
Chief Executive Officer

Place : Pune
Date : 5th June, 2003

Jim Rugg
Director

Sandeep Phadnis
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME:				
Sales and services	10	150,891		63,238
Other income		6,147		7,717
			157,038	70,955
EXPENDITURE:				
Cost of sales and other expenses	11	222,416		109,351
Depreciation	4A	9,786		3,256
Interest:				
On fixed loans		8,856		1,262
Others		2,881		319
		11,737		1,581
			243,939	114,188
NET LOSS FOR THE YEAR:			(86,901)	(43,233)
Balance carried forward from last balance sheet			(49,722)	(6,489)
Balance carried to balance sheet			(136,623)	(49,722)
Earnings Per Share (see note 16, schedule 12)			(8.69)	(4.32)
Basic and Diluted (in Rupees)				

Notes: 12

Notes: Schedules 10 to 12 are an integral part of the profit and loss account

In terms of our report of even date

For Price Waterhouse
Chartered Accountants

Vasant Gujarathi
Partner

Place : Pune
Date : 5th June, 2003

Vinod Dasari
Chairman

Alok Singh
Chief Executive Officer

Place : Pune
Date : 5th June, 2003

Jim Rugg
Director

Sandeep Phadnis
Company Secretary

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 1			
SHARE CAPITAL:			
Authorised:			
20,000,000 (Previous year 10,000,000) equity shares of Rs. 10 each.		<u>200,000</u>	<u>100,000</u>
Issued and subscribed:			
10,000,000 (Previous year 10,000,000) equity shares of Rs. 10 each fully paid		<u>100,000</u>	<u>100,000</u>
Of the above equity shares:			
i) 9,999,800 (Previous year 9,999,600) shares of Rs.10 each are held by the holding company,Cummins Diesel Sales and Service (India) Limited and its nominees.			
ii) 100 (Previous year 100) shares of Rs.10 each are held by Cummins India Limited			
iii) 100 (Previous year 100) shares of Rs.10 each are held by Nelson Engine Systems India Limited			
SCHEDULE NO. 2			
SECURED LOANS:			
From Banks - Cash credit (secured by first charge on Company's inventories and book debts)		4,124	13,933
Finance lease liability		3,124	1,493
Other Loans(against hypothecation of assets) Rs.807,778 (Previous year Rs. 708,721) payable within one year		<u>2,133</u>	<u>3,561</u>
		<u>9,381</u>	<u>18,987</u>
SCHEDULE NO. 3			
UNSECURED LOANS:			
Short term loans			40,000
Inter- corporate deposits			—
From Banks	<u>155,015</u>	<u>155,015</u>	<u>40,000</u>
		<u>155,015</u>	<u>40,000</u>

The short term loans from banks include foreign currency loan of US \$ 209,820 (Rs.10,014,687)
(Previous year Rs. Nil)

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 4

FIXED ASSETS:

(Rupees '000)

Particulars	Gross Block (at cost) as at 31st March, 2002	Additions	Deductions	Gross Block (at cost) as at 31st March, 2003	Depreciation as per schedule 4A	Net block as at 31st March, 2003
Freehold land	14,079	271	—	14,350	—	14,350
Building	13,394	6,495	—	19,889	725	19,164
Plant and machinery	33,664	3,089	—	36,753	9,130	27,623
Furniture and fittings	5,476	727	70	6,133	2,239	3,894
Vehicles *	7,532	3,803	983	10,352	1,135	9,217
	<u>74,145</u> <u>(3,820)</u>	<u>14,385</u> <u>(70,955)</u>	<u>1,053</u> <u>(630)</u>	<u>87,477</u> <u>(74,145)</u>	<u>13,229</u> <u>(3,512)</u>	<u>74,248</u> <u>(70,633)</u>
Capital work in progress				829 (6,528)		829 (6,528)
Expenditure pending allocation				12,489 (10,238)		12,489 (10,238)
				<u>100,795</u> <u>(90,911)</u>	<u>13,229</u> <u>(3,512)</u>	<u>87,566</u> <u>(87,399)</u>

