

Cummins India Limited

BOARD OF DIRECTORS :

Mr. Ravi Venkatesan (Chairman)
 Mr. Rajeev Bakshi
 Mr. J. M. Barrowman
 Mr. S. M. Chapman
 Mr. P. S. Dasgupta
 Mr. S. D. Hires
 Mr. M. A. Levett
 Mr. Nasser Munjee
 Mr. B. H. Reporter
 Mr. J. M. Rugg
 Mr. Venu Srinivasan
 Mr. J. K. Edwards
 Mr. Pradeep Bhargava (Alternate Director)

BANKERS :

State Bank of India
 Union Bank of India
 The Shamrao Vithal Co-operative
 Bank Limited
 The Saraswat Co-operative Bank Limited
 Bank of Maharashtra
 Bank of Baroda
 State Bank of Hyderabad
 HDFC Bank Limited
 Citibank, N.A.
 Banque Nationale De Paris
 Bank of America

SOLICITORS :

J. B. Dadachanji & Co.
 Jeevan Vihar, 1st Floor
 3, Parliament Street
 New Delhi - 110 001

AUDITORS :

A. F. FERGUSON & CO.
 Chartered Accountants
 Allahabad Bank Buildings
 Bombay Samachar Marg
 Mumbai - 400 001

ARTHUR ANDERSEN
 & ASSOCIATES
 Chartered Accountants
 19th Floor, Express Towers
 Nariman Point
 Mumbai - 400 021

Cummins India Limited

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 Fax : (91) - 020 - 5380125
 Website : www.cummins-india.com

Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

| Particulars | 2000-2001 | 1999-2000 | 1998-1999 | 1997-1998 | 1996-1997 |
|---|-----------|-----------|-----------|-----------|-----------|
| Total income | 882.94 | 846.90 | 661.75 | 754.72 | 811.27 |
| Raw material | 518.46 | 518.98 | 388.74 | 450.93 | 502.87 |
| Employee cost | 72.31 | 69.90 | 60.58 | 60.68 | 54.75 |
| Mfg. exps. and overheads | 87.58 | 74.70 | 59.88 | 79.22 | 77.95 |
| Adm., selling and other exps. | 31.96 | 26.12 | 19.98 | 21.81 | 21.97 |
| Interest | 1.92 | 3.43 | 3.51 | 6.94 | 9.37 |
| Depreciation | 26.18 | 24.60 | 22.12 | 19.98 | 19.19 |
| Net profit before tax | 144.54 | 129.17 | 106.94 | 115.17 | 125.16 |
| Tax provision on income (Net of Excess/Short provision for prior years) | 35.61 | 35.86 | 32.14 | 32.89 | 45.12 |
| Net profit after tax | 108.93 | 93.31 | 74.79 | 82.28 | 80.04 |
| Effect of restatement of opening inventory on revised basis | — | 8.82 | — | — | — |
| Balance of profit | 108.93 | 102.13 | 74.79 | 82.28 | 80.04 |
| Dividend | 25.74 | 19.80 | 15.84 | 15.84 | 13.86 |
| Additional Income tax on dividend | 2.63 | 2.83 | 1.74 | 1.58 | 1.39 |
| Export | 288.82 | 277.50 | 128.84 | 146.78 | 126.44 |
| Dividend % | 65.00 | 50.00 | 40.00 | 40.00 | 35.00 |
| Earning per share (Face value of Rs. 2) | 5.50 | 4.71 | 3.78 | 4.16 | 4.04 |

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Fortieth Annual Report and the audited accounts of the Company for the year ended March 31, 2001

FINANCIAL RESULTS :

During the year under review, sales turnover was Rs. 8,632 million (Rs. 863 crore) as against Rs. 8,290 million (Rs. 829 crore) during the corresponding previous year (4% higher). Export earnings were Rs. 2,853 million (Rs. 285 crore) as against Rs. 2,748 million (Rs. 275 crore) during the corresponding previous year; 4% improved during the year. Profit after tax was Rs. 1,089 million (Rs. 109 crore) against Rs. 933 million (Rs. 93 crore), up by 17%.

| | 2000-2001 (Rs. '000) | 1999-2000 (Rs. '000) |
|------------------------------------|-------------------------|-------------------------|
| PROFIT AND APPROPRIATIONS : | | |
| Profit before taxation | 1,445,415 | 1,291,707 * |
| Net Profit for the year | 1,089,300 | 933,083 * |
| Additional income-tax on dividend | 26,255 | 28,314 |
| Dividend | 257,400 | 198,000 |
| Transferred to General Reserve | 355,645 | 795,011 |
| Balance carried to Balance Sheet | 450,000 | — |

* Before the impact on restatement of the opening inventory on a revised basis of Rs. 88 million (Rs. 8.8 crore).

DIVIDEND :

Your Directors have recommended the payment of dividend @ 65 per cent on the Equity share capital of Rs. 396 million (Rs. 39.6 crore) for the year ended March 31, 2001.

SUBSIDIARIES :

Cummins Diesel Sales and Service (India) Limited :

The total income of Cummins Diesel Sales and Service (India) Limited (CDS&S) for the year ended March 31, 2001 was Rs. 2,923 million (Rs. 292 crore) as against Rs. 2,859 million (Rs. 286 crore) during the corresponding previous year. CDS&S is engaged in the business of sale and providing after-sales-service to engines manufactured by your Company.

Power Systems India Limited and Cummins Auto Services Limited :

Power Systems India Limited (PSIL) and Cummins Auto Services Limited (CASL) are subsidiaries of CDS&S, which is a subsidiary of Cummins India Limited (CIL). Therefore, subsidiaries of CDS&S,

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namely, PSIL and CASL are also deemed to be subsidiaries of CIL within the meaning of provisions of section 4(1)(c) of the Companies Act, 1956.

During the year under review, the sales turnover of PSIL was increased to Rs. 488 million (Rs. 48.8 crore) from Rs. 22 million (Rs. 2.2 crore) in the previous year. PSIL shipped 2,366 engines for automotive (CNG), Powergen and Industrial applications. PSIL supplies engine packages for Automotive, CNG, Powergen and Industrial applications.

During the first financial period of May 16, 2000 to March 31, 2001, CASL has earned income of Rs. 43.90 million (Rs. 4.39 crore).

CASL would concentrate on three lines of business, namely, retailing in parts and accessories for commercial vehicles, highway solutions in the form of authorised service stations and annual maintenance contract with fleet owners.

Cummins Power Solutions Limited :

During the year under review, your Company has invested Rs. 45,001,000 in this subsidiary Company which was incorporated in July 2000. CPSL is engaged in providing power solutions including consultancy and rent generating sets and power projects.

CPSL has earned income of Rs. 84.32 million (Rs. 8.43 crore) during its first financial period from July 19, 2000 to March 31, 2001.

Cummins Infotech Limited :

Cummins Infotech Limited (CIT) was wholly-owned subsidiary of your Company as on March 31, 2000. As on March 31, 2001, Cummins Inc., U.S.A., is holding 48.80 per cent of the share capital and that your Company is holding 51.20 per cent.

CIT is engaged in the business of software development, primarily for the engineering industry. CIT has earned income of Rs. 10.56 million (Rs. 1.05 crore) from software development business during its financial year ended on March 31, 2001.

CORPORATE GOVERNANCE :

As per clause 49 of the Listing Agreements with Stock Exchanges, Management Discussion and Analysis Report and Corporate Governance Report are annexed and form part of the Directors' Report.

SHARE CAPITAL :

On December 4, 2000, the fully paid Equity share of the Company of Rs. 10 each was sub-divided into 5 fully paid Equity shares of Rs. 2 each.

DIRECTORS' RESPONSIBILITY STATEMENT :

In pursuance of the provisions of section 217 (2AA) of the Companies Act 1956, your Directors make the following statement :-

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed and there was no material departure from the accounting standards;

2. that Directors had 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, 2001 and of the profit for the period April 1, 2000 to March 31, 2001;
3. that 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; and
4. that Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY :

Your Company continues in its mission of conservation of energy. The Company has introduced various energy optimisation initiatives. These initiatives include installation of Intermediate Controller Unit for compressed air system, installation of electronic ballast for improving the lighting intensity level in the shop floor area at reduced consumption of electricity, installation of programmable timers for controlling lighting in shop and assembly area.

IMPACT OF THE ABOVE MEASURES :

Annual savings to the extent of 1 million KWh are estimated to be achieved due to the above energy conservation measures taken by the Company.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your Company continues to get benefit of the continuous flow of latest technological developments from its collaborators, Cummins Inc., U.S.A. (Cummins), the collaborator of the Company. With the active support from Cummins, your Company continues to extend the product range and adopts current technological updates in its existing products. This has helped the Company to strengthen its position in domestic and international markets. Your Company's Technical Center is committed to improve the performance of engines and upgrade the product range to meet stringent emission smoke regulations. For this purpose, the Company continues to invest in strengthening its R&D establishment by acquiring various equipments and test facilities. The focus is on development of environment friendly engines, indigenisation of components for achieving import substitution and development of electronic control and systems for improving fuel efficiency.

1. Some specific areas of R & D initiatives undertaken by the Company include :
 - (a) Development of CNG engines to comply with EURO I emission regulations for automotive applications.
 - (b) Designing and development of components, systems and layouts for lean burn gas engine.
 - (c) Introduction of S3 genset in 30 KVA to 63.5 KVA range.
 - (d) Development of microprocessor based electronic control panel for engine monitoring and governing control.

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2. The benefits derived as a result of above activities are :
 - (a) Extension of product range.
 - (b) Reduction in product fuel consumption, Lub oil consumption and exhaust emissions.
 - (c) Improvement in engine performance and delivery of "Smart Power" to delight customers.
 - (d) Improvement in quality, reliability and durability of engines and components.
 - (e) Environment friendly and emission regulation compliant engines.
3. Future plans :
 - (a) Development and introduction of electronic engine governing control and monitoring systems.
 - (b) Development and release of upgraded Remote Engine Monitoring Software.
 - (c) Continuous upgradation of the Tech Center facilities to world class levels.
 - (d) Upgrade some of the existing models.
 - (e) Undertake Joint projects with various Cummins entities in U.S.A. and U.K. for development and introduction of new type of engines.
4. Continuous absorption of advanced technology and passing the benefit to the customers in the form of lower cost and higher performance engine is an ongoing process. Your Company continues to focus its attention on incorporation of latest technological updates in its products that results in comparative advantage to the customers in terms of higher durability, lower operating cost and reduced noise and emission levels of the engines.
5. Expenditure on R & D :

The total expenditure on R & D during the year under review was as follows :-

| | 2000-2001 (Rs. '000) | 1999-2000 (Rs. '000) |
|---|-------------------------|-------------------------|
| a) Capital | 13,221 | 11,678 |
| b) Recurring | 86,453 | 83,629 |
| c) Total | 99,674 | 95,307 |
| d) Total R&D expenditure as a percentage of total sales turnover | 1.15% | 1.15% |

FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 2,106 engines and spares valued at Rs. 2,853 million (Rs. 285 crore).

Foreign Exchange earnings and gross outgo (including royalty, dividend etc.) during the year under review were as follows :-

| | 2000-2001 (Rs.'000) | 1999-2000 (Rs.'000) |
|---|------------------------|------------------------|
| (a) Earnings | 2,888,243 | 2,775,264 |
| (b) Outgo - | | |
| - Raw Materials/ components | 1,451,870 | 2,285,472 |
| - Capital equipment | 165,326 | 62,409 |
| - Others | 210,444 | 163,863 |
| | 1,827,640 | 2,511,744 |
| Earnings as percentage of outgo on account of import of materials / components. | 199% | 121% |

DIRECTORS :

During the year under review, the Board of Directors in their meeting held on July 27, 2000, appointed Mr.J.M. Rugg as an Additional Director effective July 27, 2000 and also appointed him as Whole-time Director of the Company for a period of five years effective July 27, 2000. Mr.Pradeep Bhargava, Senior Executive of the Company, was appointed by the Board of Directors as an Alternate Director to Mr.J.K. Edwards effective October 20, 2000. Mr.Pradeep Bhargava being in the whole-time employment of the Company and being member of the Board, is in the position of Whole-time Director. Resolutions for obtaining approval of the shareholders for appointments of Mr. J.M. Rugg and Mr.Pradeep Bhargava as Whole-time Directors and remuneration payable to them are being placed in the ensuing Annual General Meeting. Further the Board co-opted Mr. Rajeev Bakshi and Mr. Nasser Munjee as additional Directors effective October 20, 2000 and March 29, 2001 respectively.

Mr. T. Satterthwaite resigned as Director of the Company effective July 27, 2000. Mr. P.Y. Gurav resigned as an Alternate Director to Mr.S.D.Hires effective August 23, 2000 and has ceased to be Whole-time Director effective August 23, 2000.

Mr. Y.S. Joshi resigned as an Alternate Director to Mr. M.A. Levett effective September 22, 2000. Mr. J.L. Deshmukh resigned as Managing Director and Director effective January 15, 2001. Mr.R.L. Moore resigned as Director effective March 15, 2001. The Board has placed on record its appreciation for the valuable contribution made by the above Directors to the growth of the Company.

In accordance with the Companies Act, 1956 and Articles of Association of the Company, M/s. B.H. Reporter, P.S. Dasgupta and S.M. Chapman, Directors of the Company, retire by rotation and are eligible for re-appointment.

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AUDITORS :

The Auditors, A.F.Ferguson & Co., Mumbai, have expressed that they do not wish to seek the re-appointment as Auditors of the Company. The Board of Directors of the Company placed on record their gratitude and appreciation for the services rendered by A.F.Ferguson & Co. since inception of the Company. Arthur Andersen & Associates, Mumbai, retire and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES :

As required under section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement giving the required information relating to the employees covered thereunder is attached.

On behalf of Board of Directors,



Ravi Venkatesan
Chairman

Pune : June 11, 2001

Management Discussion and Analysis Report : (Annexure to Directors' Report)

1. Industry Structure and Developments :

1.1 Economic Trends and Implications :

- Economic downtrend in the past 2 years, is expected to continue, with overall GDP growth projected around 5.0% in 2001.
- The industrial sector has slowed significantly, and has been accompanied by a decline in incremental investments. We do not see a significant improvement in the remainder of the year.
- Diesel prices have increased by over 40% in the previous year. Increasing prices have resulted in lower equipment utilization and sales of diesel engines/diesel engine-powered equipment.
- Shortfall in power supply remains high, with a peak deficit of approximately 14%. Lower capacity additions shall result in a widening peak deficit – estimated at around 65,000 MW by 2005.

1.2 Power Generation :

- During the previous year, India is estimated to have created additional capacity of around 4,500 MW.
- Emission norms are expected to be introduced, commencing 2002-03. In addition to the current legislation for noise control, we anticipate that Tier 1 norms will be introduced.
- Many leading customers are seeking 'total solutions' including comprehensive operation and maintenance, operating leases and energy sales.
- With increase in fuel prices, many customers are for solutions with lowest life-cycle costs.

1.3 Industrial :

- Coal will continue to constitute over 65% of India's commercial energy. In the previous year, the total production was estimated at 207 MMT.
- The trend towards deregulation has begun. The government has already released 17 blocks for privatization.
- Launch of initiatives for road and social infrastructure development will increase demand for on-highway construction equipment.
- Customers are increasingly focusing on asset utilization and uptime.

1.4 Automotive and Exports :

- Roll-out of emission norms across various cities – Euro 2 in 2003 and Euro 3 in 2005/07
- Freight patterns moving towards Multi Axle Vehicles (and higher HP engines)
- Fleet operators focusing on cost and uptime.
- Exports: Cummins entities worldwide remain the primary customers for our company's products.

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2. Opportunities and Threats :

Key **Opportunities** include:

- India's peak power demand continues to grow at approximately 5-7% per annum. This will be a driver for demand in the future.
- With increasing privatization and growth in construction (urban and highway) we forecast an increased growth in the next 2-3 years, fueling increase in demand for products and solutions.
- Developing focused segment specific strategies will be a key requirement to design 'value packages' which deliver value to customers.
- Acquiring additional engines and IT services business from world-wide Cummins entities.
- Reduction in operating costs.

Key **Threats** include:

- Low economic growth and declining investments in manufacturing capacity in 2002, will dampen demand for products and increase pressure on margins.
- Shift of captive power customers from Diesel to alternate fuels such as Heavy Furnace Oil, etc.
- Slow rate of deregulation in the mining sector.
- Relaxation in Import tariffs is likely to result in increased imports and competition from global players.

3. Segment-wise and Product-wise Performance:

3.1 Power Generation :

- During the year, the company strengthened its position by winning several key customer accounts in the fast growing IT and Telecom markets.
- We also launched factory designed, Cummins-OEM Branded Sets with three GOEMs. The products enable standardization in design, components and manufacturing processes. The products have received market acceptance.

3.2 Industrial :

- During the past year, the company improved its performance in key segments such as Compressors and Marine.
- However, the slowdown in the mining sector and lower investments have resulted in lower demand for engine packages.
- The company also increased its focus on the construction segment.

3.3 Exports and Others :

- The company sustained its continuing performance on the export front. The company extended its sales of High Horsepower KV/QV engines for the European and Asian markets.
- During the year, the company launched several initiatives to improve the quality of our exports. In addition, we have also initiated efforts to improve integration with customer entities.

4. Outlook and Initiatives for the Current Year and thereafter :

- Market conditions and lower investments are dampeners to the overall demand for our products. However, as the economy improves in the latter half of the year, we expect a strong demand.
- This year, our Company will introduce new models for Power Generation, Industrial and Construction segments in the 200-400 HP category. In addition, customers will be able to avail the complete product range available globally from various Cummins entities.
- As an initiative to enhance after-market revenues, we have launched an engine census. The initiative will focus on tracking all Cummins powered equipment in the field and will focus on capturing increased share in user purchases of parts and services.
- As part of our continued focus on improving process quality, we have launched several Six Sigma projects. These projects shall provide the foundation for continuous improvement in various core processes of the business.

5. Risks and Concerns the Management perceives :

- Low economic growth and fall in capital expenditure. This could lead to longer lead times for orders, lower sales and falling margins.
- Increase in cost of diesel is likely to result in lower operating hours, affecting potential parts and services revenues.
- Global recession and cost competitiveness can affect exports.

6. Internal Control Systems and their Adequacy :

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit process. Internal controls are supported by Internal Audit and Management reviews.

The systems of accounting and controls is improved and modified in response to changes in business conditions and operations and recommendations made by the external and internal auditors. The efficiency and effectiveness of the internal control systems would be enhanced through implementation of ERP systems. The systems are expected to go live by September 2001.

The Board of Directors has an Audit Committee whose Chairman is an Independent Director. The Committee meets periodically with management, internal auditors and representatives of the Company's Auditors to review the Company's program of internal controls, audit plans and results and recommendations of the auditors and management's responses to those recommendations.

7. Discussion on Financial Performance with respect to Operational Performance :

Financial Review :

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP). There are no material departures in adoption of the prescribed accounting standards. The estimates and

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judgements relating to the financial statements have been made on a reasonable basis, in order that the financial statements reflects in a true and fair manner, the form and substance of transactions, and reasonably represent the Company's state of affairs and profit for the year.

A. Results of operations :

7.A.1 Income :

Sales increased by 4% for the year ended March 31, 2001 to Rs. 8,632 MN. against Rs. 8,290 MN. in the previous year. The sales include the domestic sales of Rs. 5,778 MN. (previous year Rs. 5,542 MN.) and export of Rs. 2,854 MN. (previous year Rs. 2,748 MN.). Though the sales quantity during the year ended March 31, 2001 was lower by 7%, there was an increase in sales in terms of value by 4% due to change in the sales-mix having more higher value engines and improved sales realisation, etc.

Other Income increased to Rs. 227 MN. in the year ended March 31, 2001 against Rs. 211 MN. in the previous year. The income from investments and gain on sale/redemption of them increased to Rs. 93 MN. against Rs. 64 MN. in the previous year due to higher average yields earned on investments and additional investment of funds. Exports benefits reduced to Rs. 15 MN. against Rs. 75 MN. in the previous year as more exports are now under the Advanced License Scheme instead of earlier under the Duty Drawback Scheme. The income from Testing Charges increased to Rs. 31 MN. against Rs. 9 MN. in the previous year.

7.A.2 Expenses and margins :

Gross margin in terms of percentage to sales despite pressure improved mainly due to favourable sales-mix. The efforts in areas such as indigenisation of components has resulted in benefits and lowering of costs.

Depreciation charge increased by 6% to Rs. 262 MN. consequent to additions during the year to the fixed assets block. Depreciation rates remained unchanged during the year.

Interest expenses decreased by 44% to Rs. 19 MN. due to lower utilisation of loans on account of better fund management.

7.A.3 Profit before tax (PBT) :

PBT increased to Rs. 1,445 MN. against Rs. 1,292 MN. during the previous year. PBT improved by 12% against the sales increase of 4% despite inflationary pressure on costs, etc., mainly due to favorable sales-mix, indigenisation, lower interest cost, higher other income, etc.

7.A.4 Provision for Tax :

Tax provision net of excess/short provisions of the previous years was marginally lower at Rs. 356 MN. against Rs. 359 MN. during the previous year.

7.A.5 Net Profit for the year :

Net profit for the year increased by 17% to Rs. 1,089 MN. Earning Per Share, (EPS) were Rs. 5.50 against Rs 4.71 in the previous year for the face value of an equity share at Rs 2 each.

The proposed dividend at 65% is higher than the total dividend (Interim and Final) of previous year at 50% and constitute a pay out (including dividend tax) of Rs. 283 MN. against Rs. 226 MN. in the previous year.

7.B. Financial Condition :

7.B.1 Share capital :

Issued and subscribed capital remained unchanged at Rs. 396 MN. The equity share of the face value of Rs.10 each was sub-divided into five equity shares of the face value of Rs. 2 each during the year ended March 31, 2001.

7.B.2 Reserves and surplus :

Reserves and surplus increased by Rs. 806 MN. due to profit appropriation of Rs. 356 MN. to general reserve and carried forward credit balance of profit and loss account of Rs. 450 MN.

7.B.3 Loan funds :

Loan funds reduced to Rs. 120 MN. as at March 31, 2001 against Rs. 255 MN. as at March 31, 2000. Only unsecured fixed deposits loan of Rs. 120 MN. remained outstanding as at March 31, 2001. The debt equity ratio as at March 31, 2001 is 0.02 as against 0.05 as at March 31, 2000.

7.B.4 Fixed assets :

Additions to fixed assets block during the year are Rs. 485 MN. against Rs. 258 MN. in the previous year. The additions consist mainly of Plant and Machinery Rs. 433 MN. for augmenting manufacturing facilities. Leasehold land at Ranjangaon MIDC area near Pune was acquired costing Rs. 15 MN. for future expansion.

Fixed assets under erection represent the cost of fixed assets not put to use at the end of the year. Whereas advances for capital expenditure represent year-end balances paid towards acquisition of fixed assets. The total amount on these accounts of Rs. 95 MN. remained outstanding as at March 31, 2001.

After adjusting to the gross fixed assets block the total depreciation provided for in the books of account upto March 31, 2001 of Rs. 2,340 MN. (previous year Rs. 2,113 MN.), the net fixed assets block as at March 31, 2001 increased to Rs 1,621 MN. against Rs. 1,404 MN. as at March 31, 2000.

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Estimated amount of contracts remaining to be executed on capital account as at March 31, 2001 was Rs. 137 MN. and the Company believes that it will be able to fund them from internal accruals and liquid assets.

7.B.5 Investments :

Investments increased to Rs. 1,318 MN as at March 31, 2001 as against Rs. 474 MN. as at March 31, 2000. The net increase is due to investments of equity in the subsidiaries and investments of liquid funds in securities, units of mutual funds etc.

During the year, the Company made investments in the equities of the subsidiary companies consisting of Rs. 3 MN. in Power Systems India Limited, Rs. 35 MN. in Cummins Infotech Limited and Rs. 45 MN. in Cummins Power Solutions Limited. Further an additional investment of Rs. 25 MN. was made in Cummins Power Solutions Limited and pending allotment is included under Loans and Advances. All these companies are subsidiaries of the Company and are expected to support the operations of the Company in the years to come.

The Company invested liquid funds in securities, bonds, units of mutual funds (debt and liquid) etc. as per cash flow requirement and earned income thereon.

7.B.6. Current assets, loans and advances:

i. Inventories:

Inventories reduced to Rs. 1,353 MN. as at March 31, 2001 against Rs. 1,832 MN. as at March 31, 2000 on account of efforts put in releasing the funds blocked in inventories. Various initiatives have been launched for improvements in inventory management. Inventory turns improved to 5.51 as at March 31, 2001 as against 3.53 as at March 31, 2000.

ii. Sundry debtors:

Sundry debtors net of provision for doubtful debts marginally increased to Rs. 2,348 MN. as at March 31, 2001, against Rs. 2,241 MN. as at March 31, 2000. They are considered good and realisable. Sundry debtors in terms of days sales remained at the same level of last year.

The need for cumulative provision for doubtful debts as at March 31, 2001 of Rs. 25 MN. (Previous year Rs. 21 MN.) is assessed, based on various factors including collectibility of specific dues, risk perception etc.

iii. Cash and Bank Balances:

Cash and Bank balances increased marginally to Rs. 111 MN. as at March 31, 2001 against Rs. 95 MN. as at March 31, 2000. They represent year end cash and balances on hand in banks in current and deposit accounts.

iv. Other current assets:

Other current assets represent interest accrued on investments, duty drawback receivable, etc. Other current assets reduced to Rs. 60 MN. as at March 31, 2001 as against Rs. 87 MN. as at March 31, 2000. The decrease was primarily due to lower Duty Drawback receivables on account of shift in imports to the Advance Licence Scheme.

v. Loans and advances:

Advances are primarily towards amount paid in advance for value, material and services to be received in future. Taxation (net of provisions) represents payments made towards tax liability and refunds due for the previous years. Advances also include various deposits kept such as rent, telephone, electricity, insurance, etc. Loans and advances increased to Rs. 418 MN. as at March 31, 2001 against Rs. 379 MN. as at March 31, 2000.

7.B.7 Current liabilities and provisions :

i. Current Liabilities :

Acceptances represent bills of exchange drawn for a period by the suppliers and accepted by the Company. Sundry creditors represent the amount payable to suppliers for supplies of goods or services and also include accrued payroll costs and various operational expenses. The total current liabilities reduced to Rs. 938 MN. as at March 31, 2001 against Rs. 955 MN. as at March 31, 2000.

ii. Provisions :

Proposed dividend represents the dividend recommended to the shareholders by the Board of Directors, and would be payable after the Annual General Meeting, upon approval by the shareholders.

Additional income tax on dividend denotes taxes payable on the dividends declared for the year ended March 31, 2001 and 2000.

Pension and leave entitlement represent accrued liability towards pension of some ex-employees and leave encashment entitlement as per independent actuarial valuation.

Other provisions consist of provision for accrued liability for warranty and new engine performance inspection fees etc.

The total provisions increased to Rs. 482 MN. as at March 31, 2001 against Rs. 421 MN. as at March 31, 2000.

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8. Human Resources and Industrial Relations :

Human Resource Initiatives :

During the previous year, the Company launched several initiatives to improve the overall Human Resources environment with Cummins India Limited and its subsidiaries. Key initiatives under implementation and proposed for the current year include :

- Organised the business into Performance Cells and Business Units with scorecards and performance metrics for all performance cells.
- Launch of Cummins Vision Roll-Out Program.
- Launch of Diversity Program. A council and team of Trainers has been identified and is currently rolling out the program.
- Performance Management : During the year, the Company rolled out a new Performance Management System. The PMS will enable us to better link individual performance to organizational goals, and help provide the appropriate career options/roles for various members in the organization.
- Enhanced internal communication initiatives.

Industrial Relations :

During the previous year, the relationship with all employees continued to be cordial. The total strength of the employees during the year was approximately 2200 which included 550 exempt and 1650 non-exempt employees.

9. Cautionary statement :

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions in regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore it is cautioned that the actual results may materially differ from those expressed or implied in the report.

CORPORATE GOVERNANCE REPORT :

(Annexure to Directors' Report)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is set of principles, processes and systems to be followed by the directors, management, and all employees of the Company for enhancement of shareholders value, keeping in view interests of other stake holders. The integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of the good corporate governance.

2. BOARD OF DIRECTORS :

Mr. Ravi Venkatesan is Chairman of the Board of Directors of the Company. The Board as on March 31, 2001, consisted of 12 Directors out of which M/s. Rajeev Bakshi, P.S. Dasgupta, Nasser Munjee, B.H. Reporter and Venu Srinivasan are 5 independent Directors and remaining are Promoter Directors. During the financial year, meetings of the Board of Directors were held on June 21, 2000, July 27, 2000, October 20, 2000, January 31, 2001 and March 29, 2001. The details of (i) Composition and category of Directors; (ii) Attendance of each Director at the Board Meeting and the last Annual General Meeting; (iii) the other Directorships and Chairmanship/Membership held by each Director; and (iv) the details of the Board meetings are as follows :-

Composition and Category of Directors :

| Sr. No. | Category | | Name of Director | Status | Date of appointment |
|---------|-------------|--|--|---|--|
| 1 | Promoter | 1. 2. 3. 4. 5. 6. 7. | Mr.Ravi Venkatesan Mr.J.M.Barrowman Mr.S.M.Chapman Mr.S.D.Hires Mr.M.A.Levett Mr.J.K.Edwards Mr.J.M.Rugg | Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive | July 23, 1999 June 21, 2000 July 8, 1992 November 10, 1992 February 28, 1991 June 21, 2000 July 27, 2000 |
| 2 | Independent | 1. 2. 3. 4. 5. | Mr.Rajeev Bakshi Mr.P.S.Dasgupta Mr.Nasser Munjee Mr.B.H.Reporter Mr.Venu Srinivasan | Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive | October 20, 2000 February 26, 1998 March 29, 2001 March 15, 1962 January 27, 2000 |
| 3 | Alternate | | Mr.Pradeep Bhargava (Alternate Director to Mr. J.K.Edwards) | Executive | October 20, 2000 |

Note : 1. During the year April 1, 2000 to March 31, 2001, Mr. P. Y. Gurav, Alternate Director to Mr. S.D. Hires, Mr. Y. S. Joshi, Alternate Director to Mr. M. A. Levett and Mr. J. L. Deshmukh, Managing Director, resigned on August 23, 2000, September 22, 2000 and January 15, 2001, respectively. Further Mr. T. Satterthwaite and Mr. R. L. Moore also stepped down as Directors w.e.f. July 27, 2000 and March 15, 2001 respectively.

Note : 2. Mr. B. H. Reporter jointly with Mrs. A. B. Reporter and Mrs. Yogam Venkatesan jointly with Mr. Ravi Venkatesan hold 55,000 and 23,000 fully paid Equity shares of Rs. 2 each respectively in the capital of the Company.

Cummins India Limited

Attendance of each Director at the Board meetings and the last Annual General Meeting (AGM) held on July 27, 2000 and No. of Directorship in other Boards and Chairmanship/ Membership in other Board Committees.

| Name of the Director | No. of Board Meetings held | No. of Board Meetings attended | Attendance at the last AGM | No. of Directorships in other Boards as on March 31, 2001* (Refer Note below) | No. of Memberships in other Board Committees as on March 31, 2001 (Refer Note below) |
|--|-----------------------------------|---------------------------------------|-----------------------------------|--|---|
| Mr.Ravi Venkatesan | 5 | 5 | Present | 8 | 1 |
| Mr.J.M.Barrowman | 5 | 1 | Absent | 1 | - |
| Mr.S.M.Chapman | 5 | - | Absent | 8 | - |
| Mr.P.S.Dasgupta | 5 | 4 | Present | 21 | - |
| Mr.J.K.Edwards | 5 | - | Absent | 3 | - |
| Mr.B.H.Reporter | 5 | 4 | Present | 6 | 2 |
| Mr.Venu Srinivasan | 5 | 3 | Absent | 17 | 6 |
| Mr.S.D.Hires | 5 | - | Absent | - | - |
| Mr.M.A.Levett | 5 | 2 | Present | 7 | - |
| Mr.J.M.Rugg (Appointed w.e.f. July 27, 2000) | 5 | 4 | - | 9 | - |
| Mr.Rajeev Bakshi (Appointed w.e.f. October 20, 2000) | 5 | - | - | 3 | 2 |
| Mr.Pradeep Bhargava (Alternate Director) (Appointed w.e.f. October 20, 2000) | 5 | 2 | - | 3 | - |
| Mr.Nasser Munjee (Appointed w.e.f. March 29, 2001) | 5 | - | - | 10 | 4 |
| Mr. J.L. Deshmukh (Resigned w.e.f. January 15, 2001) | 5 | 3 | Present | - | - |
| Mr. P.Y. Gurav (Alternate Director) (Resigned w.e.f. August 23, 2000) | 5 | 2 | Present | 3 | - |

| Name of the Director | No. of Board Meetings held | No. of Board Meetings attended | Attendance at the last AGM | No. of Directorships in other Boards as on March 31, 2001* (Refer Note below) | No. of Memberships in other Board Committees as on March 31, 2001* (Refer Note below) |
|--|----------------------------|--------------------------------|----------------------------|---|---|
| Mr. Y.S. Joshi (Alternate Director) (Resigned w.e.f. September 22, 2000) | 5 | - | Present | - | - |
| Mr. T. Satterthwaite (Resigned w.e.f. July 27, 2000) | 5 | - | Absent | - | - |
| Mr. R.L. Moore (Resigned w.e.f. March 15, 2001) | 5 | - | Present | 3 | - |

* Directorships in Foreign Companies and Private Limited Companies are included in the above table.

Note : Mr. Ravi Venkatesan is Chairman of 3 other Boards, Mr. S.M.Chapman is Chairman of 3 other Boards , Mr. Venu Srinivasan is Chairman of 4 other Boards and 4 other Board Committees, Mr. B.H. Reporter is Chairman of 1 other Board and Mr. J. M. Rugg is Chairman of 2 other Boards .

Details of Board Meetings held during the year April 1, 2000 to March 31, 2001.

| Sr. No. | Date | Board Strength | No. of Directors present |
|---------|------------------|----------------|--------------------------|
| 1 | June 21, 2000 | 12 | 6 |
| 2 | July 27, 2000 | 12 | 7 |
| 3 | October 20, 2000 | 13 | 7 |
| 4 | January 31, 2001 | 12 | 6 |
| 5 | March 29, 2001 | 12 | 4 |

3. COMMITTEES OF THE BOARD :

FINANCE AND AUDIT COMMITTEE :

The Finance and Audit Committee was formed by the Board of Directors in their meeting held on October 20, 2000. The majority members of the Committee are Independent Directors and all members are non-executive Directors. The first meeting of Finance and Audit Committee was held on January 31, 2001. In this meeting, the Committee reviewed the Organisation structure of the Internal Audit Department and reviewed the unaudited financial results for the quarter and nine

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months ended on December 31, 2000. The composition, names of Directors, and the Broad Terms of Reference to the Finance and Audit Committee is as follows :-

Composition, names of members, no. of meetings and attendance during the year April 1, 2000 to March 31, 2001.

| Name of Director | No. of Meetings held | No. of Meetings attended |
|--------------------------------|----------------------|--------------------------|
| 1. Mr.Rajeev Bakshi (Chairman) | 1 | - |
| 2. Mr.P.S.Dasgupta (Member) | 1 | 1 |
| 3. Mr.B.H.Reporter (Member) | 1 | - |
| 4. Mr.Venu Srinivasan (Member) | 1 | 1 |
| 5. Mr.Ravi Venkatesan (Member) | 1 | 1 |

Broad Terms of Reference to Finance and Audit Committee :

- Oversee of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions, i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussing with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussing with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

4. COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE :

The Compensation and Management Development Committee was formed by the Board of Directors in their meeting held on October 20, 2000. The Committee met on January 31, 2001. The Committee reviewed the remuneration given to the executive and non-executive Directors.

Composition, names of members, no. of meetings and attendance during the year April 1, 2000 to March 31, 2001.

| Name of Director | | No. of Meetings held | No. of Meetings attended |
|------------------|-------------------------------|----------------------|--------------------------|
| 1. | Mr.Venu Srinivasan (Chairman) | 1 | 1 |
| 2. | Mr.Rajeev Bakshi (Member) | 1 | - |
| 3. | Mr.S.M.Chapman (Member) | 1 | - |
| 4. | Mr.Ravi Venkatesan (Member) | 1 | 1 |

Remuneration Policy :

We follow a market linked remuneration policy which is aimed at enabling us to attract and retain the best talent. Compensation is also linked to individual and team performance as they support the achievement of Corporate goals. We do not, at present, have an Employee Stock Option Policy.

Broad Terms of Reference to Compensation and Management Development Committee :

- To recommend and review remuneration package of Executive/Non-executive Directors.
- To present report to the Board on remuneration package of Directors and others.
- To review compensation package of Officers immediately below the Board level.

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Details of Remuneration paid to all Directors during the year April 1, 2000 to March 31, 2001 :

| Name of Director | Sitting Fees | Salary | Fixed Commission (50% of Salary) | House Rent Allowance | Gas / Electricity / Club Fees | Medical | Leave Travel Concession | Leave Encashment | Provident Fund/ Gratuity Superannuation | Accident Insurance Premium | Total |
|---|--------------|-----------|----------------------------------|----------------------|-------------------------------|---------|-------------------------|------------------|---|----------------------------|-----------|
| | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
| B.H. Reporter | 20,000 | — | — | — | — | — | — | — | — | — | 20,000 |
| P.S. Dasgupta | 30,000 | — | — | — | — | — | — | — | — | — | 30,000 |
| Venu Srinivasan | 25,000 | — | — | — | — | — | — | — | — | — | 25,000 |
| P.Y. Gurav (upto 23/8/2000) | — | 188,235 | 94,118 | 94,118 | 15,723 | 1,516 | 28,235 | 742,308 | 210,823 | 1,976 | 1,377,052 |
| J.L. Deshmukh (upto 15/1/2001) | — | 709,391 | 354,695 | 354,695 | 121,608 | 9,645 | 67,685 | 1,159,615 | 454,036 | 1,951 | 3,233,321 |
| J.M. Rugg (w.e.f. 27/7/2000) | — | 8,221 | — | 846,668 | 74,969 | — | — | — | — | — | 929,858 |
| Pradeep Bhargava (w.e.f. 20/10/2000) | — | 404,032 | — | — | — | 358,222 | — | — | — | — | 762,254 |
| Total | 75,000 | 1,309,879 | 448,813 | 1,295,481 | 212,300 | 369,383 | 95,920 | 1,901,923 | 664,859 | 3,927 | 6,377,485 |

Notes :

1. Mr.P.Y.Gurav and Mr. J.L. Deshmukh were eligible for additional commission upto 50% of salary based upon the performance of the Company. The above payment includes payment of accumulated leave encashment and gratuity to Mr. P.Y. Gurav and Mr. J. L. Deshmukh.
2. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director. There is no notice period for severance of any of the Executive Directors.
3. Mr. J.M. Rugg and Mr. Pradeep Bhargava are appointed for period of 5 years effective July 27, 2000 and October 20, 2000 respectively.
4. The remuneration of Mr. J. M. Rugg and Mr. Pradeep Bhargava amounting to Rs. 929,858 and Rs. 762,254 respectively is subject to approval of the shareholders.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The Shareholders/Investors Grievance Committee was formed by the Board of Directors in their meeting held on October 20, 2000. The Committee met on January 31, 2001.

Composition, names of members, no. of meetings and attendance during the year April 1, 2000 to March 31, 2001.

| Name of Director | No. of Meetings held | No. of Meetings attended |
|-------------------------------|----------------------|--------------------------|
| 1. Mr.B.H.Reporter (Chairman) | 1 | - |
| 2. Mr.P.S.Dasgupta (Member) | 1 | 1 |
| 3. Mr.J.M.Rugg (Member) | 1 | 1 |

Broad terms of Reference to Shareholders / Investors Grievance Committee :

To review and advise the Company on any grievance in relation to (a) Non-transfer of shares (b) Non-receipt of Annual Report (c) Non-receipt of dividend / interest warrants and (d) Any other investors grievance raised by any stakeholder.

Compliance Officers :

1. Mr.J.M.Rugg
Director and Chief Financial Officer and Head of Business Development
2. Ms.Matangi Gowrishankar
Vice President – HR and Organisation Effectiveness
3. Mr.M.M.Godse
Sr.General Manager & Company Secretary

Number of shareholders complaints received during the period April 1, 2000 to March 31, 2001 :

Total 28 complaints were received. These complaints were mainly relating to (a) non-receipt of dividend warrants (b) share certificates and (c) credit of dematerialised shares etc. Out of these complaints, 26 complaints were solved to the satisfaction of shareholders and in respect of the remaining two complaints, one shareholder was not satisfied with the reply of the Company, hence he had filed a petition before the Company Law Board; and in case of the other shareholder, the Company could not dematerialise the shares due to an order of the Court of the Additional City Civil Judge, Bangalore.

Number of complaints pending with the Company :

Nil

Number of pending share transfers :

Nil

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General Shareholder information :

| | | | |
|---|--|-------------------|------------------|
| Registered Office | Kothrud, Pune 411 038. Phone No. : 5385435, 5381105, 5380240 Fax No. : 020-5380125 Website : www.cummins-india.com | | |
| Annual General Meeting | Date and Time : July 26, 2001 at 11.00 a.m. Venue : Cummins Diesel Sales and Service (India) Limited 35A/1/2, Erandawana, PUNE 411 038. | | |
| Financial calendar (Tentative) | <ul style="list-style-type: none"> Results for quarter ending June 2001 - Last week of July 2001. Results for quarter and half year ending September 30, 2001 - Last week of October 2001. Results for quarter and nine months ending December 2001 - Last week of January 2002. Results for the year ending March 31, 2002 – June 15, 2002. | | |
| Date of book closure | (For the purpose of deciding dividend) July 24, 2001 to July 26, 2001 | | |
| Dividend Payment date | August 20, 2001 onwards | | |
| Listing on Stock Exchanges | 1. Pune Stock Exchange Ltd., Pune. (Stock Code : KIRCU 480) 2. The Stock Exchange, Mumbai (Stock Code : 480) 3. National Stock Exchange of India Ltd. Mumbai.(Stock Code : KIRLOSKCUM EQ) | | |
| Market price data : high, low, during each month in last financial year | Month | High (Rs.) | Low (Rs.) |
| | April 2000 | 426.50 | 359.05 |
| | May 2000 | 429.30 | 350.00 |
| | June 2000 | 492.20 | 378.00 |
| | July 2000 | 536.00 | 425.00 |
| | August 2000 | 472.00 | 392.05 |
| | September 2000 | 443.90 | 340.55 |
| | October 2000 | 348.95 | 285.00 |
| | November 2000 | 350.00 | 325.00 |
| | | * 76.50 | * 69.95 |
| | December 2000 | 89.30 | 71.40 |
| | January 2001 | 95.15 | 76.25 |
| | February 2001 | 97.80 | 75.80 |
| | March 2001 | 83.85 | 53.50 |

* The Company sub-divided equity shares of Rs.10 each into five equity shares of Rs.2 each w.e.f. December 4, 2000. However, the trading of equity share of Rs.2 each commenced in November, 2000, considering the settlement period of the Stock Exchange.

| | | | |
|--|--|-----------------------------|-------------------|
| Performance in comparison to broad-based indices such as BSE Sensex. | During the year April 1, 2000 to March 31, 2001, the high and low share price of Rs.2 share was Rs.97.80 and Rs.53.50 respectively, and the high and low share price of Rs.10 share was Rs.536.00 and Rs.285.00 respectively. The BSE Sensex during the same period was 5542.81 high and 3436.75 low. The share price has moved according to BSE Sensex. | | |
| Registrar and Transfer agent | Transfer of shares are processed in-house. (Intime Spectrum Registry Pvt. Ltd., Mumbai, was appointed as R&T Agent for Dematerialisation of shares). | | |
| Share Transfer System | Share Transfer requests in physical form are to be sent to Registered Office of the Company which are processed within 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 15 days from the date of receipt. | | |
| Distribution of shareholding as on March 31, 2001. | Category | No. of shares of Rs. 2 each | % of shareholding |
| | Promoters | 114,880,488 | 58.02 |
| | Mutual Funds | 17,225,434 | 8.70 |
| | Banks/Financial Institutions/Insurance Companies | 11,663,490 | 5.89 |
| | Foreign Institutional Investors | 27,578,782 | 13.93 |
| | Corporate Bodies | 2,033,094 | 1.03 |
| | Individuals | 24,618,712 | 12.43 |
| | TOTAL : | 198,000,000 | 100.00 |
| Dematerialisation of shares and liquidity (as on March 31, 2001) | 41.81% shares are dematerialised. | | |
| Plant locations | Kothrud, Pune 411 038 | (Plant I) | |
| | 206/2, Nagar Road, Pune 411 014 | (Plant II) | |
| Address for correspondence | Kothrud, Pune 411 038. | | |

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ANNUAL GENERAL MEETINGS :

| Particulars | FY 1997-1998 | FY 1998-1999 | FY 1999-2000 |
|---------------|---|---|---|
| Date and Time | 20.8.1998 at 10.00 a.m. | 23.7.1999 at 10.00 a.m. | 27.7.2000 at 10.00 a.m. |
| Venue | Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038 | Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038 | Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038 |

No special resolutions were passed through postal ballot at the last Annual General Meeting (AGM).
No special resolutions are proposed through postal ballot at the forthcoming AGM.