SCHEDULE NO. 4A

DEPRECIATION:

Particulars	Depreciation upto 31st March, 2002	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2003
Building	83	642	—	725
Plant and machinery	2,528	6,602	—	9,130
Furniture and fittings	578	1,668	7	2,239
Vehicles *	323	874	62	1,135
	<u>3,512</u> <u>(316)</u>	<u>9,786</u> <u>(3,256)</u>	<u>69</u> <u>(60)</u>	<u>13,229</u> <u>(3,512)</u>

* Includes vehicles costing Rs.5,226,931 (Previous year Rs. 2,066,187) ,acquired under finance leases, net book value Rs.4,625,290 (Previous year Rs.1,877,714)

Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs.1,863,034 (Previous year Rs.850,000)

Figures in brackets are in respect of the previous year.

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 5			
INVESTMENTS:			
LONG TERM (at cost)			
Unquoted:			
Trade			
Nil (Previous year 100) equity shares of Rs.10 each of Cummins Infotech Limited, fully paid	—		<i>1</i>
100 (Previous year 100) equity shares of Rs.10 each of Nelson Engine Systems Limited, fully paid	1		<i>1</i>
Nil (Previous year 100) equity shares of Rs.10 each of Power Systems India Limited, fully paid	—		<i>1</i>
Nil (Previous year 100) equity shares of Rs.10 each of Cummins Power Solutions Limited, fully paid	—		<i>1</i>
	<u>—</u>	1	<u><i>4</i></u>
Investment in Joint Venture			
(see note 14, schedule 12)			
750,000 (Previous year 750,000) equity shares of Rs.10 each of Fourstroke Automotive Private Limited	7,500		<i>7,500</i>
900,000 (Previous year 900,000) equity shares of Rs.10 each of MRC Auto Solutions Private Limited	<u>9,000</u>		<u><i>9,000</i></u>
		<u>16,500</u>	<u><i>16,500</i></u>
		<u>16,501</u>	<u><i>16,504</i></u>
Aggregate cost of unquoted investments		16,501	<i>16,504</i>
	Nos.	Face Value Rupees	<i>Cost Rupees</i>
Notes :			
Investments sold during the year (long term)			
1) Equity shares of Rs.10 each of Cummins Infotech Limited, fully paid	100	1,000	<i>1,000</i>
2) Equity shares of Rs.10 each of Power Systems India Limited, fully paid	100	1,000	<i>1,000</i>
3) Equity shares of Rs.10 each of Cummins Power Solutions Limited, fully paid	100	1,000	<i>1,000</i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	Rupees '000	As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 6				
CURRENT ASSETS, LOANS AND ADVANCES				
INVENTORIES :				
Stock-in-trade		15,848		17,080
Goods in transit		<u>1,852</u>		<u>2,184</u>
			17,700	<u>19,264</u>
SUNDRY DEBTORS :				
Secured : considered good				
Over six months	3,724			2,193
Others	<u>4,082</u>			<u>4,221</u>
		7,806		<u>6,414</u>
Unsecured :				
Over six months				
Considered good	3,978			800
Considered doubtful	<u>2,298</u>			<u>1,091</u>
	6,276			<u>1,891</u>
Others :				
Considered good	27,617			9,482
Considered doubtful	<u>886</u>			<u>682</u>
	28,503			<u>10,164</u>
Less : Provision for doubtful debts	<u>3,184</u>			<u>1,773</u>
		31,595		<u>10,282</u>
			39,401	<u>16,696</u>
CASH AND BANK BALANCES :				
Cash on hand		223		168
Balances with scheduled banks: on current accounts		<u>1,915</u>		<u>6,034</u>
			2,138	<u>6,202</u>
LOANS AND ADVANCES :				
(Unsecured, considered good unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (see note 10, schedule 12)				
Considered good	7,047			6,462
Considered doubtful	<u>270</u>			<u>—</u>
	7,317			<u>6,462</u>
Less: Provision for doubtful advances	<u>270</u>			<u>—</u>
		7,047		<u>6,462</u>
Deposits		11,375		10,324
Inter corporate deposits		10,356		4,226
Advance income-tax		<u>1,265</u>		<u>971</u>
			30,043	<u>21,983</u>
			<u>89,282</u>	<u>64,145</u>