DISCLOSURES :

- i) Disclosure on materially significant related party transactions, i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives that may have potential conflict with the interest of the Company at large :

The Company does not have any related party transactions, which may have potential conflict with the interest of the Company at large.

- ii) Details of non compliance, penalties, strictures by SEBI/ Statutory Authorities / Stock Exchanges on matters relating to capital markets during the last 3 years :

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties / strictures have been imposed against it in the last 3 years.

MEANS OF COMMUNICATION :

- The unaudited financial results for the quarter and half year ended on September 30, 2000 were sent to all the shareholders of the Company.
- The quarterly / half yearly unaudited financial results were published in the Times of India, Economic Times, and Marathi translation was published in the Maharashtra Times.
- The quarterly / half yearly unaudited financial results were displayed on Company's website www.cummins-india.com
- Presentation made to Analysts on August 23, 2000 was displayed on Company's website www.cummins-india.com

COMPLIANCE CERTIFICATE OF THE AUDITORS :

The Company has obtained a Certificate from the Statutory Auditors regarding Compliance of Conditions of Corporate Governance as stipulated in Clause 49 and the same is annexed.

AUDITORS' CERTIFICATE

To the Members of
Cummins India Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by Cummins India Limited, for the year ended on 31st March, 2001 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the management, we certify that the Company has by 31st March, 2001 complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

On the basis of the representation received from the management, we state that no investor grievances are pending for a period exceeding one month as on 31st March, 2001 against the Company as per records maintained by the Shareholders/Investor Grievances Committee.

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

For A.F. Ferguson & Co.,
Chartered Accountants

For Arthur Andersen & Associates,
Chartered Accountants

M.S. Dharmadhikari
Partner

Subramanian Suresh
Partner

Mumbai : June 21, 2001

Chennai : June 21, 2001

Cummins India Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001.

| Sr. No. | Name of Employee | Age Yrs. | Qualifications | Exp. Yrs. | Designation / Nature of duties | Date of Joining | Remuneration Received | | Particulars of last employment held |
|---------|----------------------------|----------|---|-----------|--|-----------------|-----------------------|-----------|---|
| | | | | | | | Gross Rs. | Net Rs. | |
| 1 | Chaubal C M | 53 | B.E.(Mech.) | 31 | Vice President Manufacturing | 03/08/70 | 1,427,813 | 904,948 | — |
| 2 | * Deshmukh J L | 52 | B.E.(Mech.) | 29 | Managing Director | 01/07/72 | 2,752,348 | 2,194,817 | — |
| 3 | Ganla A N | 52 | M.Tech. | 28 | Vice President Research and Development | 06/07/73 | 1,250,108 | 797,172 | — |
| 4 | Gowrishankar Matangi (Ms.) | 43 | B.A. Sociology, PGDIR & PM | 22 | Vice President HR & Organisation Effectiveness | 01/10/99 | 1,264,716 | 808,636 | International Computers India Limited, Vice President Human Resources, 6 months |
| 5 | * Gurav P Y | 47 | M.Com., A.C.A. | 22 | Director & Sr. Vice President Finance | 16/04/82 | 1,046,126 | 653,021 | A.F. Ferguson & Co., Audit Assistant, 3 yrs. |
| 6 | Joshi S K | 56 | B.E.(Mech.), M.I.E., Chartered Engineer | 35 | Vice President Reliability | 19/05/89 | 1,342,542 | 849,689 | Modi Rubbers Ltd., Project Manager, 1 yr. |
| 7 | * Malhotra V K | 52 | B.E.(Mech.) | 28 | General Manager Market Development | 17/03/86 | 1,509,695 | 985,690 | Roto Pumps & Hydraulics Pvt. Ltd., Regional Manager, 2 yrs. |

Notes :-

- * Against a name indicates that the employee was in service only for a part of the year.
- Designation of the employee indicates the nature of his / her duties.
- All appointments are contractual.
- The gross remuneration comprises of salary, allowances, incentive and perquisites, the monetary value of which is as per Income - tax Act and Company's contribution to Provident and Superannuation funds, wherever applicable.
- Net remuneration is arrived at by deducting from the gross remuneration income-tax, contribution to Provident fund and Company's contribution to Superannuation fund wherever applicable.
- The Company has contributed appropriate amounts to gratuity and Pension funds, as applicable. These amounts have not been included in "gross remuneration" as no separate figures are available for individual employees.
- Other terms and conditions are as per rules of the Company.
- None of these employees is relative of any director of the Company.

On behalf of Board of Directors



Ravi Venkatesan
Chairman

Pune : June 11, 2001

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached balance sheet of Cummins India Limited as at 31st March, 2001 and also the profit and loss account of the Company for the year ended on that date annexed thereto, and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (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 profit and loss account and balance sheet comply, in all material respects, with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of the written representations received from the directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2001
 - and
 - ii) in the case of the profit and loss account, of the profit for the year ended on that date.

FOR A. F. FERGUSON & CO.,
Chartered Accountants

M.S. DHARMADHIKARI
Partner

Mumbai : June 11, 2001

FOR ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Mumbai : June 11, 2001

Cummins India Limited

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF CUMMINS INDIA LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, the management conducted a physical verification of most of the assets during the year and 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. None of the fixed assets have been revalued during the year.
3. Physical verification has been conducted by the management during the year in respect of the stocks of finished goods, stores, spare parts and raw materials (except for certain items lying with third parties in respect of which confirmations from the parties have been received) and in our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of 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 physical verification of stocks as compared to book records were not significant in relation to the operations of the Company, and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from/to companies under the same management as defined under section 370(1B) of the Companies Act, 1956, which are prima facie prejudicial to the interest of the Company.
8. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amounts and interest, where applicable, as stipulated or as rescheduled.
9. In our opinion and according to the information and explanations given to us and having regard to the explanation that most of the items purchased are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, components, plant and machinery, equipment and other assets and for the sale of goods.
10. In our opinion, having regard to the comments in paragraph 9 above, and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating to Rs.50,000 or more per annum in respect of each party have been made at prices which are reasonable, having regard to prevailing market prices as available with the Company for such goods, materials or services, or the prices at which transactions for similar goods or services have been made with other parties.
11. As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by the management and where required, adequate provision has been made in the accounts for the loss arising on the items so determined.

12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public.
13. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. As explained to us, the Company's manufacturing process does not generate any by-product.
14. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
15. We have broadly reviewed the books of account maintained by the Company relating to the manufacture of internal combustion engines pursuant to the orders made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
16. According to the records of the Company, Employees' State Insurance dues and Provident Fund dues, where deducted/accrued in the books of account, have generally been regularly deposited during the year with the appropriate authorities. There are no arrears of such dues as at the year end.
17. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us and records of the Company examined by us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
19. 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.
20. As explained to us, no damaged goods were determined in the class of goods traded in by the Company.
21. In respect of the Company's service activity, we further report as follows :
 - (a) The nature of the Company's service activity does not involve the consumption of materials and stores.
 - (b) The Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size and nature of its business.
 - (c) There is a reasonable system of authorisation at proper levels and an adequate system of internal controls commensurate with the size of the Company and the nature of its business on allocation of labour to jobs.

FOR A. F. FERGUSON & CO.,
Chartered Accountants

M. S. DHARMADHIKARI
Partner

Mumbai : June 11, 2001

FOR ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Mumbai : June 11, 2001

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2001

| | Schedule Number | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|--|--------------------|-------------|--|--|
| SOURCES OF FUNDS : | | | | |
| Shareholders' funds : | | | | |
| Share capital | 1 | 396,000 | | 396,000 |
| Reserves and surplus | 2 | 5,385,642 | | 4,579,997 |
| | | | 5,781,642 | 4,975,997 |
| Loan funds : | | | | |
| Secured loans | 3 | — | | 120,326 |
| Unsecured loans | 4 | 119,944 | | 134,804 |
| | | | 119,944 | 255,130 |
| | | | 5,901,586 | 5,231,127 |
| APPLICATION OF FUNDS : | | | | |
| Fixed assets : | 5 | | | |
| Gross block | | 4,055,404 | | 3,612,316 |
| Less : depreciation | | 2,339,581 | | 2,113,276 |
| Net block | | | 1,715,823 | 1,499,040 |
| Investments | 6 | | 1,317,690 | 474,216 |
| Current assets, loans and advances : | 7 | | | |
| Inventories | | 1,353,125 | | 1,832,255 |
| Sundry debtors | | 2,347,729 | | 2,240,746 |
| Cash and bank balances | | 110,673 | | 95,364 |
| Other current assets | | 59,566 | | 86,736 |
| Loans and advances | | 417,732 | | 379,023 |
| | | 4,288,825 | | 4,634,124 |
| Less : Current liabilities and provisions : | 8 | | | |
| Current liabilities | | 938,327 | | 955,004 |
| Provisions | | 482,425 | | 421,249 |
| | | 1,420,752 | | 1,376,253 |
| Net current assets | | | 2,868,073 | 3,257,871 |
| | | | 5,901,586 | 5,231,127 |

Notes :

12

Per our report attached.

For A.F. FERGUSON & CO.,
Chartered Accountants

M.S. DHARMADHIKARI
Partner

Mumbai : June 11, 2001

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Mumbai : June 11, 2001

RAVI VENKATESAN
Chairman

J. M. RUGG
Director

M. M. GODSE
Sr. General Manager &
Company Secretary

Mumbai : June 11, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

| | Rupees '000 | Rupees '000 | <i>Previous year Rupees '000</i> |
|--|---------------|----------------|--------------------------------------|
| INCOME : | | | |
| Sale of products and other income (Schedule 9) | | 8,829,396 | <i>8,468,982</i> |
| EXPENDITURE : | | | |
| Manufacturing and other expenses (Schedule 10) | 7,103,039 | | <i>6,896,997</i> |
| Depreciation | 261,768 | | <i>245,988</i> |
| INTEREST : | | | |
| on fixed loans | 16,517 | | <i>21,611</i> |
| others | 2,657 | | <i>12,679</i> |
| | <u>19,174</u> | | <u><i>34,290</i></u> |
| | | 7,383,981 | <i>7,177,275</i> |
| PROFIT BEFORE TAXATION | | 1,445,415 | <i>1,291,707</i> |
| Taxation provision for the year, including net (excess)/short provision in Rs '000 of income tax and surtax for earlier years, (Rs. 53,885) and Rs. Nil respectively [previous year (Rs. 41,537) and Rs 161.] | | 356,115 | <i>358,624</i> |
| NET PROFIT FOR THE YEAR | | 1,089,300 | <i>933,083</i> |
| Effect of restatement of opening stocks consequent to change in basis of valuation of stocks (see note 16, Schedule 12) | | — | <i>88,242</i> |
| Balance of profit | | 1,089,300 | <i>1,021,325</i> |
| APPROPRIATIONS : | | | |
| I Proposed final dividend | | 257,400 | <i>59,400</i> |
| II Interim dividend | | — | <i>138,600</i> |
| III Additional income tax on dividend | | 26,255 | <i>28,314</i> |
| IV Transferred to general reserve | | 355,645 | <i>795,011</i> |
| Balance carried to balance sheet | | <u>450,000</u> | <u><i>—</i></u> |

Notes : Schedule 12

Per our report attached.

For A.F. FERGUSON & CO.,
Chartered Accountants

M.S. DHARMADHIKARI
Partner

Mumbai : June 11, 2001

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Mumbai : June 11, 2001

RAVI VENKATESAN
Chairman

J. M. RUGG
Director

M. M. GODSE
Sr. General Manager &
Company Secretary

Mumbai : June 11, 2001

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|--|--|
| SCHEDULE NO. 1 | | |
| SHARE CAPITAL : | | |
| Authorised : | | |
| 200,000,000 equity shares of Rs. 2 each (previous year 39,600,000 equity shares of Rs. 10 each) | 400,000 | 396,000 |
| Nil (previous year 400,000) unclassified shares of Rs.10 each | — | 4,000 |
| | <u>400,000</u> | <u>400,000</u> |
| Issued and subscribed : | | |
| 198,000,000 equity shares of Rs. 2 each (previous year 39,600,000 equity shares of Rs. 10 each) | 396,000 | 396,000 |
| | <u>396,000</u> | <u>396,000</u> |

- a) During the year, equity share of the face value of Rs. 10 each was sub-divided into five equity shares of the face value of Rs. 2 each
- b) Of the above equity shares;
- 190,500,000 shares of Rs. 2 each (previous year 38,100,000 shares of Rs.10 each) are allotted as fully paid bonus shares by capitalisation of reserves.
 - 100,980,000 shares of Rs. 2 each (previous year 20,196,000 shares of Rs. 10 each) are held by the holding company, Cummins Inc., USA.

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-----------------------------|--|--|
| SCHEDULE NO. 2 | | | |
| RESERVES AND SURPLUS : | | | |
| Capital redemption reserve account : | | | |
| Balance as per last account | | 7,000 | 7,000 |
| General reserve : | | | |
| Balance as per last account | 4,560,497 | | 3,740,486 |
| Add : transferred from : | | | |
| i) Investment allowance reserve account | 12,500 | | 25,000 |
| ii) profit and loss account | 355,645 | | 795,011 |
| | <u> </u> | 4,928,642 | 4,560,497 |
| Investment allowance reserve account : | | | |
| Balance as per last account | 12,500 | | 37,500 |
| Less : transferred to general reserve | 12,500 | | 25,000 |
| | <u> </u> | — | 12,500 |
| Profit and loss account | | 450,000 | — |
| | | <u>5,385,642</u> | <u>4,579,997</u> |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2001 Rupees '000 | <i>As at 31st March, 2000 Rupees '000</i> |
|--|--|---|
| SCHEDULE NO. 3 | | |
| SECURED LOANS : | | |
| From banks - | | |
| Secured by hypothecation of inventories, all receivables, investments (excluding investments in units of Unit Trust of India), rights, assets, etc. of the Company and second charge on immovable properties situated at Kothrud, Pune | — | <i>120,326</i> |
| | — | <i>120,326</i> |
| | <u>—</u> | <u><i>120,326</i></u> |
| SCHEDULE NO. 4 | | |
| UNSECURED LOANS : | | |
| Fixed deposits (including interest accrued and due Rs.1,300,634; <i>previous year Rs.1,244,547</i>) | 119,944 | <i>134,804</i> |
| | 119,944 | <i>134,804</i> |
| | <u>119,944</u> | <u><i>134,804</i></u> |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5

FIXED ASSETS :

(Rs.'000)

| Particulars | Gross block (at cost) as on 31st March, 2000 | Additions | Deductions | Gross block (at cost) as on 31st March, 2001 | Depreciation as per schedule 5A | Net block as on 31st March, 2001 |
|--|--|------------------------------------|----------------------------------|--|--|--|
| Land | | | | | | |
| — Freehold | 2,084 | — | — | 2,084 | — | 2,084 |
| — Leasehold | 36 | 15,376 | — | 15,412 | 20 | 15,392 |
| Roads | 5,188 | 831 | — | 6,019 | 3,966 | 2,053 |
| Buildings | 169,481* | 22,276 | — | 191,757* | 59,629 | 132,128 |
| Plant and machinery | 3,288,829 | 433,246 | 37,533 | 3,684,542 | 2,256,030 | 1,428,512 |
| Furniture and fittings | 27,813 | 6,281 | 2,155 | 31,939 | 12,239 | 19,700 |
| Vehicles | 23,956 | 7,238 | 2,124 | 29,070 | 7,697 | 21,373 |
| | <u>3,517,387</u> <u>(3,274,429)</u> | <u>485,248</u> <u>(258,147)</u> | <u>41,812</u> <u>(15,189)</u> | <u>3,960,823</u> <u>(3,517,387)</u> | <u>2,339,581</u> <u>(2,113,276)</u> | <u>1,621,242</u> <u>(1,404,111)</u> |
| Buildings, plant and machinery etc., under erection including advances for capital expenditure | | | | 94,581 (94,929) | | 94,581 (94,929) |
| | | | | <u>4,055,404</u> <u>(3,612,316)</u> | <u>2,339,581</u> <u>(2,113,276)</u> | <u>1,715,823</u> <u>(1,499,040)</u> |

NOTES:

* Includes hangar costing Rs. 119,957 owned jointly with other companies.

Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs.136,764,073 (previous year - Rs. 255,615,068).

Figures in brackets are in respect of the previous year.

SCHEDULE NO. 5 A

DEPRECIATION

(Rs.'000)

| Particulars | Depreciation upto 31st March, 2000 | Depreciation for the year | Depreciation on deductions | Total depreciation upto 31st March, 2001 |
|---------------------------|--|------------------------------------|----------------------------------|--|
| Land | | | | |
| — Freehold | — | — | — | — |
| — Leasehold | — | 20 | — | 20 |
| Roads | 3,940 | 26 | — | 3,966 |
| Buildings | 53,886 | 5,743 | — | 59,629 |
| Plant and machinery | 2,038,351 | 251,455 | 33,776 | 2,256,030 |
| Furniture and fittings | 10,812 | 2,130 | 703 | 12,239 |
| Vehicles | 6,287 | 2,394 | 984 | 7,697 |
| | <u>2,113,276</u> <u>(1,878,248)</u> | <u>261,768</u> <u>(245,988)</u> | <u>35,463</u> <u>(10,960)</u> | <u>2,339,581</u> <u>(2,113,276)</u> |

Figures in brackets are in respect of the previous year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | | | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|----------------------------------|-----------------------------|--------|--|--|
| SCHEDULE NO. 6 | | | | | |
| INVESTMENTS : | | | | | |
| Number | Face value per unit Rupees | | | | |
| LONG TERM INVESTMENTS AT COST INVESTMENT IN SUBSIDIARY COMPANIES | | | | | |
| Fully paid equity shares | | | | | |
| | | Cummins Diesel Sales and | | | |
| 600,000 | 100 | Service (India) Limited | 19,061 | | 19,061 |
| 3,968,380 | 10 | Cummins Infotech Limited # | 39,684 | | 4,801 |
| | | Cummins Power Solutions | | | |
| 4,500,100 | 10 | Limited | 45,001 | | — |
| 500,000 | 10 | Power Systems India Limited | 5,000 | | 2,250 |
| | | | | 108,746 | 26,112 |
| TRADE INVESTMENTS | | | | | |
| Fully paid ordinary/ equity shares | | | | | |
| | | Nelson Engine Systems | | | |
| 2,000,000 | 10 | India Limited | 20,000 | | 20,000 |
| | | The Shamrao Vithal | | | |
| 1,000 | 25 | Co-operative Bank Limited | 25 | | 25 |
| | | The Saraswat Co-operative | | | |
| 1,000 | 10 | Bank Limited | 10 | | 10 |
| | | Housing Development * | | | |
| 60,000 | 10 | Finance Corporation Limited | 1,575 | | 1,575 |
| | | HDFC Bank Limited * | | | |
| 500 | 10 | | 5 | | 5 |
| | | | | 21,615 | 21,615 |
| OTHER THAN TRADE INVESTMENTS | | | | | |
| Units in Unit Trust of India | | | | | |
| Units in Venture | | | | | |
| Capital Units Scheme, | | | | | |
| 2,240 | 100 | 1990 (VECAUS II) | 224 | | 448 |
| | | Carried forward | | 130,361 | 47,727 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|--|----------------------------------|---|--|--|
| SCHEDULE NO. 6 (Contd.) | | | | |
| Number | Face value per unit Rupees | | | |
| | | Brought forward | 130,361 | 47,727 |
| 250,000 | 10 | Under Institutional Investors' Special Fund Unit scheme, 1998 | 2,500 | 2,500 |
| 15,854,108 | 10 | Under Unit Scheme, * 1964 | 198,831 | 223,913 |
| | | | 201,555 | 226,861 |
| TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS | | | | |
| 30,000 | 1,000 | 10.5% Housing & Urban * Development Corporation Limited | 30,945 | 51,430 |
| — | — | 9% Housing & Urban * Development Corporation Limited | — | 19,730 |
| 100 | 100,000 | 10.25 % Nuclear Power * Corporation Limited | 10,140 | 10,140 |
| — | — | 9 % Power Finance * Corporation Limited | — | 19,914 |
| 100 | 100,000 | 10.5 % Nuclear Power * Corporation Limited | 10,930 | — |
| 60,000 | 1,000 | 9% Indian Railway Finance * Corporation Limited | 60,340 | 67,934 |
| 9,550 | 1,000 | 10.5% Indian Railway Finance * Corporation Limited | 9,999 | — |
| 90,000 | 1,000 | 10.5% Konkan Railway * Corporation Limited | 93,180 | 30,480 |
| | | | 215,534 | 199,628 |
| | | Carried forward | 547,450 | 474,216 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|---|--|--|
| SCHEDULE NO. 6 (Contd.) | | | |
| Face value per unit Number Rupees | | | |
| | Brought forward | 547,450 | 474,216 |
| | GOVERNMENT OF INDIA BONDS | | |
| | 6.5% Government of India 2002 * (Face Value Rs.50,000,000) | 47,365 | — |
| | 12.30% Government of India 2016 * (Face Value Rs.50,000,000) | 55,260 | — |
| | 11.10% Government of India 2003 * (Face Value Rs.50,000,000) | 51,875 | — |
| | | 154,500 | — |
| | Total Long term investments (A) | 701,950 | 474,216 |
| | CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS | | |
| | Treasury Bills * (Face Value Rs.405,000,000) | 380,358 | — |
| | UNITS OF MUTUAL FUNDS | | |
| | Debt Fund | | |
| 1,301,762 | 10 Templeton Income Fund Growth | 21,134 | |
| 775,452 | 10 Prudential ICICI Income Fund Growth | 10,438 | |
| 1,639,842 | 10 Birla Sun Life Income Fund Growth | 31,082 | |
| 285,714 | 10 JM Mutual Liquid Fund Growth | 5,000 | |
| 952,562 | 10 HDFC Income Fund Growth | 10,000 | |
| 648,508 | 10 Kothari Pioneer Income Builder | 10,000 | |
| 324,465 | 10 Zurich India High Interest Fund Growth | 5,000 | |
| 643,915 | 10 Alliance Liquid Income | 10,000 | |
| | | 102,654 | — |
| | Liquid Fund | | |
| 791,095 | 10 Reliance Liquid Fund- Treasury Plan-Growth | 10,000 | |
| 1,038,790 | 10 JM Mutual High Liquid Fund | 15,000 | |
| | Kotak Mahindra Liquid Scheme | | |
| 1,054,301 | 10 Growth | 11,021 | |
| 2,545,854 | 10 Templeton Liquid Fund Growth | 33,066 | |
| 770,776 | 10 Birla Sun Life Cash Plus Growth | 10,862 | |
| 3,988 | 1000 Alliance Cash Manager -Growth | 5,134 | |
| 1,450,630 | 10 HDFC Liquid Fund | 15,045 | |
| 2,528,151 | 10 Prudential ICICI Liquid Fund | 32,600 | |
| | | 132,728 | — |
| | Total Current Investments (B) | 615,740 | — |
| | Total Investments (A+B) | 1,317,690 | 474,216 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|--|--|
| SCHEDULE NO. 6 (Contd.) | | |
| Aggregate cost of quoted investments | 950,803 | 425,121 |
| Aggregate market value of quoted investments | 1,021,030 | 478,389 |
| Aggregate cost of unquoted investments | 366,887 | 49,095 |
| * quoted investments # Company under the same management | | |

| Notes : | Nos. | Face Value (Rs.) | Cost (Rs.) |
|---|-----------|---------------------|---------------|
| I) Sale / Redemption :- | | | |
| 10.5% Housing & Urban Development Corporation Limited | 20,000 | 20,000,000 | 20,485,000 |
| 9% Housing & Urban Development Corporation Limited | 20,000 | 20,000,000 | 19,730,000 |
| 9% Power Finance Corporation Limited | 20,000 | 20,000,000 | 19,914,000 |
| 9% Indian Railway Finance Corporation Limited | 48,000 | 48,000,000 | 47,953,500 |
| Units in Venture Capital Units Scheme, 1990 (VECAUS II) | 2,240 | 224,000 | 224,000 |
| Units in Unit Scheme 1964 | 2,000,000 | 20,000,000 | 25,082,587 |
| II) Purchased and sold / redeemed during the year :- | | | |
| Treasury bills | — | 1,135,000,000 | 1,115,213,655 |
| Government of India Bonds 11.40% GOI 2000 | — | 80,000,000 | 80,216,000 |
| Commercial Paper GE Capital Fund | — | 50,000,000 | 48,367,900 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

| Notes : | Nos. | Face Value (Rs.) | Cost (Rs.) |
|--|-----------|---------------------|---------------|
| Units in Mutual Fund | | | |
| Templeton | | | |
| - Liquid Fund Growth | 840,534 | 8,405,340 | 10,000,000 |
| - Liquid Fund Re-investment | 999,680 | 9,996,800 | 10,000,000 |
| - India Govt. Securities Fund Growth | 860,955 | 8,609,550 | 10,000,000 |
| - Income Fund Growth | 1,306,335 | 13,063,350 | 20,000,000 |
| Prudential ICICI | | | |
| - Liquid Fund Re-investment | 844,765 | 8,447,650 | 10,000,000 |
| - Gilt Fund Treasury Plan-Growth | 899,337 | 8,993,370 | 10,000,000 |
| - Income Fund Growth | 1,574,803 | 15,748,030 | 20,000,000 |
| Birla Sun Life | | | |
| - Cash Plus Growth | 768,403 | 7,684,030 | 10,000,000 |
| - Cash Plus Dividend Re-investments | 808,865 | 8,088,650 | 10,000,000 |
| - Income Fund Plan B (Growth) | 556,483 | 5,564,830 | 10,000,000 |
| Kotak Mahindra | | | |
| - K Gilt Investment Plan-Growth | 834,515 | 8,345,150 | 10,000,000 |
| Alliance | | | |
| - Cash Manager Growth | 42,840 | 42,840,000 | 55,000,000 |
| HDFC | | | |
| - Liquid Fund | 3,374,600 | 33,746,000 | 35,000,000 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|--|-------------|--|--|
| SCHEDULE NO. 7 | | | |
| CURRENT ASSETS, LOANS AND ADVANCES : | | | |
| Inventories : | | | |
| Stores and Spares | | 50,956 | 49,802 |
| Loose tools and gauges | | 53,312 | 46,157 |
| Stock-in-trade : | | | |
| Raw materials and components | 765,159 | | 1,119,041 |
| Work-in-progress | 426,530 | | 432,319 |
| Finished goods | 3,375 | | 2,915 |
| Materials in transit | 53,793 | | 182,021 |
| | | 1,248,857 | 1,736,296 |
| | | 1,353,125 | 1,832,255 |
| Sundry debtors : Unsecured | | | |
| (See note 5(a), Schedule 12) | | | |
| Debts outstanding for a period exceeding six months | | | |
| Considered good | 39,142 | | 14,146 |
| Considered doubtful | 22,982 | | 20,982 |
| | 62,124 | | 35,128 |
| Other debts - | | | |
| Considered good | 2,308,587 | | 2,226,600 |
| Considered doubtful | 2,428 | | — |
| | 2,373,139 | | 2,261,728 |
| Less: Provision for doubtful debts | 25,410 | | 20,982 |
| | | 2,347,729 | 2,240,746 |
| Cash and bank balances : | | | |
| Cash on hand | 185 | | 167 |
| Balances with scheduled banks : | | | |
| on current account | 90,119 | | 80,207 |
| on deposit account | 20,369 | | 14,990 |
| | | 110,673 | 95,364 |
| Carried forward | | 3,811,527 | 4,168,365 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | <i>As at 31st March, 2000 Rupees '000</i> |
|---|-------------|--|---|
| SCHEDULE NO. 7 (Contd.) | | | |
| Brought forward | | 3,811,527 | <i>4,168,365</i> |
| Other current assets : | | | |
| Interest accrued on investments | 10,777 | | <i>4,777</i> |
| Other receivables | 48,789 | | <i>81,959</i> |
| | | 59,566 | <i>86,736</i> |
| Loans and advances : Unsecured | | | |
| Considered good : | | | |
| Advances recoverable in cash or in kind or for value to be received. (See note 5(b), Schedule 12) | | | |
| Balance with Excise Department | 309,213 | | <i>273,850</i> |
| Taxation (net of provisions) | 43 | | <i>2,425</i> |
| | 108,476 | | <i>102,748</i> |
| | | 417,732 | <i>379,023</i> |
| | | 4,288,825 | <i>4,634,124</i> |
| SCHEDULE NO. 8 | | | |
| CURRENT LIABILITIES AND PROVISIONS : | | | |
| Current liabilities : | | | |
| Acceptances | 260,393 | | <i>227,770</i> |
| Sundry Creditors (See notes 5(c) and 14, Schedule 12) | 665,974 | | <i>715,552</i> |
| Advances from customers | 1,011 | | <i>524</i> |
| Unclaimed dividends | 3,467 | | <i>2,989</i> |
| Interest accrued but not due on loans | 7,482 | | <i>8,169</i> |
| | | 938,327 | <i>955,004</i> |
| Provisions : | | | |
| Proposed final dividend | 257,400 | | <i>59,400</i> |
| Interim dividend | — | | <i>138,600</i> |
| Additional income tax on dividend | 26,255 | | <i>28,314</i> |
| Pension and leave entitlement | 65,697 | | <i>61,395</i> |
| Others | 133,073 | | <i>133,540</i> |
| | | 482,425 | <i>421,249</i> |
| | | 1,420,752 | <i>1,376,253</i> |

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Rupees '000 | Rupees '000 | Previous year Rupees '000 |
|--|-------------|-------------|------------------------------|
| SCHEDULE NO. 9 | | | |
| SALE OF PRODUCTS AND OTHER INCOME : | | | |
| Sales | | 8,632,428 | 8,289,901 |
| Less : Commission | 29,794 | | 31,682 |
| Discount | — | | 1 |
| | | 29,794 | 31,683 |
| | | 8,602,634 | 8,258,218 |
| Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. 684,668; previous year Rs. 2,329,849) | | 24,684 | 20,639 |
| Miscellaneous income (including testing charges Rs. 30,588,458; previous year Rs 9,123,650) | | 91,861 | 51,204 |
| Export benefits - duty drawback etc. | | 15,167 | 75,152 |
| Income from investments | | | |
| Long Term investments | | | |
| Trade investments | 548 | | 1,117 |
| Other investments | 47,884 | | 41,768 |
| Dividend from subsidiary | 9,000 | | 9,000 |
| | 57,432 | | 51,885 |
| Current investments - other than trade | 1,970 | | 1,105 |
| | | 59,402 | 52,990 |
| Gain on sale / redemption of investments | | | |
| Long term investments | 3,654 | | 41 |
| Current investments | 30,118 | | 10,738 |
| | | 33,772 | 10,779 |
| Net gain on fixed assets sold or discarded | | 1,876 | — |
| | | 8,829,396 | 8,468,982 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Rupees '000 | Rupees '000 | <i>Previous year Rupees '000</i> |
|---|-------------|-------------|--------------------------------------|
| SCHEDULE NO. 10 | | | |
| MANUFACTURING AND OTHER EXPENSES : | | | |
| Raw materials and components consumed | | 5,189,411 | 5,180,434 |
| Purchase of goods for resale (See note 6(d), Schedule 12) | | 14,682 | 54,698 |
| Payments to and provision for employees : | | | |
| Salaries, wages, bonus, commission, etc. | 589,217 | | 576,008 |
| Company's contribution to provident and other funds | 73,203 | | 71,857 |
| Welfare expenses | 60,632 | | 51,122 |
| | | 723,052 | 698,987 |
| Operation and other expenses : | | | |
| Stores, spares, consumable materials, etc. | 249,616 | | 220,231 |
| Tools and gauges | 46,092 | | 37,108 |
| Repairs to buildings | 35,514 | | 19,076 |
| Repairs to machinery | 32,240 | | 28,005 |
| Other repairs | 20,072 | | 15,007 |
| Power and fuel | 159,239 | | 137,680 |
| Rent | 2,817 | | 1,632 |
| Rates and taxes | 32,069 | | 29,643 |
| Insurance | 18,598 | | 21,432 |
| Outside processing charges | 206,372 | | 189,338 |
| Other expenses (see note 15, Schedule 12) | 308,856 | | 255,471 |
| Donations and contributions | 10,743 | | 4,796 |
| Net loss on fixed assets sold or discarded | — | | 974 |
| | | 1,122,228 | 960,393 |
| Royalties | | 73,183 | 47,813 |
| (Increase)/decrease in inventories of finished goods and work-in-progress : | | | |
| Closing inventories : | | | |
| Finished goods | 3,375 | | 2,915 |
| Work-in-progress | 426,530 | | 432,319 |
| | | 429,905 | 435,234 |
| Opening inventories : | | | |
| Finished goods | 2,915 | | 7,956 |
| Work-in-progress | 432,319 | | 313,279 |
| | | 435,234 | 321,235 |
| | | 5,329 | (113,999) |
| | | 7,127,885 | 6,828,326 |
| Less : cost of plant and machinery manufactured | | 24,846 | 19,571 |
| Add : Effect of restatement of opening stocks consequent to change in basis of valuation of stocks (see note 16, Schedule 12) | | — | 88,242 |
| | | 7,103,039 | 6,896,997 |

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Rupees '000 | Rupees '000 | Previous year Rupees '000 |
|--|-------------|-------------|------------------------------|
| SCHEDULE NO. 11 | | | |
| Computation of net profits in accordance with section 309(5) of the Companies Act, 1956 | | | |
| Particulars | | | |
| Profits before tax as per profit and loss account | | 1,445,415 | 1,291,707 |
| Add : Directors' remuneration | | | |
| (including managing director) | 6,302 | | 4,500 |
| Depreciation provided in books | 261,768 | | 245,988 |
| Net profit on fixed assets sold or discarded under section 350 of the Companies Act, 1956 | 1,876 | | 1,134 |
| Net loss on fixed assets sold or discarded as per schedule 10 | — | | 974 |
| Wealth tax | 300 | | 300 |
| Provision for doubtful debts and advances | 4,428 | | 11,503 |
| | | 274,674 | 264,399 |
| Less: Depreciation under section 350 of the Companies Act, 1956 | 261,768 | | 256,353 |
| Net profit on fixed assets sold or discarded as per schedule 9 | 1,876 | | — |
| Profit on redemption/sale of investments | 33,772 | | 10,779 |
| Surtax (short provision for earlier years) | — | | 161 |
| | | 297,416 | 267,293 |
| Net Profits as per section 309(5) | | 1,422,673 | 1,288,813 |
| Commission payable to Managing Director and Whole time directors restricted to | | 449 | 1,274 |

SCHEDULE NO. 12

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

1. Statement of significant accounting policies

a) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition or construction less depreciation. All significant costs relating to the 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 and exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets.
- ii) The Company had incurred in certain prior years, financing cost incidental to acquisition of fixed assets. On the basis of advise and its view regarding the interpretation of the Accounting Standard 10 of the Institute of Chartered Accountants of India on Accounting for Fixed Assets (which made a pronouncement on the capitalisation of financing costs) and on the basis of the International Accounting Standard 23 (revised) issued by the International Accounting Standards Committee, the Company did not capitalise such costs in earlier years. The consequential impact on account of treatment of such costs in earlier years is that the profit for the year would have been lower by Rs. 3.09 million and net fixed assets and reserves would have been higher by Rs. 4.01 million, had such costs been capitalised.
- iii) No such financing costs were incurred during the year which require capitalisation.
- iv) 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. Data processing machines are depreciated over four years. Leasehold land is amortised over the period of lease.

b) Investments

All long term investments are stated at cost. Current investments are stated at cost or fair value, whichever is lower.

c) Inventories

Inventories are stated at lower of cost and net realisable value. The material costs are determined on weighted average basis and the valuation of manufactured goods includes the combined cost of material, labour and all manufacturing overheads.

d) Foreign currency transactions (other than for fixed assets)

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities outstanding at the year end are stated at the closing rate, and where applicable, at the exchange rates under related forward exchange contracts. Foreign exchange differences arising out of changes in foreign exchange rates are appropriately recognised in the profit and loss account.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

e) Revenue recognition

- i) Sale of goods is recognised on shipment to customers. Sales exclude amounts recovered towards excise duty and sales tax.
- ii) Dividend income from investments is recognised when the right to receive payment is established. Dividend from the subsidiary companies declared after the year end is accounted during the year as required by Schedule VI of the Companies Act, 1956.

f) Research and development costs

Research and development expenditure of a capital nature is added to Fixed Assets. All other research and development expenditure is written off in the year in which it is incurred.

g) Retirement benefits

Retirement benefits to employees comprise of payments to gratuity, superannuation and provident funds under the approved schemes of the Company. Annual contributions to gratuity funds and liabilities towards superannuation are determined on the basis of actuarial valuations by actuaries.

h) Leave encashment entitlement

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

i) Product warranty and New Engine Performance Inspection fees

Product warranty costs and New Engine Performance Inspection fees are accrued in the year of sale of products, based on past experience and are disclosed as under :

- i) Cost of product warranty is included in 'raw materials and components consumed' for free replacement of spares; and 'other expenses' for accrual for warranties.
- ii) New Engine Performance Inspection fee is included under 'other expenses'.

2. Managerial remuneration is Rs. 6,377,485 (*previous year Rs. 4,514,474*); including commission (see schedule 11) Rs.448,813 (*previous year Rs. 1,274,193*) and directors' fees Rs.75,000 (*previous year Rs. 14,000*). Of the above remuneration, Rs.1,692,112 (*previous year Rs. 1,286,517*) is subject to the approval of the shareholders.

3. Remuneration to auditors

| | Rupees '000 | <i>Previous year Rupees '000</i> |
|---|--------------|--------------------------------------|
| Audit fees | 3,402 | <i>2,520</i> |
| Other services | 2,365 | <i>122</i> |
| Reimbursement of out of pocket expenses | 314 | <i>104</i> |
| | <u>6,081</u> | <u><i>2,746</i></u> |

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.**

4. Contingent liabilities

| | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|--|--|
| a) Bills discounted but not matured | — | 6,285 |
| b) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company | 26,763 | 26,769 |
| c) Central excise duty/customs duty – demands not accepted by the Company | 10,391 | 10,827 |
| d) Civil liability / secondary civil liability in respect of suits filed against the Company | 401 | 401 |
| e) Guarantees given on behalf of subsidiary company to its bankers | 21,820 | — |
| f) Matters concerning sections 297/299 of the Companies Act, 1956 | Amounts if any, not ascertainable | Amounts if any, not ascertainable |
| g) Claims against the Company not acknowledged as debts and Customs Show Cause Notices against the Company | Amounts if any, not ascertainable | Amounts if any, not ascertainable |
| h) Advances include Rs.1,696,136 (<i>previous year Rs. 1,696,136</i>) in respect of which a third party has made claims against the Company, which are not acknowledged as debts by the Company. | | |
| 5. a) Sundry debtors include Rs.7,552,535 (<i>previous year Rs. 5,254,535</i>) due from Tata Cummins Limited, a company under the same management. | | |
| b) Advances recoverable include | | |
| i) amounts due from directors Rs. Nil (<i>previous year Rs. 581,266</i>); maximum amount due during the year Rs. 581,266 (<i>previous year Rs. 723,099</i>). | | |
| ii) a deposit of Rs.Nil (<i>previous year Rs. 2,000,000</i>) placed with Cummins Diesel Sales and Service (India) Ltd., a subsidiary company. | | |
| iii) an intercorporate deposit of Rs. 2,500,000 (<i>previous year Rs. 2,500,000</i>) placed with Power Systems India Ltd., a subsidiary company. | | |
| iv) share application money paid to Power Systems India Ltd. amounting to Rs.Nil (<i>previous year Rs. 2,750,000</i>), a subsidiary company. | | |
| v) share application money paid to Cummins Power Solutions Ltd. amounting to Rs. 24,900,000 (<i>previous year Rs. Nil</i>), a subsidiary company. | | |
| vi) amounts due from Cummins Infotech Limited amounting to Rs. 175,871 (<i>previous year Rs. Nil</i>), a subsidiary company which is also a company under the same management; maximum amount outstanding during the year Rs. 1,011,488 (<i>previous year Rs. Nil</i>). | | |

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

c) Sundry creditors include –

| | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|---|---|
| i) Amounts due to directors | 15 | 26 |
| ii) Amounts due to small scale industrial undertakings | 32,514 | 16,493 |

6. a) Quantitative information in regard to licensed and installed capacity and production -

| | Licensed capacity Nos. | Installed ** capacity Nos. | Production Nos. |
|---|---------------------------|-------------------------------|--------------------|
| Internal Combustion engines in all H.P. ranges except those reserved for Small Scale Industries | 8,000 (8,000) | 12,000 (12,000) | 8,539 (9,148) |
| Generating sets powered by Internal Combustion Engines | 640 (640) | 100 (100) | 21 (12) |
| Hydraulic Governors (see note (ii) below) | 3,000 (3,000) | — (—) | 48 (34) |
| Machine tools including special purpose machines and transfer lines | 50* (50)* | 10 (10) | — (—) |
| Manufactured components (see note (ii) below) (Nos. million) | — (—) | — (—) | 1.344 (1.178) |

* Exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 in terms of notification No.S.O.477(E) dated July 25, 1991. Prescribed Memoranda, for the purpose of record, have been filed with Secretariat for Industrial Approvals (SIA), Department of Industrial Development, Ministry of Industry, Government of India. The capacity indicated is as disclosed in the respective memorandum.

** On triple shift basis including capacity for manufacture of components, as certified by management and relied on by the auditors. The installed capacity is subject to product mix, utilisation of plant and machinery which is common for different models and availing of sub-contracting facilities.

Notes :

- i) Production includes :
 - a) engines captively consumed 21 nos. (previous year 12 nos.);
 - b) engine capitalised Nil (previous year 1 no.).
- ii) Production quantities represent the number of components sold during the year, as the Company considers a component as 'meant for sale' only when it is actually sold.
- iii) Previous year's figures are indicated in brackets.

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.**

b) Turnover, opening and closing stocks :

| | Sale | | Stocks | | | |
|--|-------------------|--|--------------------|--------------------------------|-----------------|--------------------------------|
| | Qty. Nos. | Value Rs.'000 | Opening Nos. | Rs. '000 | Closing Nos. | Rs. '000 |
| Internal Combustion Engines | 8,517* (9,134) | 6,541,560 (6,417,905) | 17 (21) | 2,414 (6,809) | 18** (17) | 2,477 (2,414) |
| Generating sets | 17 (13) | 26,884 (13,112) | 2 (3) | 415 (1,147) | 6 (2) | 898 (415) |
| Hydraulic governors | 48 (34) | 1,275 (900) | See note (i) below | | | |
| Goods for resale : | | | | | | |
| Engineering components and accessories | | | | | | |
| Radiators | 784 (310) | 7,879 (9,673) | 101 (—) | 86 (—) | — (101) | — (86) |
| Others | | 7,816 (40,451) | | — (—) | | — (—) |
| Other items | | — (8,644) | | — (—) | | — (—) |
| Spare parts accessories and components | | 2,047,014 (1,799,216) | See note (i) below | | | |
| | | <u>8,632,428</u> <u>(8,289,901)</u> | | <u>2,915</u> <u>(7,956)</u> | | <u>3,375</u> <u>(2,915)</u> |

* excludes engines given as free replacement Nil (previous year 2 nos.).

** excluding engines scrapped Nil (previous year 3 nos.).

Notes :

- The Company considers a component as 'meant for sale' only when it is actually sold and hence no stocks are indicated;
- Previous year's figures are indicated in brackets.

c) Details of raw materials and components consumed

| | Rs '000 | Previous year Rs.'000 |
|--|------------------|--------------------------|
| i) Steel (M.tonnes 1,657; previous year 1,588) | 80,279 | 57,672 |
| ii) Mild steel scrap (M.tonnes 612; previous year 801) | 4,896 | 6,376 |
| iii) Castings – various | 442,778 | 541,605 |
| iv) Forgings – various | 413,106 | 469,888 |
| v) Components | 3,853,886 | 3,762,456 |
| vi) Others including semi-finished components | 394,466 | 342,437 |
| | <u>5,189,411</u> | <u>5,180,434</u> |

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

Notes :

- i) As the Company maintains its records in quantity only, the value figures shown are balancing figures, ascertained on the basis of opening stock, purchases and closing stock.
- ii) Item (v) includes -
 - a) the cost of accessories sold and cost of purchased components sold as spare parts (for the goods manufactured and sold by the Company), this activity being ancillary to the Company's manufacturing activity, and
 - b) the cost of purchased components issued as free replacements under the Company's warranty for goods sold.
- iii) The above figures are after adjustment of excesses and shortages ascertained on physical count and write off of obsolete and other items.

d) Details of purchase of goods for resale :

| | Qty. Nos. | Value Rs.'000 | Previous year Qty. Nos. | Value Rs.'000 |
|--|--------------|------------------|-------------------------------|------------------|
| Engineering components and accessories | | | | |
| Radiators | 683 | 7,310 | 411 | 9,794 |
| Others | | 7,372 | | 37,758 |
| Other items | | — | | 7,146 |
| | | <u>14,682</u> | | <u>54,698</u> |

e) Value of imported and indigenous raw materials and components consumed :

| | Rupees '000 | % | Previous year Rupees '000 | % |
|-----------------------|------------------|---------------|------------------------------|---------------|
| Imported | 2,207,002 | 42.53 | 2,436,705 | 47.04 |
| Indigenously procured | 2,982,409 | 57.47 | 2,743,729 | 52.96 |
| | <u>5,189,411</u> | <u>100.00</u> | <u>5,180,434</u> | <u>100.00</u> |

Notes :

- i) See comments in note 6(c) above.
- ii) The item 'spare parts' in paragraph 4 D(c) of Part II to Schedule VI of the Companies Act, 1956 is interpreted to mean components used in the manufacture of finished products or sold as such and not spare parts used for repairs and maintenance of machinery.