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 7			
CURRENT LIABILITIES AND PROVISIONS:			
Current liabilities:			
Sundry creditors (see note 9, schedule 12)	43,055		40,985
Dealers' deposits	14,115		14,415
Interest accrued but not due on loans	—		391
Other liabilities	7,584		3,401
		64,754	59,192
Provisions :			
Leave encashment & gratuity		1,255	187
		66,009	59,379
<p>Note :</p> <p>There is no amount due and outstanding to be credited to Investor Education and Protection Fund</p>			
SCHEDULE NO. 8			
DEFERRED TAX ASSET/ (LIABILITY)			
Deferred tax assets			
Unabsorbed depreciation		6,622	—
		6,622	—
Deferred tax liabilities			
Fixed assets-excess of net block over written down value as per the provisions of the Income Tax Act, 1961		6,622	—
		6,622	—
Net Deferred tax asset		—	—

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 9			
MISCELLANEOUS EXPENDITURE: (to the extent not written off or adjusted)			
Preliminary expenditure			
Opening Balance	596		—
Additions during the year	—		759
Total	<u>596</u>		<u>759</u>
Less: Amortisation	163		163
Closing balance		<u>433</u>	
		<u>433</u>	<u>596</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	<i>Previous Year Rupees '000</i>
SCHEDULE NO. 10			
SALES AND SERVICES			
Sales:			
Sales -Spare parts & components	98,878		61,731
Income from services rendered	52,013		1,507
		150,891	<u>63,238</u>
Other Income:			
Commission	5,200		5,219
Interest on loans and deposits [tax deducted at source Rs.292,016 (Previous year Rs. 265,614)]	651		1,696
Miscellaneous income	296		802
		6,147	<u>7,717</u>
		<u>157,038</u>	<u>70,955</u>

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES:			
Cost of sales and services		121,701	58,723
Payments to and provision for employees:			
Salaries, wages and bonus	34,098		17,862
Company's contribution to provident and gratuity funds	2,499		1,103
Welfare expenses	4,415		1,790
		41,012	20,755
Operation and other expenses:			
Consumables	59		21
Tools and gauges	104		2,227
Repairs to buildings	308		285
Other repairs	1,411		1,441
Power and fuel	3,776		967
Transportation and other services	6,074		5,036
Rent	9,550		3,729
Insurance	1,277		218
Travelling and conveyance	10,798		10,357
Advertisement	5,431		4,230
Software consultancy and purchase	2,710		2,714
Communications	4,646		3,858
Office expenses	2,202		1,044
Legal and professional charges (see note 5, schedule 12)	4,842		5,828
Payment for services rendered	5,450		1,986
Net loss on assets sold or discarded	98		4
Miscellaneous expenditure written off	163		163
Provision for doubtful debts	1,411		1,773
Loss due to exchange fluctuation	15		—
Miscellaneous expenses	1,629		3,446
		61,954	49,327
Less : Expenses capitalised		—	(9,216)
Less : Expenses transferred to 'Expenditure pending allocation'		(2,251)	(10,238)
		<u>222,416</u>	<u>109,351</u>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 12

1. Significant accounting policies:

a) Basis of accounting :

The financial statements are prepared in accordance with the requirement of the Companies Act, 1956, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India as referred to in Section 211(3C) of the Companies Act, 1956, under historical cost convention on an accrual basis.