7. Value of imports calculated on CIF basis :

| | Rupees '000 | Previous year Rupees '000 |
|------------------------|-------------|------------------------------|
| a) Raw materials | 1,034 | 2,339 |
| b) Components | 1,450,836 | 2,283,133 |
| c) Machinery spares | 13,366 | 12,573 |
| d) Capital goods | 165,326 | 62,409 |
| e) Tools, stores, etc. | 12,491 | 10,974 |

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.**

**8. Expenditure in foreign currencies (subject to deduction of tax where applicable) on
accrual basis :**

| | Rupees '000 | <i>Previous year Rupees '000</i> |
|--|-------------|--------------------------------------|
| a) Royalty | 73,183 | 47,813 |
| b) Other matters (including travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.) | 10,424 | 11,719 |

**9. Remittances during the year in foreign currency on account of dividend to non-resident
shareholders were as follows -**

| | | <i>Previous year</i> |
|--|------------|----------------------|
| Number of shareholders | 1 | 1 |
| Number of equity shares (shares of Rs.10 each) | 20,196,000 | 20,196,000 |
| Amount remitted Rs.'000 | | |
| For the year ended 31st March, 2000 | 100,980 | — |
| For the year ended 31st March, 1999 | — | 80,784 |

The above information pertains to the non-resident shareholder to whom direct remittance has been made by the Company.

10. Earnings in foreign exchange :

| | Rupees '000 | <i>Previous year Rupees '000</i> |
|--|-------------|--------------------------------------|
| i) Export on FOB basis | 2,853,270 | 2,747,562 |
| ii) Recovery of freight, insurance etc. on exports | 10,450 | 18,319 |
| iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.) | 24,380 | 9,124 |
| iv) Interest | 143 | 259 |

**11. Research and development expenses aggregating Rs. 99,673,630, including Rs.13,221,221
on capital account (*previous year Rs.95,306,689, including Rs.11,678,154 on capital account*)
have been incurred by the Company which are disclosed under the appropriate account heads.
The expenses disclosed above include expenses incurred on development of parts, etc.**

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

12. The net exchange differences (gains/(losses)) arising during the year :
- i) Appropriately recognised in the profit and loss account – Rs.14,612,936 (*previous year Rs.2,890,161*)
 - ii) Adjusted to the carrying amount of fixed assets - Rs.209,115 (*previous year Rs.271,923*)
13. Future obligations as per lease agreements in respect of assets taken on finance lease is Rs. 2,253,543 (*previous year Rs.3,454,211*). Lease rent of Rs. 9,146,650 (*previous year Rs. 10,872,814*) has been debited to the profit and loss account.
14. The small scale industrial undertakings to whom the Company owes a sum exceeding Rs.0.1 million which is outstanding for more than 30 days are as follows:-

| | |
|---|-------------------------------------|
| A.A. Enterprises | Micro Pins |
| Amar Industries | Machgran |
| Arnimech Products Pvt. Ltd. | Megami Engineers |
| Arya Electronics | Mercury Fittings (P) Ltd. |
| Asea Engineering | Nagpure Industries |
| Ashok Industry | P.G. Herekar |
| Bright Engineering Works | Paramount Seals & Packings |
| Budhale & Budhale | Paranjape Autocast Pvt. Ltd. |
| Caltherm Thermostats | Precifab |
| Continuous Stationery Pvt. Ltd. | Precision Industries |
| Cougar Paints Private Ltd. | Precision Rubber Co. |
| Coupling Engineering | Purwesh Enterprises |
| D P Industries | R.K.Control Instruments |
| Delta Corporation | Rahul Engg. Corporation |
| Dispotronics | Ramps Engineers |
| Emulsichem Lubricant | Ravian Industries |
| Fabricast | Rico |
| Fluid Dynamics Pvt. Ltd. | Rohana Industries |
| Gargi Huttenes Alber | Rotadyne Tools Private Ltd. |
| Gears & Transmissions | S Square Industries |
| General Machine Tool | Samarth Engineering |
| Harihar Engineering Works | Shri Ganesh Fabrications |
| Honeyco Engineers & Contractors | Shriram Engineers |
| Hy-Power Clamps Pvt. Ltd. | Shriram Rubber Products |
| Industrial Products | Smash Controls |
| Industrial Valves | Space 'N'style |
| J.D.Panse | Spark Engineering |
| Jupiter Industrial Works | Superflex Engg.& Polymers Pvt. Ltd. |
| Kayparts Engineering | Suyash Electrials |
| Kivi Products | Talab Fabricators |
| Laxmi Engineering Works | Trimurti Enterprises |
| Logoman Airconditioning Systems Pvt. Ltd. | Tuljabhavani Enterprises |
| M. D. Industries | Vako Seals |
| M. H. Industries | |

For the information given above and in note 5(c)(ii), the small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2001 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.**

- 15.** Other expenses include provision for doubtful debts Rs. 4,428,265 (*previous year Rs.11,502,685*).
- 16.** The Company had changed the basis of valuation of inventories in the previous year from the periodic last in, first out basis for material cost and including labour and variable manufacturing overheads for finished goods and work-in-progress to the annual weighted average basis and including labour and fixed and variable manufacturing overheads respectively to conform with the revised mandatory Accounting Standard 2 (AS-2) on Valuation of Inventories.

The opening inventories of the previous year were restated on the revised basis and the effect amounting to Rs. 88,241,924 had been credited to the profit and loss account after disclosing the "net profit for the year" .
- 17.** Where figures have been rounded to the nearest thousand, specific indication has been given.
- 18.** Previous year's figures have been regrouped/recast wherever necessary.

Signatories to Schedules 1 to 12.

M.M. GODSE
Sr.General Manager &
Company Secretary

J. M. RUGG
Director

RAVI VENKATESAN
Chairman

Mumbai : June 11, 2001

Cummins India Limited

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) dated 15th May, 1995 :

I. REGISTRATION DETAILS :

| | |
|--------------------|--------------------|
| Registration No. | : 12276 |
| State Code | : 11 |
| Balance sheet date | : 31st March, 2001 |

Rupees '000

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2001 :

| | |
|-------------------|---|
| Public issue | — |
| Right issue | — |
| Bonus issue | — |
| Private placement | — |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2001 :

| | |
|--------------------------------|-----------|
| Total liabilities (see note 2) | 5,901,586 |
|--------------------------------|-----------|

| | |
|--------------|-----------|
| Total assets | 5,901,586 |
|--------------|-----------|

Sources of funds -

| | |
|-------------------|-----------|
| Paid-up capital | 396,000 |
| Reserve & surplus | 5,385,642 |
| Secured loans | — |
| Unsecured loans | 119,944 |

| | |
|-------|-----------|
| Total | 5,901,586 |
|-------|-----------|

Application of funds -

| | |
|---------------------------|-----------|
| Net fixed assets | 1,715,823 |
| Investments | 1,317,690 |
| Net current assets | 2,868,073 |
| Miscellaneous expenditure | — |
| Accumulated losses | — |

| | |
|-------|-----------|
| Total | 5,901,586 |
|-------|-----------|

**IV. PERFORMANCE OF THE COMPANY FOR THE YEAR
ENDED 31ST MARCH, 2001 :**

| | Rupees '000 |
|---|-------------|
| i) Turnover (net sales and other income as per the audited profit and loss account) | 8,829,396 |
| ii) Total Expenditure | 7,383,981 |
| iii) Profit before tax | 1,445,415 |
| iv) Profit after tax | 1,089,300 |
| v) Earning per share (See note 3) (face value of Rs. 2) | 5.50 |
| vi) Dividend rate (%) | 65% |

V. PRODUCTS OF THE COMPANY

Generic Names of Three Principal Products / Services of company :
(As per monetary terms)

| Item code No. (ITC Code) | Product description |
|-----------------------------|--|
| 8408.90 | Compression ignition internal combustion engines |
| 8409.99 | Components parts of compression ignition internal combustion engines |

Notes :

1. The above particulars should be read alongwith the balance sheet as at 31st March, 2001, the profit and loss account for the year ended on that date and the schedules forming part thereof.
2. Total liabilities include share capital Rs. 396 million and reserves and surplus Rs. 5,386 million.
3. Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

| | Rupees '000 | Rupees '000 | Previous year Rupees '000 |
|--|-------------|-------------|------------------------------|
| I. Cash flows from operating activities : | | | |
| Cash generated from operations (see note 1) | 1,993,244 | | 773,497 |
| Tax paid (net of refunds) | (361,158) | | (407,779) |
| Net cash provided by operating activities | | 1,632,086 | 365,718 |
| II. Cash flows from investing activities : | | | |
| Fixed assets (See note 2) | | | |
| Purchase | (502,667) | | (289,641) |
| Sale | 8,225 | | 3,255 |
| Interest received | 22,199 | | 20,560 |
| Dividend received | 46,053 | | 61,640 |
| Investments | | | |
| Purchase | (2,440,660) | | (505,900) |
| Sale/redemption | 1,630,958 | | 489,907 |
| Net cash used for investing activities | | (1,235,892) | (220,179) |
| III. Cash flows from financing activities : | | | |
| Export packing credit (net) | (120,326) | | 120,326 |
| Repayment of fixed deposits (net) | (14,918) | | (32,831) |
| Interest paid | (19,805) | | (41,447) |
| Dividend paid (including tax on dividend) | (225,836) | | (175,071) |
| Net cash used for financing activities | | (380,885) | (129,023) |
| IV. Translation gain on foreign currency cash and cash equivalents | | — | 132 |
| V. Net change in cash and cash equivalents (I+II+III+IV) | | 15,309 | 16,648 |
| VI. Cash and cash equivalents at the beginning of the year (See note 3) | | 95,364 | 78,716 |
| Cash and cash equivalents at the end of the year (V+VI) (See note 3) | | 110,673 | 95,364 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001 (Contd.)

| | Rupees '000 | Rupees '000 | Previous year Rupees '000 |
|---|-------------|-----------------|------------------------------|
| Notes : | | | |
| 1) Cash generated from operations has been arrived at as follows : | | | |
| Net profit before tax | | 1,445,415 | 1,291,707 |
| Adjustments for - | | | |
| a) Non cash item /items required to be disclosed separately :- | | | |
| Depreciation | 261,768 | | 245,988 |
| Interest expense | 19,174 | | 34,290 |
| Interest income (gross) | (29,033) | | (20,989) |
| Dividend earned (gross) | (55,053) | | (52,640) |
| Loss/(gain) on assets sold, discarded etc; | (1,876) | | 974 |
| Loss/(gain) on redemption / sale of investments | (33,772) | | (10,779) |
| Translation gain on foreign currency cash and cash equivalents | — | | (132) |
| | <hr/> | 161,208 | <hr/> 196,712 |
| b) Changes in working capital and other provisions :- | | | |
| Sundry debtors | (106,983) | | (230,777) |
| Inventories | 479,130 | | (655,647) |
| Loans and advances | (32,981) | | (102,083) |
| Other current assets | 42,319 | | (42,211) |
| Current liabilities | 1,301 | | 208,229 |
| Provisions | 3,835 | | 19,325 |
| | <hr/> | 386,621 | <hr/> (803,164) |
| c) Effect of restatement of opening stocks consequent to change in basis of valuation of stocks (credited to the profit and loss account after disclosing the "net profit for the year") | | | |
| | — | | 88,242 |
| Total adjustments (a+b+c) | | <hr/> 547,829 | <hr/> (518,210) |
| Cash generated from operations | | <hr/> 1,993,244 | <hr/> 773,497 |

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001 (Contd.)

- 2) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.

| 3) Cash and cash equivalents comprise : | Rupees '000 2000-01 | Rupees '000 1999-00 | Rupees '000 1998-99 |
|---|------------------------|------------------------|------------------------|
| Cash in hand | 185 | 167 | 155 |
| Balances with bank on current account : | | | |
| Unclaimed dividend account (restricted) | 3,467 | 2,989 | 2,236 |
| Other current accounts | 86,652 | 77,218 | 56,457 |
| Balances with bank on deposit account | 20,369 | 14,990 | 19,868 |
| Total | 110,673 | 95,364 | 78,716 |

- 4) The figures in the cash flow statement are based on or have been derived from the audited annual financial statements of the Company.

- 5) Figures in brackets represent outflows of cash and cash equivalents.

- 6) Previous year's figures have been regrouped, wherever necessary to conform to the current year's classification.

M.M. GODSE
Sr.General Manager &
Company Secretary

J. M. RUGG
Director

RAVI VENKATESAN
Chairman

Mumbai : June 11, 2001

AUDITORS' CERTIFICATE

We have examined the above Cash Flow Statement of Cummins India Limited for the year ended 31st March, 2001. The Statement has been prepared by the Company from the audited balance sheet as at, profit and loss account and the books and records for the years ended 31st March, 2001 and 31st March, 2000 and is in accordance with the requirements of listing agreements with stock exchanges.

For A.F. FERGUSON & CO.,
Chartered Accountants

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

M.S. DHARMADHIKARI
Partner

SUBRAMANIAN SURESH
Partner

Mumbai : June 11, 2001

Mumbai : June 11, 2001

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| Name of the Subsidiary | Cummins Diesel Sales and Service (India) Limited (CDS&S) | Power Systems India Limited (PSIL) | Cummins Auto Services Limited (CASL) | Cummins Power Solutions Limited (CPSL) | Cummins Infotech Limited (CIT) |
|--|---|--|--|--|---|
| 1 The Financial year/period of the subsidiary company ended on | March 31, 2001 | March 31, 2001 | March 31, 2001 | March 31, 2001 | March 31, 2001 |
| 2 Holding Company's Interest (a) The number of Equity shares held | 600,000 Equity shares of Rs.100 each fully paid are held by Cummins India Limited and its nominee. | 500,000 Equity shares of Rs.10 each fully paid (12.50%) are held by Cummins India Limited (CIL). The remaining 3,500,000 Equity shares of Rs.10 each fully paid (87.50%) are held by Cummins Diesel Sales and Service (India) Ltd., which is wholly owned subsidiary of Cummins India Ltd. Therefore, PSIL is subsidiary of CIL in terms of Section 4(1)(c) of the Companies Act, 1956. | 4,000,000 Equity shares of Rs.10 each fully paid are held by Cummins Diesel Sales and Service (India) Ltd., (CDS&S) and its nominee. CDS&S is wholly owned subsidiary of Cummins India Ltd. Therefore, CASL is subsidiary of CIL in terms of Section 4(1)(c) of the Companies Act, 1956. | 4,500,100 Equity shares of Rs.10 each fully paid are held by Cummins India Limited and its nominee. | 3,968,380 Equity shares of Rs.10 each fully paid (51.20%) are held by Cummins India Limited. The remaining 48.80% is held by Cummins, Inc., U.S.A. |
| (b) Extent of interest in the capital of subsidiary | 100% | 12.50% | — | 100% | 51.20% |
| 3. The net aggregate amount so far as it concerns members of the holding Company and is not dealt with in the C o m p a n y ' s accounts of the subsidiary's profits/ (loss). | (Rs.'000) | (Rs.'000) | (Rs.'000) | (Rs.'000) | (Rs.'000) |
| i) for the financial year/period of the subsidiary as aforesaid | 113,840 | 33,219 | (6,489) | 6,784 | (10,436) |
| ii) for the financial year/period of the subsidiary since it became the holding C o m p a n y ' s subsidiary. | 752,196 | 31,716 | (6,489) | 6,784 | (10,573) |

Cummins India Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| Name of the Subsidiary | Cummins Diesel Sales and Service (India) Limited (CDS&S) | Power Systems India Limited (PSIL) | Cummins Auto Services Limited (CASL) | Cummins Power Solutions Limited (CPSL) | Cummins Infotech Limited (CIT) |
|---|---|--|--|--|--------------------------------------|
| 4. Net aggregate amounts of the profits/(Loss) of the subsidiary dealt with in the Company's account | (Rs.'000) | (Rs.'000) | (Rs.'000) | (Rs.'000) | (Rs.'000) |
| i) for the financial year/ period of the subsidiary | 9,000 | Nil | Nil | Nil | Nil |
| ii) for the financial years/ period of the subsidiary since it became the holding C o m p a n y ' s subsidiary. | 95,200 | Nil | Nil | Nil | Nil |

M.M. GODSE
Sr.General Manager &
Company Secretary

J. M. RUGG
Director

RAVI VENKATESAN
Chairman

Mumbai : June 11, 2001

Fiftieth Annual Report for the year ended March 31, 2001 of Cummins Diesel Sales and Service (India) Limited

BOARD OF DIRECTORS :

Mr. Ravi Venkatesan (Chairman)
Dr. Ajoy Kumar (Chief Executive Officer)
Mr. S. M. Chapman
Ms. Matangi Gowrishankar
Mr. S. S. Phadke
Mr. J. M. Rugg

BANKERS :

Bank of Baroda
Bank of Maharashtra
Citibank N.A.
Corporation Bank
HDFC Bank Limited
State Bank of Hyderabad
State Bank of India
The Lakshmi Vilas Bank Ltd
The United Western Bank Ltd

AUDITORS :

LOVELOCK & LEWES
Chartered Accountants
1104, Raheja Chambers
Nariman Point
Mumbai 400 021

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
19th Floor, Express Towers
Nariman Point
Mumbai 400 021

REGISTERED OFFICE :

35A/1/2, Erandawana, Pune 411 038
PHONE : (020) 5430066, 5431234, 5431703
FAX : (91) 020-5439490
WEBSITE : www.cummins-india.com

Cummins Diesel Sales and Service (India) Limited

DIRECTORS' REPORT

The Directors of Cummins Diesel Sales and Service (India) Limited present their fiftieth Annual Report with Audited Accounts for the financial year ended March 31, 2001.

FINANCIAL RESULTS:

| | April 1, 2000 to March 31, 2001 (Rs.'000) | April 1, 1999 to March 31, 2000 (Rs.'000) |
|---------------------------------|---|---|
| 1. Income | 2,923,310 | 2,859,627 |
| 2. Profits | | |
| a) Profit before Interest & Tax | 232,272 | 227,817 |
| b) Profit before tax | 215,487 | 209,831 |
| c) Profit after tax | 123,758 | 119,531 |
| 3. Appropriations | | |
| a) Dividend | 9,000 | 9,000 |
| b) General Reserve | 113,840 | 109,541 |

OPERATIONS:

Operating results for the Company continued to show growth. The Company recorded a marginal increase of 2.23% in Income of Rs.2,923 millions (Rs. 292 crores). It is heartening to note that despite the fall in overall economy and severe recession in automobile and heavy engineering sector, your Company has posted a modest rise in income and profitability.

To enhance the customer loyalty to the Cummins engines, the Company has laid more emphasis on initiatives to provide a range of ancillary services like Acoustic Enclosures, Heat Recovery System, Water Softening Plants, Product Upgrade Kits, Anti Vibration Mounts (AVMs), etc. During the year under report, Company has entered into an agreement with Thermax Limited for distributing Heat Recovery System through Cummins network which will offer value addition benefits to the Cummins engine owners/end users. Similarly, the Company has finalised Memorandum of Understanding with Gerb Vibration Control Systems Private Limited, Bangalore for distribution of Anti Vibration Mounts to the existing as well as potential Cummins customers.

During the year under review, the Company has undertaken various initiatives to strengthen the dealership operations. These include training to the dealer engineers, establishment of Dealer Development Cell at HO, restructuring of a few dealerships, reviving the dealer council, which would bring about overall improvement in dealership capability and infrastructure.

With a view to offer Customer benefits in various ways, the Company has initiated measures to customer friendly field offices as well as bring in uniformity in the field office structure with the motto of "One Face to Customer", the Company has also launched 16 initiatives with a view to bring overall improvement in the operations of the Company.

Cummins India Limited

CONVERSION OF COMPANY INTO PUBLIC LIMITED COMPANY :

Your Company enjoyed the status of being a deemed public limited company pursuant to the Section 43A of the Companies Act, 1956. With the deletion of this section by Companies (Amendment) Act, 2000, Company has been converted into a Public Company. The Registrar of Companies has issued a fresh Certificate of Incorporation.

SUBSIDIARIES :

Cummins Auto Services Limited

During the year, the Company promoted Cummins Auto Services Limited (CASL), a wholly owned subsidiary, with the objective of catering to the needs of automotive sector to render parts and service support for heavy commercial vehicles. During the year, the Company invested an amount of Rs.40 millions (Rs.4.00 crores) in the equity capital of CASL.

The total turnover of CASL for the year ended March 31, 2001 was Rs. 43.90 millions (Rs. 4.39 crores) and posted a loss of Rs.6.49 millions (Rs. 0.65 crores).

Power Systems India Limited

During the year under report, the investment of the Company in Power Systems India Limited (PSIL) increased to 87.50%, the rest being with Cummins India Limited. During the year, the Company increased its investment in Power Systems India Limited by additional investment of Rs. 32.75 millions (Rs.3.28 crores).

PSIL is focussing on upfitting and marketing of Cummins B series engines manufactured by Tata Cummins Limited for various Automotive, Industrial and Powergen applications. During the year, PSIL has emerged as the single source supplier of CNG engines to Telco. PSIL is also concentrating on manufacturing and marketing of low horsepower generating sets in the range of 30KVA to 82.5 KVA. The total turnover of PSIL for the year ended March 31, 2001 was Rs. 488.43 millions (Rs. 48.84 crores) and posted a profit after tax of Rs. 33.22 millions (Rs.3.32 crores).

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of the Directors and the respective Auditors' Report thereon of the two subsidiary companies for the year ended March 31, 2001, are annexed.

JOINT VENTURE COMPANY :

Valvoline Cummins Limited

During the year, the Company invested an additional amount of Rs.19.60 millions (Rs.1.96 Crores) in the equity of Valvoline Cummins Limited (VCL). The total investment of your company in VCL as on March 31, 2001 stands at Rs.78.78 millions (Rs.7.88 Crores). VCL branded oils and lubricants continued their increasing demand and supply position throughout the year under report achieving a income of Rs.883.75 millions (Rs. 88.38 crores) and posted profit after tax of Rs.18 millions (Rs.1.80 crores).

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

During the year under review, as a result of various energy conservation measures the Company has been able to save 26,572 units of power compared to the corresponding period for the previous year.

Cummins Diesel Sales and Service (India) Limited

DIRECTORS :

Mr. S S Phadke was co-opted on the Board as an Additional Director of the Company effective 16.08.2000. Since Mr. Phadke was in full time service of the Company he was also appointed as Whole-time Director of the Company effective August 16, 2000. Mr. Phadke resigned as Whole-time Director of the Company effective February 19, 2001 and continues to be Director.

Dr Ajoy Kumar was appointed as Chief Executive Officer of the Company with effect from February 19, 2001. He was co-opted on the Board as an Additional Director of the Company and was also appointed as Whole-time Director of the Company effective February 19, 2001.

Mr. R L Moore resigned as Director of the Company effective March 29, 2001.

The Board appointed Mr. Ravi Venkatesan as Executive Chairman of the Company effective November 01, 2000.

During the year, Mr. J L Deshmukh resigned as Director of the Company with effect from January 15, 2001.

During the year, Mr. P Y Gurav resigned as Director of the Company with effect from August 16, 2000.

During the year, Mr. Y S Joshi resigned as Managing Director and Director of the Company effective September 22, 2000.

During the year, Mr. S M Chapman, Director retires by rotation and being eligible for re-election opts for re-election as Director.

The Board places on record its appreciation for the significant contribution made by Mr. S S Phadke, Mr. R L Moore, Mr. J L Deshmukh, Mr. Y S Joshi and Mr. P Y Gurav during their respective tenures.

AUDIT COMMITTEE:

Pursuant to the provisions of Section 292A of the Companies (Amendment) Act, 2000, the Board of Directors of the Company has constituted an Audit Committee comprising of (1) Dr Ajoy Kumar, (2) Mr Jim Rugg and (3) Mr S S Phadke, Directors.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- a) In the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- b) 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 2000-01 and of the profits of the Company for that period;
- c) 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;

Cummins India Limited

- d) Your Directors had prepared the annual accounts for the year under review on a going concern basis.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The total foreign exchange earned and used during the period under review is as under:

| | (Rs.'000) |
|----------------------------|-----------|
| 1. Foreign exchange earned | 1,707 |
| 2. Foreign exchange used | 97,109 |

AUDITORS :

The Company's auditors M/s Lovelock & Lewes, Mumbai and M/s Arthur Andersen & Associates, Mumbai, retire as Auditors of the Company and are eligible for re-appointment. The Company has received notice in writing from M/s Lovelock & Lewes, Mumbai, of their unwillingness to be re-appointed. The matter will be placed before the ensuing Annual General Meeting for consideration.

PARTICULARS OF EMPLOYEES :

As required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement giving the required information relating to employees covered thereunder is attached.

For and on behalf of the
Board of Directors



Ravi Venkatesan
Chairman

Pune : June 9, 2001

FIFTIETH ANNUAL REPORT - 2001

Cummins Diesel Sales and Service (India) Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001.

| Sr. No. | Name of Employee | Age Exp. Yrs. | Qualifications Designation/ Nature of Duties | Date of Joining | Remuneration Received | | Particulars of last employment held Organisation, Designation & Experience |
|---------|------------------|---------------|--|-----------------|-----------------------|---------|--|
| | | | | | Gross Rs. | Net Rs. | |
| 1 * | Chakravarty A. | 43 10 | B.Sc. Area Service Manager, Sambalpur | 01-12-81 | 143,488 | 111,770 | — |
| 2 * | Joshi Y. S. | 52 28 | B.Sc. Egg. (Electrical) Managing Director | 03-10-98 | 1,344,512 | 760,170 | Cummins India Limited Vice President 26 - Yrs |
| 3 | Phadke S. S. | 50 25 | B.E.(Mech.) / B.A. Vice President - Operations | 01-11-99 | 1,286,824 | 822,994 | Cummins India Limited Sr. G.M. Engg & Reliability 24 - Yrs |

Notes :-

- * Against a name indicates that the employee was in service only for a part of the year.
- Designation of the employee indicates the nature of his duties.
- All appointments are contractual.
- The gross remuneration comprises of salary, allowances, incentive and perquisites, the monetary value of which is as per Income-tax Act and Company's contribution to provident fund and superannuation fund, wherever applicable.
- Net remuneration is arrived at by deducting from the gross remuneration income-tax, Company's contribution to provident fund and superannuation fund wherever applicable.
- The company has contributed an appropriate amount based on ' actuarial valuation ' to the 'gratuity fund'. The amount has not been included in gross remuneration as no separate figures are available for individual employee.
- Other terms and conditions are as per rules of the Company.
- None of these employees is a relative of any director of the Company.

For and on behalf of
the Board of Directors



Ravi Venkatesan
Chairman

Pune : June 9, 2001

Cummins India Limited

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF

CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED

We have examined the attached balance sheet of Cummins Diesel Sales and Service (India) Limited, as at March 31, 2001 and the annexed profit and loss account for the year then ended, which are in agreement with the books of account, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - (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) in our opinion, the balance sheet and profit and loss account comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - (d) on the basis of information and explanations given to us, and representations obtained by the Company, there are no directors of the Company who, as at March 31, 2001, are disqualified under section 274(1)(g) of the Companies Act, 1956 from being appointed as directors;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts read in conjunction with schedules 1 to 11 thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view-
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2001
 - and
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For LOVELOCK & LEWES
Chartered Accountants

VASANT GUJARATHI
Partner

Pune : June 9, 2001

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Chennai : June 9, 2001

Cummins Diesel Sales and Service (India) Limited

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE SHAREHOLDERS OF CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2001.

- A) 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 most of the assets during the year other than in respect of certain assets with third parties from whom confirmations have been received. 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 Company has not revalued any of its fixed assets during the year.
3. Physical verification has been conducted by the management at reasonable intervals in respect of stock-in-trade excluding goods in transit and stock lying with third parties during the year.
4. The procedures of physical verification of stock-in-trade followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on physical verification of stock-in-trade as compared to book records were not material and have been properly dealt with in the books of account.
6. In our opinion, based on our examination of stock-in-trade, the valuation of these stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken or granted any loans, secured or unsecured, from or to companies, firms or other parties as is evident from the register maintained under section 301 of the Companies Act, 1956, and / or from or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. Loans or advances in the nature of loans have been given to parties who are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
9. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stock-in-trade, plant and machinery, equipment and other assets and for the sale of goods.
10. 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 Companies Act, 1956, aggregating during the year to Rs.50,000 or more in respect of each party.
11. 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.
12. In our opinion, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to deposits accepted from the public.

Cummins India Limited

13. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. As explained to us, the company's activities do not generate any by-products.
14. In our opinion, the Company has an internal audit system, which is commensurate with its size and nature of its business.
15. 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.
16. The Company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
17. There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which are outstanding as at March 31, 2001 for a period of more than six months from the date on which they became payable.
18. No personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
19. 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.

B) In respect of service activities -

1. 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.
2. Although allocation of man-hours utilised is not made to relative jobs, in our opinion, control is exercised on total labour utilised on the jobs.
3. 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 as stated in B) 1 above. Although allocation of labour to relative jobs is not made, in our opinion, control is exercised on total labour utilised on the jobs.

C) With regard to the Company's trading activities, in our opinion, damaged goods have been determined by the Company and necessary provision has been made in the accounts for the loss.

For LOVELOCK & LEWES
Chartered Accountants

VASANT GUJARATHI
Partner

Pune : June 9, 2001

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Chennai : June 9, 2001

Cummins Diesel Sales and Service (India) Limited**BALANCE SHEET AS AT 31ST MARCH, 2001**

| | Schedule Number | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|--------------------|-------------|--|--|
| SOURCES OF FUNDS : | | | | |
| SHAREHOLDERS' FUNDS : | | | | |
| Share capital | 1 | 60,000 | | 60,000 |
| Reserves and surplus | 2 | 731,719 | | 617,879 |
| | | | 791,719 | 677,879 |
| LOAN FUNDS : | | | | |
| Unsecured loans | 3 | 3,473 | | 15,425 |
| | | | 3,473 | 15,425 |
| | | | 795,192 | 693,304 |
| APPLICATION OF FUNDS : | | | | |
| FIXED ASSETS : | 4 | | | |
| Gross block | | 346,751 | | 254,082 |
| Less: depreciation | | 102,289 | | 84,944 |
| Net block | | | 244,462 | 169,138 |
| INVESTMENTS | 5 | | 179,239 | 86,889 |
| CURRENT ASSETS, LOANS AND ADVANCES : | 6 | | | |
| Inventories | | 652,276 | | 509,594 |
| Sundry debtors | | 430,722 | | 491,933 |
| Cash and bank balances | | 90,941 | | 98,022 |
| Other current assets | | 21,942 | | 19,217 |
| Loans and advances | | 144,317 | | 96,342 |
| | | 1,340,198 | | 1,215,108 |
| Less: CURRENT LIABILITIES AND PROVISIONS : | 7 | | | |
| Current liabilities | | 918,870 | | 750,206 |
| Provisions | | 49,837 | | 27,625 |
| | | 968,707 | | 777,831 |
| NET CURRENT ASSETS | | | 371,491 | 437,277 |
| | | | 795,192 | 693,304 |

NOTES : 11

Note: Schedules 1 to 7 and 11 are an integral part of the balance sheet.
In terms of our report of even date.

RAVI VENKATESAN
Chairman

For LOVELOCK & LEWES
Chartered Accountants

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

J. M. RUGG
Director

VASANT GUJARATHI
Partner

SUBRAMANIAN SURESH
Partner

A. B. ATRE
Sr. General Manager
Administration &
Company Secretary

Pune : June 9, 2001

Chennai : June 9, 2001

Pune : June 9, 2001

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

| | Schedule Number | Rupees '000 | 2001 Rupees '000 | 2000 Rupees '000 |
|--|--------------------|---------------|---------------------|---------------------|
| INCOME : | | | | |
| Sale of products and other income | 8 | | 2,923,310 | 2,859,627 |
| EXPENDITURE : | | | | |
| Cost of sales and other expenses | 9 | 2,669,307 | | 2,616,088 |
| Depreciation | 4A | 21,731 | | 15,722 |
| Interest: | | | | |
| on fixed loans | | 985 | | 3,343 |
| other | | 15,800 | | 14,643 |
| | | <u>16,785</u> | | <u>17,986</u> |
| Total expenditure | | | 2,707,823 | 2,649,796 |
| PROFIT BEFORE TAX | | | 215,487 | 209,831 |
| Taxation provision on income | 11 (Note 14) | | 91,729 | 90,300 |
| NET PROFIT | | | 123,758 | 119,531 |
| Profit and loss account, beginning of year | | | 88,007 | 88,007 |
| Amount available for appropriation | | | 211,765 | 207,538 |
| APPROPRIATIONS : | | | | |
| Interim dividend | | | — | 9,000 |
| Proposed dividend | | | 9,000 | — |
| Income tax on interim/proposed dividend | | | 918 | 990 |
| | | | 9,918 | 9,990 |
| Transferred to general reserve | | | 113,840 | 109,541 |
| Profit and loss account, end of year | | | 88,007 | 88,007 |
| NOTES : | | | | |
| | 11 | | | |

Note: Schedules 8 to 11 are an integral part of the profit and loss account.
In terms of our report of even date.

RAVI VENKATESAN
Chairman

For LOVELOCK & LEWES
Chartered Accountants

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

J. M. RUGG
Director

VASANT GUJARATHI
Partner

SUBRAMANIAN SURESH
Partner

A. B. ATRE
Sr. General Manager
Administration &
Company Secretary

Pune : June 9, 2001

Chennai : June 9, 2001

Pune : June 9, 2001

Cummins Diesel Sales and Service (India) Limited**SCHEDULES FORMING PART OF THE BALANCE SHEET**

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-------------|--|--|
| SCHEDULE NO. 1 | | | |
| SHARE CAPITAL : | | | |
| Authorised : | | | |
| 1,200,000 (<i>previous year 1,200,000</i>) equity shares of Rs. 100 each | | 120,000 | 120,000 |
| Issued and Subscribed : | | | |
| 600,000 (<i>previous year 600,000</i>) equity shares of Rs. 100 each fully paid | | 60,000 | 60,000 |
| Of the above equity shares, 410,000 shares of Rs. 100 each have been allotted as fully paid bonus shares by capitalisation of Rs.41,000,000 from general reserve | | | |
| Note : The above shares are held by the holding company, Cummins India Limited, and its nominee. | | | |
| SCHEDULE NO. 2 | | | |
| RESERVES AND SURPLUS : | | | |
| General reserve : | | | |
| Balance as per last accounts | 529,872 | | 420,331 |
| Add : transferred from profit and loss account | 113,840 | | 109,541 |
| | | 643,712 | 529,872 |
| Profit and loss account | | 88,007 | 88,007 |
| | | 731,719 | 617,879 |
| SCHEDULE NO. 3 | | | |
| UNSECURED LOANS : | | | |
| Fixed deposits (including unclaimed deposits Rs. 516,500 ; <i>previous year Rs. 463,500</i> ; and interest accrued and due Rs.208,988 ; <i>previous year</i> <i>Rs. 202,001</i>) | | 3,473 | 15,425 |
| | | 3,473 | 15,425 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 4

FIXED ASSETS : (see note 7, schedule 11)

(Rupees '000)

| Particulars | Gross Block (at cost) as at 31st March, 2000 | Additions | Deductions | Gross Block (at cost) as at 31st March, 2001 | Depreciation as per schedule 4 A | Net Block as at 31st March, 2001 |
|--|---|---------------------------|--------------------------|---|---|--|
| Land | | | | | | |
| – Freehold | 2,289 | — | — | 2,289 | — | 2,289 |
| – Leasehold | 3,014 | — | — | 3,014 | — | 3,014 |
| Roads | 831 | — | — | 831 | 448 | 383 |
| Buildings | 39,833 | — | — | 39,833 | 10,680 | 29,153 |
| Plant and machinery | 106,179 | 56,556 | 4,085 | 158,650 | 32,750 | 125,900 |
| Furniture and fittings, & office equipments | 72,779 | 35,683 | 968 | 107,494 | 48,668 | 58,826 |
| Vehicles | 22,752 | 6,654 | 2,352 | 27,054 | 9,743 | 17,311 |
| | <u>247,677</u> (212,078) | <u>98,893</u> (58,018) | <u>7,405</u> (22,419) | <u>339,165</u> (247,677) | <u>102,289</u> (84,944) | <u>236,876</u> (162,733) |
| Capital work in progress including advance for capital expenditure | | | | 7,586 (6,405) | — — | 7,586 (6,405) |
| | | | | <u>346,751</u> (254,082) | <u>102,289</u> (84,944) | <u>244,462</u> (169,138) |

Previous year's figures are shown in brackets.

SCHEDULE NO. 4 A

ACCUMULATED DEPRECIATION : (see note 1(b), schedule 11)

(Rupees '000)

| Particulars | Depreciation as on 31st March, 2000 | Depreciation for the year | Depreciation on deductions | Total Depreciation upto 31st March, 2001 |
|---|---|------------------------------|-------------------------------|--|
| Roads | 420 | 28 | — | 448 |
| Buildings | 9,848 | 832 | — | 10,680 |
| Plant and machinery | 25,527 | 10,186 | 2,963 | 32,750 |
| Furniture & fittings, & office equipments | 40,565 | 8,473 | 370 | 48,668 |
| Vehicles | 8,584 | 2,212 | 1,053 | 9,743 |
| | <u>84,944</u> (75,546) | <u>21,731</u> (15,722) | <u>4,386</u> (6,324) | <u>102,289</u> (84,944) |

Previous year's figures are shown in brackets.

Cummins Diesel Sales and Service (India) Limited**SCHEDULES FORMING PART OF THE BALANCE SHEET**

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-------------|--|--|
| SCHEDULE NO. 5 | | | |
| INVESTMENTS : | | | |
| LONG TERM (at cost) | | | |
| Quoted : | | | |
| Trade | | | |
| 2,000 (previous year 2,000) equity shares of of Rs. 10 each of Kirloskar Oil Engines Ltd, fully paid | | 29 | 29 |
| Other : | | | |
| Tax free Redeemable Non Convertible bonds of Rs. 1,000 each fully paid : | | | |
| 10,000 (previous year 10,000) bonds 10.5% of Housing & Urban Development Corporation Ltd. | 10,375 | | 10,375 |
| 10,000 (previous year 10,000) bonds 10.5% of Konkan Railway Corporation Ltd | 10,160 | | 10,160 |
| | | 20,535 | 20,535 |
| Unquoted : | | | |
| Trade | | | |
| 240,000 (previous year 240,000) equity shares of Rs 10 each of C.G.Newage Electrical Ltd, fully paid | 2,400 | | 2,400 |
| 9,310,000 (previous year 7,350,000) equity shares of Rs.10 each of Valvoline Cummins Ltd, fully paid; (purchased during the year 1,960,000 equity shares; previous year 1,960,000 equity shares) | 78,775 | | 59,175 |
| | | 81,175 | 61,575 |
| Carried forward | | 101,739 | 82,139 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-------------|--|--|
| SCHEDULE NO. 5 (contd.) | | | |
| Brought forward | | 101,739 | 82,139 |
| Investment in subsidiary companies | | | |
| 3,500,000 (<i>previous year 225,000</i>) equity shares of Rs. 10 each of Power Systems India Ltd., fully paid; (purchased during the year 3,275,000 equity shares; <i>previous year 225,000 equity shares</i>) | 35,000 | | 2,250 |
| 4,000,000 (<i>previous year Nil</i>) equity shares of Rs. 10 each of Cummins Auto Services Ltd., fully paid; (purchased during the year 4,000,000 equity shares; <i>previous year Nil</i>) | 40,000 | | — |
| | | 75,000 | 2,250 |
| Other : | | | |
| 2,500 (<i>previous year 2,500</i>) bonds Unsecured, redeemable, floating interest rate of Rs.1,000 each of State Bank of India, fully paid | 2,500 | | 2,500 |
| | | 2,500 | 2,500 |
| | | 179,239 | 86,889 |
| Aggregate cost of quoted investments | | 20,564 | 20,564 |
| Aggregate market value of quoted investments | | 21,039 | 20,710 |
| Aggregate cost of unquoted investments | | 158,675 | 66,325 |

Cummins Diesel Sales and Service (India) Limited**SCHEDULES FORMING PART OF THE BALANCE SHEET**

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-------------|--|--|
| SCHEDULE NO. 6 | | | |
| INVENTORIES : | | | |
| Stock-in-trade | 632,735 | | 491,311 |
| Goods in transit | 6,349 | | 6,248 |
| Service stocks | 13,192 | | 12,035 |
| | | 652,276 | 509,594 |
| SUNDRY DEBTORS : (see note 15, schedule 11) | | | |
| Secured : considered good | | | |
| Over six months | 3,424 | | 6,603 |
| Others | 88,627 | | 83,085 |
| | | 92,051 | 89,688 |
| Unsecured : | | | |
| Over six months | | | |
| Considered good | 15,569 | | 21,528 |
| Considered doubtful | 15,306 | | 15,176 |
| | 30,875 | | 36,704 |
| Others | | | |
| Considered good | 323,102 | | 380,717 |
| Considered doubtful | 305 | | 52 |
| | 354,282 | | 417,473 |
| Less: Provision for doubtful debts | 15,611 | | 15,228 |
| | 338,671 | | 402,245 |
| | | 430,722 | 491,933 |
| CASH AND BANK BALANCES : | | | |
| Cash on hand | 135 | | 103 |
| Cheques on hand | 8,900 | | 4,739 |
| With scheduled banks : | | | |
| on current accounts | 79,695 | | 85,044 |
| on deposit accounts | 2,211 | | 8,136 |
| | 81,906 | | 93,180 |
| | | 90,941 | 98,022 |
| OTHER CURRENT ASSETS : | | | |
| Interest accrued: | | | |
| on investments | 593 | | 368 |
| on bank deposits | 197 | | 323 |
| Other receivables | 21,152 | | 18,526 |
| | | 21,942 | 19,217 |
| LOANS AND ADVANCES (Unsecured, considered good) : | | | |
| Advances recoverable in cash or in kind or for value to be received : (see note 6, schedule 11) | | 98,240 | 54,109 |
| Intercompany deposit with subsidiary | | 7,000 | — |
| Advance income tax, net of provisions | | 39,077 | 42,233 |
| | | 144,317 | 96,342 |
| | | 1,340,198 | 1,215,108 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | Rupees '000 | As at 31st March, 2001 Rupees '000 | As at 31st March, 2000 Rupees '000 |
|---|-------------|--|--|
| SCHEDULE NO. 7 | | | |
| CURRENT LIABILITIES AND PROVISIONS : | | | |
| Current liabilities : | | | |
| Sundry creditors (see note 16, schedule 11) | 642,775 | | 511,440 |
| Customers' credit balances | 19,205 | | 14,506 |
| Advance from customers | 26,938 | | 25,379 |
| Dealers' deposits | 110,937 | | 104,486 |
| Other liabilities | 119,015 | | 94,395 |
| | | 918,870 | 750,206 |
| Provisions : | | | |
| Leave encashment | 19,769 | | 18,835 |
| Others | 20,150 | | 7,800 |
| Proposed dividend | 9,000 | | — |
| Income tax on interim/proposed dividend | 918 | | 990 |
| | | 49,837 | 27,625 |
| | | 968,707 | 777,831 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Rupees '000 | 2001 Rupees '000 | 2000 Rupees '000 |
|--|-------------|---------------------|---------------------|
| SCHEDULE NO. 8 | | | |
| SALE OF PRODUCTS AND OTHER INCOME : | | | |
| Sales and services (see note 8, schedule 11) | 2,946,238 | | 2,899,987 |
| Less : Commission | 70,884 | | 68,510 |
| | | 2,875,354 | 2,831,477 |
| Miscellaneous receipts | | 8,313 | 1,792 |
| Interest on investments (tax deducted at source Rs. 71,500; <i>previous year Rs. 77,000</i>) | | 2,408 | 2,070 |
| Other interest (tax deducted at source Rs. 1,387,795; <i>previous year Rs. 932,863</i>) | | 12,257 | 7,684 |
| Interest from customers (tax deducted at source Rs. 2,180,483; <i>previous year Rs. 2,084,141</i>) | | 16,272 | 15,997 |
| Dividend from trade investments | | 1,207 | 607 |
| Provisions (net) of earlier years written back | | 7,499 | — |
| | | 2,923,310 | 2,859,627 |

Cummins Diesel Sales and Service (India) Limited**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

| | Rupees '000 | 2001 Rupees '000 | 2000 Rupees '000 |
|---|-------------|---------------------|---------------------|
| SCHEDULE NO. 9 | | | |
| COST OF SALES AND OTHER EXPENSES : | | | |
| Cost of sales and services | | 2,338,928 | 2,307,518 |
| Payments to and provision for employees : | | | |
| Salaries, wages and bonus | 157,017 | | 150,759 |
| Contribution to provident, gratuity and other funds | 14,838 | | 18,768 |
| Staff welfare expenses | 15,586 | | 12,746 |
| | | 187,441 | 182,273 |
| Operational and other expenses : | | | |
| Power and fuel | 7,314 | | 7,251 |
| Rent | 8,029 | | 6,628 |
| Repairs to buildings | 9,325 | | 8,583 |
| Repairs to plant and machinery | 1,695 | | 1,341 |
| Other repairs | 2,146 | | 1,917 |
| Insurance | 7,009 | | 7,235 |
| Rates and taxes | 2,536 | | 1,663 |
| Communication | 17,507 | | 17,079 |
| Travelling and conveyance | 28,832 | | 21,740 |
| General expenses | 48,537 | | 34,682 |
| Discounts | 9,714 | | 7,345 |
| Net loss on assets sold or discarded | 294 | | 10,833 |
| | | 142,938 | 126,297 |
| | | <u>2,669,307</u> | <u>2,616,088</u> |

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Rupees '000 | 2001 Rupees '000 | 2000 Rupees '000 |
|---|-------------|---------------------|---------------------|
| SCHEDULE NO. 10 | | | |
| Computation of net profit in accordance with section 309(5) of the Companies Act, 1956 : | | | |
| Profit before tax as per profit and loss account | | 215,487 | 209,831 |
| Add : Director's remuneration (including Managing Director) | 3,084 | | 1,743 |
| Depreciation provided in books | 21,731 | | 15,722 |
| Profit on assets sold under section 350 of the Companies Act, 1956 | 166 | | 1,586 |
| Loss on assets sold or discarded as per books | 460 | | 11,777 |
| Wealth tax for the year | 380 | | 350 |
| Provision for doubtful debts | 384 | | 285 |
| | | 26,205 | 31,463 |
| | | 241,692 | 241,294 |
| Less : Depreciation under section 350 of Companies Act, 1956 | 21,731 | | 27,006 |
| Profit on assets sold as per books | 166 | | 944 |
| Loss on assets sold or discarded under section 350 of Companies Act, 1956 | 460 | | 8,693 |
| | | 22,357 | 36,643 |
| Net profit as per section 309(5) of the Companies Act, 1956 | | 219,335 | 204,651 |
| Managing Director's commission restricted to | | 115 | 480 |

Cummins Diesel Sales and Service (India) Limited

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE NO. 11

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 :

Fixed assets are stated at cost less accumulated depreciation. All expenses relating to the acquisition and installation of fixed assets are capitalised.