b) Fixed assets and depreciation :

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to acquisition and installation of fixed assets are capitalised. The cost of fixed assets includes pre-operative expenditure upto the date the asset is ready for use. Assets acquired under finance lease are recognized at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognized as asset under the lease. Pre-operative expenditure comprises of all expenditure related to the establishment of the service center, incurred upto the commencement of commercial operations of the respective service center.
- ii) Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at rates prescribed therein or based on the useful life of assets, whichever is higher. Computers and related assets are depreciated over four years.

c) Investments :

Long term investments are stated at cost, less any provision for permanent diminution in value. Current investments are stated at the lower of cost and fair value.

d) Inventories :

Inventories are stated at the lower of cost and net realisable value. The material costs are determined on weighted average basis and includes costs incurred to bring the inventories to their present location and condition. Float engines in stock are written off over a period of three years and loose tools are written off over a period of two years.

e) Foreign currency transactions :

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transaction. Current assets and current liabilities are translated at the year end exchange rates

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and where applicable, at the exchange rates under related forward exchange contracts. The resulting profit and losses are appropriately recognised in the Profit and Loss Accounts except exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets, which are adjusted to cost of fixed assets.

f) Revenue recognition :

Sale of goods is recognised on shipment to customers. Sales exclude amounts recovered towards sales tax. Income under job contracts is recognised upon completion of the service. Income from service contracts is recognised either proportionately over the period of contract or on completion of services as per the terms of specific contracts.

g) Retirement benefits :

Retirement benefits to employees comprise of payments to gratuity and provident funds as per approved schemes of the Company. Annual contributions to gratuity fund is determined based on the actuarial valuation by an independent actuary and/or confirmation as on the balance sheet date.

h) Leave encashment entitlements :

Liability for leave encashment has been determined as at the year end based on an actuarial valuation by an independent actuary.

i) Lease charges under operating leases :

Lease charges under operating leases are recognized as an expense on straight-line basis over the lease term.

j) Income tax :

Provision for current income-tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising from unabsorbed depreciation or carry forward of losses under tax laws are recognized only to the extent that there is virtual certainty of realisation. Other deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty of realisation.

k) Miscellaneous expenditure :

Miscellaneous expenditure comprises of preliminary expenses and is amortised over a period of five years from the date of commencement of commercial operations of the Company.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

2. The Company is implementing the following two projects:

- i) Parts retailing – procuring and marketing of automotive spare parts and accessories
- ii) Networked highway solutions – establishing service centers (SS's) on major highways for maintenance and repair of Commercial Vehicles

The parts retailing project commenced operations in financial year 2000-01. The Networked highway solutions project is under implementation in a phased manner spread over a five year time frame. The phase I of the project is under implementation and the Company has presently rolled out the pilot consisting of four service centres on National Highway 8 and one near Chennai.

As a major part of the network is yet to be established, the Company has not yet started enjoying the benefits as envisaged on completion of the project.

Since the project is under implementation, the Company's operations during the year ended 31st March, 2003 have been affected adversely. The Company's performance is expected to improve once the phase I of the project gets implemented during the next eighteen months and become fully operational. Meanwhile, the promoters continue to support the Company financially in implementing the project and accordingly the financial statements have been prepared on a going concern basis.

3. Lease commitments

a) Finance lease:

The Company has taken vehicles under finance lease arrangements of upto five years. The future minimum lease payments under these leases as of 31st March, 2003 are as follows:

	Due within 12 months	Due between 12-60 months	(Rs'000) Total amount due
Minimum lease payments	1,294 (644)	2,419 (1,799)	3,713 (2,443)
Less amount representing interest	250 (267)	339 (683)	589 (950)
Present value of minimum lease payments	1,044 (377)	2,080 (1,116)	3,124 (1,493)

Previous year's figures are shown in brackets.

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NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

b) Operating lease:

The Company has hired premises under operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of 31st March, 2003 are as follows:

	Due within 12 months	Due between 12-60 months	Due beyond 60 months	(Rs'000) Total amount due
Minimum lease payments	6,456 (9,351)	26,308 (28,423)	26,663 (30,565)	59,427 (68,339)

Previous year's figures are shown in brackets.

4. a) Managerial Remuneration :

	2002-03 Rupees'000	<i>Previous Year</i> <i>Rupees'000</i>
Salary	1,483	999
Perquisites	53	114
Total	<u>1,535</u>	<u>1,113</u>

The above remuneration is subject to approval of the shareholders.

- b) As the future liability for gratuity and leave encashment is provided on an actuarial basis for Company as a whole, the amounts pertaining to the officer is not ascertainable and is therefore not included above.

5. Remuneration to auditors

	2002-03 Rupees'000	<i>Previous Year</i> <i>Rupees'000</i>
Audit fees	360	360
Other services	—	150
Reimbursement of out-of-pocket expenses	—	28
	<u>360</u>	<u>538</u>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

6. Turnover :

	2002-03		<i>Previous year</i>	
	Nos	Rupees'000	Nos	Rupees'000
Filters	201,359	32,940	181,116	23,235
Engines	7	1,245	6	1,169
Spare parts and components		64,693		37,327
Total		98,878		61,731

7. Details of Purchase of goods for resale, opening and closing stock :

	Purchases		Opening Stock		Closing Stock	
	Nos	Rupees'000	Nos	Rupees'000	Nos	Rupees'000
Filters	207,584 (174,744)	30,767 (20,328)	4,800 (11,172)	569 (1,302)	11,025 (4,800)	1,092 (569)
Engines	3 (7)	455 (1,087)	11 (10)	711 (440)	7 (11)	543 (711)
Spare parts and Components		88,915 (38,634)		17,984 (15,305)		16,065 (17,984)
Total		120,137 (60,049)		19,264 (17,047)		17,700 (19,264)

Previous year's figures are shown in brackets.

- 8.** Expenditure in foreign currency (subject to deduction of tax, where applicable), on accrual basis; on travelling is Rs. 442,561 (Previous year Nil).
- 9.** Sundry creditors include amounts due to small-scale industrial undertakings of Rs. 3,69,512 (Previous year Rs. 409,619).

There are no small scale industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days. The small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

- 10.** Advances recoverable in cash or kind include Rs. Nil due from officers of the Company (Previous year Rs. 21,552), maximum amount due at any time during the year Rs. 176,974 (Previous year Rs. 228,934).

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NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

11. Rent includes rentals paid for operating leases of Rs. 5,123,811(Previous year Rs.3,174,080).
12. The Company has 50% interest in a Joint Venture, MRC Autosolutions Pvt. Ltd, incorporated in India. The following represent the Company's share of assets and liabilities as at 31st March, 2003 and Income and Expenses for the year ended on that date:

	<u>Rupees'000</u>
Assets	15,870
Liabilities	11,804
Income	3,969
Expenses	7,946
Contingent Liabilities as on 31 st March, 2003	Nil
Capital Commitments as on 31 st March, 2003	Nil

The Company has, subsequent to year close, negotiated to buy out the entire interest of the JV partner and the same is to be executed. Upon execution of the same the said JV Company shall become a fully owned subsidiary of the Company.

13. The Company also has 50% interest in a Joint Venture, Fourstroke Automotive Pvt. Ltd., incorporated in India. The following represent the Company's share of assets and liabilities as at 31st March, 2003 and Income and Expenses for the year ended on that date:

	<u>Rupees'000</u>
Assets	12,927
Liabilities	9,808
Income	3,384
Expenses	6,891
Contingent Liabilities as on 31 st March, 2003	Nil
Capital Commitments as on 31 st March, 2003	Nil

14. Considering the fact that operations of the Company's two JVs namely, MRC Autosolutions Pvt. Ltd and Fourstroke Automotive Pvt. Ltd are not yet stabilized and the other Suraksha Stops (SS) which, together with the two JVs, are an integral part of the Phase I of the project under implementation, in the opinion of management, the strategic and long term investment made by the Company in the equity capital of and the ICDs placed with the said two JVs do not require any provision for diminution in the net worth of the JVs as at 31st March, 2003.