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 valued at cost less permanent diminution, if any, in the value of such investments.

d) Inventories :

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes costs incurred to bring the inventories to their present location and condition.

e) Foreign currency transactions :

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Current assets and current liabilities are translated at year end exchange rates. The resulting profits and losses are appropriately recognised in the Profit and Loss Account 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 :

Sales are recognised when goods are dispatched to customers and exclude amounts recovered towards sales tax. Income under job contracts is recognised upon completion of service and delivery to customer. Income from rentals is recognised proportionately over the period of contract. Income from services is recognised either proportionately over the period of contract or on completion of services as per the terms of specific contracts.

g) Long term service contracts :

Profits from certain long term composite supply and service contracts are recognised proportionately over the period of contract based on the contracted revenues and estimated cost to completion.

h) Retirement benefits :

Retirement benefits to employees comprise of payments to gratuity, superannuation and provident funds as per approved schemes of the Company. Annual contributions to gratuity funds and liabilities towards superannuation are determined based on the actuarial valuation by an independent actuary and / or confirmation as on the balance sheet date by Life Insurance Corporation of India.

i) Leave encashment entitlements :

The Leave encashment entitlement has been accrued based on an actuarial valuation by an independent actuary.

Cummins India Limited

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE NO. 11 (contd.)

| | | |
|---|---------------------|---------------------|
| 2. Contingent liabilities not provided for : | 2001 Rupees '000 | 2000 Rupees '000 |
| a) Claims against the Company not acknowledged as debt | 500 | 500 |
| b) Pending Income tax matters | 568 | 2,473 |
| c) Guarantees given by the Company on behalf of third parties - maximum liability restricted to | 5,000 | 5,000 |
| d) The arbitration matter between Company and Hindustan Shipyard Ltd. (HSL) is subjudice in the court of Principal Senior Civil Judge at Visakhapatnam. In the event the matter is finally decided in favour of HSL, the Company would have to pay the sum of Rs. 1,944,321 with interest @ 8% per annum and also waive recovery of Rs. 330,304 from HSL. | | |
| | 2001 Rupees '000 | 2000 Rupees '000 |
| 3. Capital commitments | 3,117 | 817 |
| 4. Managerial remuneration : | | |
| (a) Managerial remuneration of Rs. 3,084,167 (<i>previous year Rs. 1,743,197</i>) includes Salary Rs. 1,966,960 (<i>previous year Rs. 480,000</i>); commission (see schedule 10) Rs. 115,069 (<i>previous year Rs. 480,000</i>); Perquisites Rs. 1,002,138 (<i>previous year Rs. 783,197</i>). | | |
| (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 Directors is not ascertainable and is therefore not included above. | | |
| | 2001 Rupees '000 | 2000 Rupees '000 |
| 5. Payments to auditors : | | |
| Audit fees | 1,134 | 880 |
| Tax audit fees | 262 | 270 |
| Miscellaneous certificates | 29 | 25 |
| Other Services | 420 | — |
| Reimbursement of out-of-pocket expenses | 31 | 66 |
| | <u>1,876</u> | <u>1,241</u> |
| 6. Advances recoverable in cash or in kind include : | | |
| i) Rs. 94,900 due from Director/Officer of the Company (<i>previous year Rs. 605,227</i>), maximum amount due at any time during the year was Rs. 681,727 (<i>previous year Rs. 739,052</i>). | | |
| ii) Share application money paid to Cummins Auto Services Limited, a subsidiary of the company amounting to Rs. 25,000,000 (<i>previous year Rs. Nil</i>); Share application money paid to Power Systems India Limited, a subsidiary of the company Rs. Nil (<i>previous year Rs. 2,750,000</i>). | | |
| iii) Rs. 1,106,747 paid to Power Systems India Limited, a subsidiary of the company (<i>previous year Rs. Nil</i>). | | |
| 7. (a) Out of the total land admeasuring 17,199.93 sq. meters, 4,636.93 sq. meters has been reserved by Pune Municipal Corporation. | | |

Cummins Diesel Sales and Service (India) Limited**NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****SCHEDULE NO. 11 (contd.)**

- (b) Leasehold land includes 5 unquoted shares of Rs. 50 each fully paid, at cost, in National Co-operative Housing Society Limited.
- (c) Buildings include :
- (i) 5 unquoted shares of Rs. 50 each fully paid, at cost, in High Landmark Co-operative Housing Society Ltd., Mumbai.
- (ii) 20 unquoted shares of Rs. 250 each fully paid, at cost, in The Shree Laxmi Pooja Industrial Premises Co-operative Society Ltd., Mumbai.
- (iii) 10 unquoted shares of Rs. 200 each fully paid, at cost, of Sesa Ghor Premises Holders' Cooperative Society Limited, Goa.
- (d) Plant and Machinery include assets given on operating lease amounting to Rs. 96,048,540 at cost (*previous year Rs. 41,578,063*).

8. Analysis of sales and services :

(see note 9 (a))

| | Nos. | 2001 Rupees '000 | Nos. | 2000 Rupees '000 |
|---|------|---------------------|------|---------------------|
| Engines | 3 | 3,843 | 10 | 10,482 |
| Acoustic enclosures and heat recovery systems | 44 | 14,455 | — | — |
| Spare parts for engines | | 2,226,306 | | 2,292,104 |
| Job contracts | | 533,056 | | 489,463 |
| Rentals | | 73,446 | | 41,694 |
| Gross income from services rendered | | 95,132 | | 66,244 |
| | | <u>2,946,238</u> | | <u>2,899,987</u> |

9. Analysis of purchases and opening and closing stock :

| | Opening stock | | Purchases | | Closing stock | |
|--|---------------|----------------|-----------|------------------|---------------|----------------|
| | Nos. | Rupees '000 | Nos. | Rupees '000 | Nos. | Rupees '000 |
| Engines | — | — | 3 | 3,781 | — | — |
| | (—) | (—) | (10) | (9,905) | (—) | (—) |
| Acoustic Enclosures & Heat Recovery System | — | — | 44 | 12,220 | — | — |
| | (—) | (—) | (—) | (—) | (—) | (—) |
| Spare parts for engines | | 497,559 | | 2,245,484 | | 639,084 |
| | | (456,487) | | (2,210,145) | | (497,559) |
| | | <u>497,559</u> | | <u>2,261,485</u> | | <u>639,084</u> |
| | | (456,487) | | (2,220,050) | | (497,559) |

Notes :

- a) There are no individual items of spare parts which exceed 10% of the value of stocks, purchases and sales.
- b) Previous year's figures are shown in brackets.

| | 2001 Rupees '000 | 2000 Rupees '000 |
|---|---------------------|---------------------|
| 10. Value of imports calculated on C I F basis : | | |
| Capital Goods | — | 923 |
| Components and spare parts | 98,254 | 134,280 |

Cummins India Limited

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE NO. 11 (contd.)

| | 2001 Rupees '000 | 2000 <i>Rupees '000</i> |
|---|---------------------|----------------------------|
| 11. Expenditure in foreign currency (on accrual basis) : | | |
| Travelling, bank charges, subscriptions etc. | 392 | 551 |
| 12. Earnings in foreign exchange (on accrual basis) : | | |
| Sales commission | 31 | — |
| Servicing & repairs | 1,676 | 5,504 |
| | <u>1,707</u> | <u>5,504</u> |
| 13. The net exchange differences [gain/(losses)] arising during the year are: | | |
| i) Appropriately recognised in profit and loss account (Rs. 340,033) (<i>previous year Rs. 759,148</i>). | | |
| ii) Adjusted to the carrying amount of fixed assets Rs. Nil (<i>previous year Rs. 4,619</i>). | | |
| 14. Taxation provision is net of excess provision of earlier years Rs. 770,555 ; (<i>previous year Rs. 2,199,895</i>). | | |
| 15. Sundry Debtors, unsecured, others considered good include : Rs.1,130,391 receivable from Cummins Auto Services Limited, a subsidiary of the company (<i>previous year Rs. Nil</i>). | | |
| | 2001 Rupees '000 | 2000 <i>Rupees '000</i> |
| 16. Sundry creditors include amounts due to small scale industrial undertakings | 3,429 | 2,010 |
| The small scale industrial undertakings to whom Company owes a sum exceeding Rs. 100,000 which is outstanding for more than 30 days are as follows : | | |
| 1. Neels Enterprises | | |
| 2. Shree Metal Products | | |
| For the information given above the small scale industrial undertaking status has been reckoned on the basis of information available with the Company. | | |
| 17. Previous year's figures have been reclassified / restated wherever necessary, to make them comparable with current year figures. | | |

Signatories to Schedule 1 to 11 :

A. B. ATRE
Sr. General Manager, Administration
& Company Secretary

J. M. RUGG
Director

RAVI VENKATESAN
Chairman

Pune : June 9, 2001

Cummins Diesel Sales and Service (India) Limited

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) dated 15th May 1995 :

I. REGISTRATION DETAILS :

| | |
|--------------------|--------------------|
| Registration no. | : 14972 |
| State Code | : 11 |
| Balance sheet date | : 31st March, 2001 |

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2001 :

Rupees '000

| | |
|-------------------|---|
| Public issue | — |
| Right issue | — |
| Bonus issue | — |
| Private placement | — |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2001 :

Rupees '000

| | |
|-------------------------------|---------|
| Total Liabilities | 795,192 |
| Total Assets | 795,192 |
| Sources of Funds- | |
| Paid - up capital | 60,000 |
| Reserve & surplus | 731,719 |
| Secured loans | — |
| Unsecured loans | 3,473 |
| Total : | 795,192 |
| Application of funds - | |
| Net fixed assets | 244,462 |
| Investments | 179,239 |
| Net current assets | 371,491 |
| Total : | 795,192 |

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2001 :

| | |
|--|-----------|
| i) Turnover (sale of products and other income) | 2,923,310 |
| ii) Total Expenditure | 2,707,823 |
| iii) Profit before tax | 215,487 |
| iv) Profit after tax | 123,758 |
| v) Earning per share (in Rs.); (See note 3) (face value of Rs. 100) | 206.26 |
| vi) Dividend rate (%) | 15 |

Cummins India Limited

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

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

| Item code no. (ITC Code) | Product description |
|-----------------------------|---|
| 8409.99 | Component parts of internal combustion engines |
| N.A. | Job contracts- Repairs / Overhaul of diesel engines and its components |

Notes :

1. The above particulars should be read alongwith the balance sheet as at 31st March, 2001, the profit and loss account for the year ended on that date and the schedules forming part thereof.
2. Total liabilities include share capital Rs.60 million and reserves and surplus Rs.731.72 million.
3. Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

Cummins Diesel Sales and Service (India) Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES.

(Rs.'000)

| Name of the Subsidiaries | Cummins Auto Services Limited | Power Systems India Limited |
|--|--|--|
| 1 The Financial year of the subsidiary company ended on | March 31, 2001 | March 31, 2001 |
| 2 Holding Company's Interest | | |
| (a) The number of Equity shares held | 4,000,000 Equity shares of Rs.10 each fully paid | 3,500,000 equity shares of Rs.10 each fully paid |
| (b) Extent of interest of holding company at the end of the financial year of the Subsidiary Companies. | 100% | 87.50% |
| 3. The net aggregate amount of the Subsidiary Companies profit/ (Loss) so far as it concerns the members of the Holding Company. | (Rs.'000) | (Rs.'000) |
| a) Not dealt with in the Holding Company's accounts : | | |
| i) For the financial year ended March 31, 2001 | (6,489) | 33,219 |
| ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries. | N.A. | N.A. |
| b) Dealt with in Holding Company's accounts : | | |
| i) For the financial year ended March 31, 2001 | — | — |
| ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries. | — | — |

A. B. Atre
Sr. General Manager, Administration
& Company Secretary

J. M. Rugg
Director

Ravi Venkatesan
Chairman

Pune : June 9, 2001

Second Annual Report for the year ended March 31, 2001 of Power Systems India Limited

BOARD OF DIRECTORS :

Mr. J. M. Rugg (Chairman)
Mr. Pradeep Bhargava
Mr. M. M. Godse
Mr. V. K. Jayaswal

BANKERS :

State Bank of India
Citibank N.A.
HDFC Bank Ltd.

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
19th Floor, Express Towers
Nariman Point
Mumbai 400 021

REGISTERED OFFICE :

Kothrud, Pune 411 038
PHONE : (020) 5385435, 5380240
FAX : (91) 020-5380125
WEBSITE: www.cummins-india.com

WORKS :

Plot No. 19/25A, Silver Industrial Estate
Bhimpore, Daman 396 210
PHONE/FAX : 0260-256618, 252837

SECOND ANNUAL REPORT - 2001

Power Systems India Limited

DIRECTORS' REPORT

The Directors of Power Systems India Limited have pleasure in presenting the Second Annual Report and the audited accounts of the Company for the year ended March 31, 2001.

FINANCIAL RESULTS :

During the year under review, sales turnover was Rs. 488 million (Rs. 48.8 crore). The sales turnover for earlier financial period from January 8, 1999 to March 31, 2000 was Rs. 22 million (Rs. 2.2 crore). The Company has earned a profit after tax of Rs. 33 million (Rs. 3.3 crore) during the year under review as against loss of Rs.1.5 million (Rs. 0.15 crore) reported during the earlier financial period.

OPERATIONS :

During the year under review, the Company shipped 2,366 engines for Automotive (CNG), Powergen and Industrial applications. The engines manufactured by the Company for application in passenger buses utilising CNG as fuel are well received by the customers in National Capital Region market and the Company hopes to develop more business from this application in the current year. The Company has launched Powergen Products in the range of 30 to 82.5 KVA. The sale of engines for Industrial applications is steady and in the current year the Company is adding new application like marine engines as a part of growth initiative.

During the current year, the Company has decided to increase its visibility through an aggressive marketing and strengthening of dealer network. The Company has plans to introduce products in 15-25 KVA range. For coping up with the rising demand for engines for varied applications, the Company intends to expand its manufacturing facilities at Daman.

As on March 31, 2000, the Equity capital of your Company was held by Cummins India Limited (CIL) and Cummins Diesel Sales and Service India Limited (CDS&S) in the proportion of 50:50. Due to the preferential allotment of capital to CDS&S during the year under review, the Equity capital of your Company is held by CIL and CDS&S at 12.50 per cent and 87.50 per cent respectively as on March 31, 2001. Your Company continues to be subsidiary of CIL within the meaning of section 4 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

In pursuance of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors make the following statement :-

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed and there was no material departure from the Accounting Standards;

Cummins India Limited

- (ii) that 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 as on March 31, 2001 and of the profit for the period April 1, 2000 to March 31, 2001;
- (iii) that 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) that Directors had prepared the annual accounts on a going concern basis.

DIVIDEND :

Although the Company has earned profit of Rs. 33 million (Rs. 3.3 crore) the Directors, in order to augment working capital, have decided not to recommend dividend for the year under review.

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

In order to conserve energy, the Company has displayed boards within its premises to increase awareness within the employees. Also in order to save precious energy, all lights, Air-conditioners in the office and general area are switched off during lunch time. This has resulted into estimated saving of 8,088 KWh units. During the year under review, the Company has neither earned any foreign exchange nor was there foreign exchange outgo.

DIRECTORS :

During the year under review, M/s. J.M.Rugg, Y.S.Joshi and V.K.Jayaswal were co-opted by the Board as additional Directors of the Company effective September 20, 2000. The Board also further co-opted Mr.Pradeep Bhargava as an additional Director of the Company effective December 18, 2000.

M/s. A.P.Bawale, P.B.Yardi and D.V.Vadgama resigned as Directors of the Company effective September 20, 2000. Mr.Y.S. Joshi also resigned as Director of the Company effective September 22, 2000. The Board placed on record its appreciation for the valuable contribution made by the above Directors for the growth of the Company.

Resolutions for obtaining shareholders' approval for the appointment of M/s. J.M.Rugg, V.K.Jayaswal and Pradeep Bhargava as Directors of the Company are being placed in the ensuing Annual General Meeting of the Company.

In accordance with the Companies Act, 1956 and Articles of Association of the Company, Mr.M.M.Godse, Director of the Company, retire by rotation and is eligible for re-appointment.

SECOND ANNUAL REPORT - 2001

Power Systems India Limited

AUDITORS :

The Company's first Auditors, A.F.Ferguson Associates did not seek re-appointment as Auditors of the Company in the First Annual General Meeting held on June 30, 2000.

In view of the above, the shareholders appointed Arthur Andersen & Associates, Mumbai, Chartered Accountants, as Auditors of the Company to hold the office from the conclusion of the First Annual General Meeting up to the conclusion of the Second Annual General Meeting. The Auditors, Arthur Andersen & Associates, Mumbai, are eligible for re-appointment.

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.

On behalf of Board of Directors



J. M. Rugg
Chairman

Pune : June 6, 2001

Cummins India Limited

AUDITORS' REPORT

To the Members of
POWER SYSTEMS INDIA LIMITED :

We have examined the accompanying balance sheet of POWER SYSTEMS INDIA LIMITED ('the Company') at March 31, 2001 and the related statement of profit and loss for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the financial statements referred to above give a true and fair view of the state of affairs of POWER SYSTEMS INDIA LIMITED at March 31, 2001, and of its profit for the year then ended. The balance sheet and the related statement of profit and loss are in agreement with the books of account, have complied with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 ('the Act') and are presented in the manner required by the Act. Further, in our opinion, the Company has maintained proper books of account, as required by law, insofar, as appears from our examination of those books.

On the basis of information and explanations given to us, and representations obtained by the Company, there are no directors of the Company who, as at March 31, 2001, are disqualified under section 274(1)(g) of the Act, from being appointed as directors.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 for the year ended March 31, 2001 as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

SECOND ANNUAL REPORT - 2001
Power Systems India Limited

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2001

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, management conducted a physical verification of the assets during the year and no discrepancies were noticed on such verification. 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 ended March 31, 2001.
3. Physical verification has been conducted by management during the year in respect of stocks of finished goods, raw materials and stores. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies between physical and book stocks were not material and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with generally accepted accounting principles and is on the same basis as in the preceding period.
7. The Company has not taken or granted any loans, secured or unsecured, from or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. Parties to whom loans, or advances in the nature of loans, have been given by the Company, are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
9. In our opinion, and according to the information and explanations given to us, and having regard to the explanation that certain items purchased are of a special nature for which alternative quotations are not available, the internal control procedures of the Company relating to the purchase of stores, raw material and components, plant and machinery, equipment and other assets, and for the sale of goods, are adequate and commensurate with the size of the Company and the nature of its business.
10. We are informed that the Company has not entered into transactions for purchase of goods and materials and sale of goods, materials and services with parties listed in the register maintained under section 301 of the Companies Act, 1956.
11. We are informed that there were no unserviceable or damaged stores, raw materials or finished goods at March 31, 2001.
12. The Company has not accepted any deposits to which the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder apply.