15. In accordance with the Accounting Standard -AS 22, the Company has recorded during the year the cumulative deferred tax liability as at 31st March, 2002 of Rs.3,040 ('000) and recognised the cumulative deferred tax asset on unabsorbed depreciation, on the basis of prudence, only to the extent of the cumulative deferred tax liability as at 31st March, 2002. Accordingly there is no impact on opening Reserves/Profit and Loss Account debit balance as on 1st April, 2002.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Similarly, the Company has recorded the cumulative deferred tax liability as at 31st March, 2003 of Rs. 6,622 ('000) and recognized the cumulative deferred tax asset on unabsorbed depreciation on the basis of prudence, only to the extent of the cumulative deferred tax liability as at 31st March, 2003. Accordingly the deferred tax charge/credit for the year is Nil.

16. Earnings Per Share

	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
a) Earnings per share is calculated by dividing the loss attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
b) Loss for the year after taxation	(86,901)	<i>(43,233)</i>
Weighted average number of shares outstanding during the year	10,000,000	<i>10,000,000</i>
c) Earnings per share (Basic and Diluted) (Rupees)	(8.69)	<i>(4.32)</i>
Face value per share (Rupees)		

17. Current year figures include 12 months operation of service business as against 1 month operation in the previous year. Hence, the previous year figures are not strictly comparable.

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NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

18. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Statement showing particulars as prescribed in the amendment to Schedule VI to the Companies Act, 1956, vide notification no. G.S.R. 388(E) dt. 15th May, 1995 :

I. REGISTRATION DETAILS :

Registration no.	:	25-14889
State Code	:	11
Balance sheet date	:	31st March, 2003

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2003 :

Rupees '000

Public issue	—
Right issue	—
Bonus issue	—
Private placement	—

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2003 :

Total Liabilities 264,396

Total Assets 264,396

Sources of Funds-

Paid - up Capital 100,000

Reserves and Surplus —

Secured Loans 9,381

Unsecured Loans 155,015

Total 264,396

Application of funds -

Net fixed assets 87,566

Investments 16,501

Net Current assets 23,273

Miscellaneous expenditure 433

Accumulated losses 136,623

Total 264,396

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (Contd.)

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2003 :

i) Turnover (sale of products and other income)	157,038
ii) Total Expenditure	243,939
iii) Loss before tax	(86,901)
iv) Loss after tax	(86,901)
v) Earning per share (in Rs.) (see note 2 below) (face value of Rs. 10)	(8.69)
vi) Dividend Rate (%)	Nil

V. Generic names of Three Principal Products / Services of Company: (As per monetary terms)

<u>Item No. (ITC Code)</u>	<u>Product Description</u>
8409.99	Component parts for motor vehicles
N.A	Servicing of automotive diesel engines

Notes :

1. The above particulars should be read alongwith the balance sheet as at 31st March, 2003, and the profit and loss account for the year as on that date and the schedules forming part thereof.
2. Earnings per share is arrived at by dividing the loss after tax for the current year by the total weighted average number of shares outstanding during the year (i.e. 10,000,000 shares)

- 19.** Previous year's figures have been regrouped/reclassified, wherever necessary to make them comparable with the current year figures.

Signatures to Schedules 1 to 12.

Vinod Dasari
Chairman

Jim Rugg
Director

Alok Singh
Chief Executive Officer

Place : Pune
Date : 5th June, 2003

Sandeep Phadnis
Company Secretary