Cummins India Limited

13. We are informed that the Company's operations do not generate any by-product or scrap.
14. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
15. Maintenance of cost records has been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of internal combustion engines. While we have not carried out a detailed examination of the records, it appears, prima facie, that the prescribed records and accounts have been maintained. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
16. The Company has been regular in depositing Provident Fund dues with the appropriate authorities. As explained to us, the provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company for the year ended March 31, 2001.
17. According to the records of the Company, there were no undisputed amounts outstanding at March 31, 2001, in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which were outstanding for a period of more than six months from the date they became payable.
18. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the profit and loss account for the year ended March 31, 2001, other than those payable under contractual obligations, or in accordance with generally accepted business practices.
19. The Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

SECOND ANNUAL REPORT - 2001
Power Systems India Limited

BALANCE SHEET AS AT MARCH 31, 2001

| | | March 31, 2001 | March 31, 2000 (see Schedule 8, note 7) |
|--|----------|----------------|---|
| | Schedule | Rupees '000 | Rupees '000 |
| I. SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 1 | 40,000 | 4,500 |
| Share application money | | — | 5,500 |
| Profit and loss account | | 31,716 | — |
| LOAN FUNDS | | | |
| Unsecured loans | 2 | 9,749 | 2,500 |
| | | <u>81,465</u> | <u>12,500</u> |
| II. APPLICATION OF FUNDS | | | |
| FIXED ASSETS : | 3 | | |
| Gross block | | 27,049 | 2,641 |
| Less: Depreciation | | 3,440 | 49 |
| Net block | | <u>23,609</u> | <u>2,592</u> |
| CURRENT ASSETS, LOANS AND ADVANCES : | 4 | | |
| Inventories | | 56,170 | 18,437 |
| Sundry debtors | | 241,331 | 24,249 |
| Cash and bank balances | | 25,960 | 2,817 |
| Other current assets | | — | 9 |
| Loans and advances | | 9,098 | 2,318 |
| | | <u>332,559</u> | <u>47,830</u> |
| Less : CURRENT LIABILITIES AND PROVISIONS : | 5 | | |
| Current liabilities | | 252,761 | 39,235 |
| Provisions | | 21,942 | 190 |
| | | <u>274,703</u> | <u>39,425</u> |
| Net current assets | | 57,856 | 8,405 |
| PROFIT AND LOSS ACCOUNT | | — | 1,503 |
| | | <u>81,465</u> | <u>12,500</u> |
| Notes to the financial statements | 8 | | |

Schedules 1 to 8 form an integral part of the financial statements

For Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

J. M. Rugg
Chairman

Madan M. Godse
Director

Pune : June 5, 2001

Cummins India Limited

PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2001

| | Schedule | For the year ended March 31, 2001 Rupees '000 | <i>For the period ended March 31, 2000 (see Schedule 8, note 7) Rupees '000</i> |
|--|----------|---|---|
| INCOME | | | |
| Sale of products and other income | 6 | 488,430 | 22,302 |
| | | <u>488,430</u> | <u>22,302</u> |
| EXPENDITURE | | | |
| Manufacturing and other expenses | 7 | 444,172 | 23,741 |
| Depreciation | 3 | 3,391 | 49 |
| Interest on fixed period loans | | 1,243 | 15 |
| | | <u>448,806</u> | <u>23,805</u> |
| Net profit/(loss) for the year before tax | | 39,624 | (1,503) |
| Less : provision for income-tax | | 6,405 | — |
| Net profit/(loss) for the year after tax | | <u>33,219</u> | <u>(1,503)</u> |
| Profit and loss account, beginning of the year/period | | (1,503) | — |
| Profit and loss account, end of the year/period | | <u>31,716</u> | <u>(1,503)</u> |
| Notes to the financial statements | 8 | | |

Schedules 1 to 8 form an integral part of the financial statements

For Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

J. M. Rugg
Chairman

Madan M. Godse
Director

Pune : June 5, 2001

SECOND ANNUAL REPORT - 2001
Power Systems India Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

| | March 31, 2001 | March 31, 2000 (see Schedule 8, note 7) |
|--|----------------|---|
| Schedule | Rupees '000 | Rupees '000 |
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 5,000,000 (previous year 1,000,000) | | |
| equity shares of Rs. 10 each | 50,000 | 10,000 |
| Issued, subscribed and paid-up | | |
| 4,000,000 (previous year 450,000) | | |
| equity shares of Rs. 10 each | 40,000 | 4,500 |
| Note : Of the above equity shares, 500,000 (previous year 225,000) shares are held by Cummins India Limited and 3,500,000 (previous year 225,000) shares are held by Cummins Diesel Sales and Service (India) Limited, the holding Company, which is a wholly owned subsidiary of Cummins India Limited | | |
| SCHEDULE 2 | | |
| UNSECURED LOANS | | |
| Short term loans (from other than banks) | | |
| Inter-corporate deposits | 9,500 | 2,500 |
| Interest accrued and due on inter-corporate deposits | 249 | — |
| | 9,749 | 2,500 |
| SCHEDULE 3 | | |
| FIXED ASSETS | | |
| (see Schedule 8, notes 6 and 7) | | |

Rupees '000

| Particulars | Cost | | | Depreciation | | | Net block | |
|--|--|---------------------------------|--|-------------------------|--------------|-------------------------|-------------------------|-------------------------|
| | Gross block as at March 31, 2000 | Additions during the year | Gross block as at March 31, 2001 | as at March 31, 2000 | For the year | as at March 31, 2001 | as at March 31, 2001 | as at March 31, 2000 |
| Land | — | 5,284 | 5,284 | — | — | — | 5,284 | — |
| Building | — | 5,369 | 5,369 | — | 36 | 36 | 5,333 | — |
| Plant and machinery | 1,908 | 10,815 | 12,723 | 14 | 2,940 | 2,954 | 9,769 | 1,894 |
| Furniture and fittings | 364 | 422 | 786 | 35 | 386 | 421 | 365 | 329 |
| Motor vehicles | — | 891 | 891 | — | 29 | 29 | 862 | — |
| | 2,272 | 22,781 | 25,053 | 49 | 3,391 | 3,440 | 21,613 | 2,223 |
| Capital work-in- progress and capital advances | 369 | — | 1,996 | — | — | — | 1,996 | 369 |
| | 2,641 | — | 27,049 | 49 | 3,391 | 3,440 | 23,609 | 2,592 |
| Previous year | — | — | 2,641 | — | 49 | 49 | 2,592 | — |

Cummins India Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

| | March 31, 2001 | March 31, 2000 (see Schedule 8, note 7) |
|--|----------------|---|
| | Rupees '000 | Rupees '000 |
| SCHEDULE 4 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| Inventories | | |
| Raw material and components | 44,462 | 14,923 |
| Work-in-progress | 11,708 | 3,514 |
| | <u>56,170</u> | <u>18,437</u> |
| Sundry debtors | | |
| Sundry debtor balances are unsecured, considered good and outstanding for a period of less than six months | <u>241,331</u> | <u>24,249</u> |
| Cash and bank balances | | |
| Cash on hand | 39 | 1 |
| Balances with scheduled banks : | | |
| - on current account | 25,906 | 1,801 |
| - on fixed deposit account [including Rs 15,000 (previous year Rs 15,000) under lien] | 15 | 1,015 |
| | <u>25,960</u> | <u>2,817</u> |
| Other current assets | | |
| Interest accrued on bank deposits | <u>—</u> | <u>9</u> |
| Loans and advances (unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 8,624 | 2,296 |
| Balance with Excise authorities | 457 | 5 |
| Advance taxes | 17 | 17 |
| | <u>9,098</u> | <u>2,318</u> |
| | <u>332,559</u> | <u>47,830</u> |

SECOND ANNUAL REPORT - 2001
Power Systems India Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

| | March 31, 2001 | March 31, 2000 (see Schedule 8, note 7) |
|--|----------------|---|
| | Rupees '000 | Rupees '000 |
| SCHEDULE 5 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| Current Liabilities | | |
| Sundry creditors | | |
| - Outstanding dues of small scale industrial undertakings (see Schedule 8, note 5) | 6,586 | 46 |
| - Outstanding dues of creditors other than small scale industrial undertakings | 246,175 | 39,177 |
| Interest accrued but not due on loans | — | 12 |
| | <u>252,761</u> | <u>39,235</u> |
| Provisions | | |
| Provision for warranty | 12,677 | 190 |
| Provision for taxation | 6,405 | — |
| Other provisions | 2,860 | — |
| | <u>21,942</u> | <u>190</u> |
| | <u>274,703</u> | <u>39,425</u> |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

| | For the year ended March 31, 2001 | For the period ended March 31, 2000 (see Schedule 8, note 7) |
|--|---|--|
| | Rupees '000 | Rupees '000 |
| SCHEDULE 6 | | |
| SALE OF PRODUCTS AND OTHER INCOME | | |
| Sales | 488,290 | 22,224 |
| Interest on bank deposits | 5 | 78 |
| Miscellaneous income | 135 | — |
| | <u>488,430</u> | <u>22,302</u> |

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

| | For the year ended March 31, 2001 | <i>For the period ended March 31, 2000 (see Schedule 8, note 7)</i> |
|--|---|---|
| | Rupees '000 | Rupees '000 |
| SCHEDULE 7 | | |
| MANUFACTURING AND OTHER EXPENSES | | |
| Raw materials and components consumed | 414,834 | 24,473 |
| Increase in inventories | | |
| Opening inventories of work-in-progress | 3,514 | — |
| Less: closing inventories of work-in-progress | 11,708 | 3,514 |
| | (8,194) | (3,514) |
| Payments to and provision for employees: | | |
| Salaries, wages and bonus | 4,286 | 265 |
| Company's contribution to provident and other funds | 169 | — |
| Welfare expenses | 276 | 19 |
| | 4,731 | 284 |
| Operation and other expenses | | |
| Warranty expenses | 12,487 | 190 |
| Freight, transport and packing | 6,024 | 558 |
| Travelling expenses | 3,219 | 108 |
| Rent | 1,678 | 714 |
| Communication expenses | 1,146 | 82 |
| Insurance | 612 | 44 |
| Stores and tools consumed | 587 | 75 |
| Repairs to buildings | 499 | 445 |
| Repairs to machinery | 231 | 21 |
| Other repairs | 493 | 15 |
| Power and fuel | 382 | 20 |
| Auditor's remuneration: | | |
| - Audit fees | 600 | 105 |
| Preliminary expenses written off | — | 58 |
| Miscellaneous expenses | 4,843 | 63 |
| | 444,172 | 23,741 |

SECOND ANNUAL REPORT - 2001

Power Systems India Limited

SCHEDULE 8

NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

1. Background note

Power Systems India Limited ('the Company') was incorporated on January 8, 1999 as a Private Limited Company. On September 6, 1999, the Company became a Deemed Public Company. At March 31, 2001, Cummins Diesel Sales and Service (India) Limited ('CDSS'), a subsidiary of Cummins India Limited ('CIL') holds 87.5% of the equity share capital of the Company and the balance is held by CIL.

The Company manufactures engines and generating sets in the range of 30 KVA and 82.5 KVA. The Company's manufacturing facilities are located at Daman, a backward industrial area.

2. Statement of significant accounting policies

a) Basis of accounting

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956, including the mandatory Accounting Standards specified under section 211(3C) of the Act, under historical cost convention on an accrual basis.

b) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. 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 fixed assets, whichever is higher. Data processing machines are depreciated over four years.

c) Inventories

Inventories are stated at the lower of cost and net realisable value. Material cost is determined on the weighted average basis. Work-in-progress includes the combined cost of material, labour and manufacturing overheads.

d) Foreign currency transactions (other than for fixed assets)

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Foreign currency denominated current assets and current liabilities outstanding at the year-end are stated at the closing exchange rates. Foreign exchange differences arising out of changes in foreign exchange rates are appropriately recognised in the profit and loss account.

e) Revenue Recognition

Sale of goods is recognised on shipment to customers and is recorded net of discounts. Sales exclude amounts recovered towards excise duty.

f) Retirement benefits

Accrual for gratuity liability is computed in accordance with the rules of the Company, based on the period of service completed by the employees.

Cummins India Limited

NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001 (contd.)

Liability for leave encashment has been determined and accrued for, based on the number of days of encashable leave to the credit of each employee as on the balance sheet date.

g) Product warranty costs

Product warranty costs have been provided in the books of account on the basis of expected claims as estimated by management. Cost of product warranty is included in 'raw materials and components consumed' for free replacement of spares.

3 (a) Quantitative information in regard to licensed and installed capacity and production

| | Licensed Capacity (see note i) Nos. | Installed capacity (see note ii) Nos. | Production (see note iii) Nos. |
|---|--|--|--------------------------------------|
| Internal combustion engines other than for motor vehicles, motor cycles and aircrafts | 5,000 (5,000) | 3,800 (3,800) | 1,625 (118) |
| Internal combustion piston engines and other parts and accessories for heavy motor vehicles | 1,200 (—) | — (—) | 741 (—) |
| Parts and accessories for prime movers, boilers, steam generating plants and nuclear reactors | 100,000 (100,000) | — (—) | — (—) |
| Generators/generating sets | 1,500 (1,500) | 200 (200) | 43 (—) |
| Electricity distribution and control equipment including voltage stabilizers. | 1,500 (1,500) | — (—) | — (—) |
| Parts and accessories for locomotives | 10,000 (10,000) | — (—) | — (—) |

- i) Exempted from the licensing provisions of the Industries (Development & Regulation) Act, 1951 in terms of notification No. S.O. 477(E) dated July 25, 1991. Prescribed Memoranda, for the purpose of record, has been filed with Secretariat for Industrial Approvals (SIA), Department of Industrial Development, Ministry of Industry, Government of India. The capacity indicated is as disclosed in the respective memorandum.
- ii) The installed capacity has been certified by the management and relied on by the auditors.
- iii) Production includes forty-one engines (*previous year two engines*) captively consumed for manufacture of generating sets.
- iv) Previous year's figures are indicated in brackets

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Power Systems India Limited

NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001 (contd.)

(b) Turnover, opening and closing stocks

| Particulars | Sale | | Stocks | | | |
|--|----------------|---------------------|-----------------|-------------------|-----------------|------------------|
| | Qty Nos | Value Rs. '000 | Opening Nos. | Value Rs. '000 | Closing Nos. | Value Rs.'000 |
| Internal Combustion Engines other than for motor vehicles, motor cycles and aircrafts | 1,582 (116) | 250,030 (22,224) | — (—) | — (—) | — (—) | — (—) |
| Internal Combustion Piston Engines and other parts and accessories for Heavy Motor Vehicles | 741 (—) | 226,566 (—) | — (—) | — (—) | — (—) | — (—) |
| Generating Sets | 43 (—) | 11,694 (—) | — (—) | — (—) | — (—) | — (—) |
| | <u>2,366</u> | <u>488,290</u> | | | | |

(c) Details of raw materials and components consumed :

| Particulars | March 31, 2001 | | March 31, 2000 | |
|-------------|----------------|--------------------|----------------|--------------------|
| | Qty Nos. | Value (Rs '000) | Qty Nos. | Value (Rs '000) |
| Long block | 746 | 112,064 | — | — |
| Engines | 1,645 | 171,073 | 138 | 19,340 |
| Components | — | 131,697 | — | 5,133 |
| | | <u>414,834</u> | | <u>24,473</u> |

Notes:

- As the Company maintains its records in quantity only, the value figures shown are balancing figures, ascertained on the basis of opening stock, purchases and closing stock.
- The above figures are after adjustment of excesses and shortages ascertained on physical count and write off of obsolete and other items.
- The cost of components includes the cost of purchased components issued as free replacements under the Company's warranty for goods sold.

Cummins India Limited

NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001 (contd.)

(d) Value of imported and indigenous raw materials and components consumed

| Particulars | March 31, 2001 | | March 31, 2000 | |
|-----------------------|----------------|---------------|----------------|---------------|
| | Rs '000 | % | Rs '000 | % |
| Imported | 6,690 | 1.61 | — | — |
| Indigenously procured | 408,144 | 98.39 | 24,473 | 100.00 |
| | <u>414,834</u> | <u>100.00</u> | <u>24,473</u> | <u>100.00</u> |

4. Value of imports on CIF basis

| | March 31, 2001 Rs '000 | March 31, 2000 Rs '000 |
|---------------|------------------------------|------------------------------|
| Raw materials | 10,399 | — |

5. The small scale industrial undertakings to whom the Company owes a sum exceeding Rs 100,000 which is outstanding for more than 30 days are as follows:

Bhor Engineering, Gears and Transmissions, Mercury Fittings Private Limited, Polybond India Private Limited, Young Industries

For the information given above and in Schedule 5, the small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

6. The Company has in the current year revised the estimated useful life of data processing machines to four years. Consequently, the depreciation charged to the profit and loss is higher by Rs 49,004.
7. (a) Amounts for the period ended March 31, 2000 are for the period from January 8, 1999 (the date of incorporation) to March 31, 2000 and hence, are not comparable to the current year's amounts.
- (b) The financial statements as at and for the period ended March 31, 2000 were audited by a firm other than Arthur Andersen & Associates. Previous period amounts have been reclassified, where necessary, to confirm with the current year's presentation.

Signatories to Schedules 1 to 8

J. M. Rugg
Chairman

Pune : June 5, 2001

Madan M. Godse
Director

Pune : June 5, 2001

SECOND ANNUAL REPORT - 2001

Power Systems India Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

| | |
|--------------------|----------------|
| Registration No | 25-13231 |
| State code | 11 |
| Balance sheet date | March 31, 2001 |

II CAPITAL RAISED DURING THE YEAR ENDED MARCH 31, 2001 :

Rupees '000

| | |
|-------------------|--------|
| Public issue | — |
| Rights issue | — |
| Bonus issue | — |
| Private placement | 35,500 |

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :

| | |
|---------------------------|--------|
| Total liabilities | 81,465 |
| Total assets | 81,465 |
| Sources of funds | |
| Paid up capital | 40,000 |
| Profit and loss account | 31,716 |
| Secured loans | — |
| Unsecured loans | 9,749 |
| | 81,465 |
| Application of funds | |
| Net fixed assets | 23,609 |
| Investments | — |
| Net current assets | 57,856 |
| Miscellaneous expenditure | — |
| Accumulated losses | — |
| | 81,465 |

IV PERFORMANCE OF THE COMPANY FOR THE PERIOD ENDED MARCH 31, 2001 :

| | |
|---|---------|
| Turnover | 488,430 |
| Total expenditure | 448,806 |
| Profit before tax | 39,624 |
| Profit after tax | 33,219 |
| Earning per share (see note 3 below) (face value of Rs 10) | 8.30 |

V PRODUCTS OF THE COMPANY :

Generic names of three principal products /services of the Company
(as per monetary terms)

| Item code (ITC Code) | Product description |
|----------------------|--|
| 1 8408.90 | Compression ignition internal combustion engines |
| 2 8407.34 | Spark ignition reciprocating internal combustion engines |

Notes

- The above particulars should be read alongwith the balance sheet as at March 31, 2001, the profit and loss account for the period ended on that date and the schedules forming part thereof.
- Total liabilities include share capital of Rs. 40 million and balance in profit and loss account of Rs. 31.71 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued, subscribed and paid up at the year end.

First Annual Report for the period ended March 31, 2001 of Cummins Auto Services Limited

BOARD OF DIRECTORS :

Mr. J. M. Rugg (Chairman)
Mr. S. S. Phadke
Mr. A. B. Atre
Mr. Samidh Mukhopadhyay
Dr. Ajoy Kumar

BANKERS :

HDFC Bank Ltd.

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants,
19th Floor, Express Towers,
Nariman Point,
Mumbai 400 021.

REGISTERED OFFICE :

35A/1/2, Erandawana,
Pune 411 038.

Phone : (020) 5431234
Fax : (020) 5439490
WEBSITE : www.CumminsAuto.com

FIRST ANNUAL REPORT - 2001
CUMMINS AUTO SERVICES LIMITED

**REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS FOR THE
FINANCIAL PERIOD ENDED 31st MARCH 2001.**

1. Your Directors present the First Annual Report with the audited accounts for the period from 16th May, 2000 to 31st March, 2001 with the following financial results :

(Rupees in Million)

2000-01

| | |
|--|--------|
| Income | 43.90 |
| Profit/(Loss) for the year | (6.49) |
| Profit/(Loss) carried to Balance Sheet | (6.49) |

2. DIVIDEND :

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

3. OPERATIONS :

Your Company was incorporated as a Private Limited company on 16th May, 2000. It then became a deemed public company pursuant to the provisions of Section 43A of the Companies Act, 1956 with effect from 28th August, 2000.

Your Company has identified three lines of business, viz: Retailing in parts and accessories for commercial vehicles, highway solutions in the form of authorised service stations and annual maintenance contract with fleetowners. Your Company has appointed 70 exclusive retailers for distribution of parts and accessories for commercial vehicles.

Your Company initiated talks and has entered into Joint Ventures with 5 partners for service stations to be based near Mumbai, Vadodara, Jaipur, Delhi and Chennai.

4. DIRECTORS :

Mr. S. S. Phadke and Mr. P. Y. Gurav were appointed as the first directors of the Company at the time of incorporation of the Company. Subsequently, Mr. Gurav resigned from the office of the Director. Your directors place on record its appreciation for the valuable contribution made by Mr. Gurav during his tenure as a Director.

Cummins India Limited

Mr. A. B. Atre was appointed as an Additional Director with effect from 16th August, 2000. Mr. Jim Rugg and Mr. Samidh Mukhopadhyay were appointed Additional Directors with effect from 28th August, 2000. Dr. Ajoy Kumar was appointed as Additional Director with effect from 16th May, 2001. Mr. Jim Rugg was appointed as Chairman of the Board effective 28th August, 2000. Resolutions for obtaining approval of shareholders for their appointment as Directors are being placed in the First Annual General Meeting of the shareholders of the Company.

Mr. S. S. Phadke, one of the first Directors, being the longest in office, retires by rotation and is eligible for reappointment.

5. **MANAGER :**

Mr. Alok Singh, Chief Executive Officer of the Company was appointed as the Manager pursuant to the provisions of Section 269 of the Companies Act, 1956 with effect from May 16, 2001.

6. **AUDIT COMMITTEE :**

Pursuant to the provisions of Section 292A of the Companies Act, 1956, your Directors have constituted the Finance and Audit Committee of Directors comprising of Mr. Jim Rugg, Mr. S.S. Phadke and Mr. A. B. Atre at their meeting held on May 16, 2001.

7. **AUDITORS :**

The Auditors, M/s. Arthur Andersen & Associates, Chartered Accountants, Mumbai, are eligible for reappointment at the First Annual General Meeting.

8. **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The operations of your Company are not energy intensive. Adequate measures are, however, being taken to reduce energy consumption through purchase of efficient 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 taking adequate measures to develop and retain capabilities in the areas of e-commerce technologies.

During the period under review, there was no foreign exchange earned or spent by your Company.

9. **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 period under review.

FIRST ANNUAL REPORT - 2001
CUMMINS AUTO SERVICES LIMITED

10. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- a) In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- b) 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 period 2000-01 and of loss of the Company for that period;
- c) 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;
- d) Your Directors had prepared the annual accounts for the period under review on a going concern basis.

For and on behalf of the Board



J. M. Rugg
Chairman

Place : Pune

Date : June 8, 2001.

Cummins India Limited

AUDITORS' REPORT

To the Members of
CUMMINS AUTO SERVICES LIMITED :

We have examined the attached balance sheet of CUMMINS AUTO SERVICES LIMITED ('the Company') at March 31, 2001 and also the profit and loss account for the period from May 16, 2000 (date of incorporation) to March 31, 2001. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the financial statements referred to above give a true and fair view of the state of affairs of CUMMINS AUTO SERVICES LIMITED at March 31, 2001 and of its loss for the period from May 16, 2000 (date of Incorporation) to March 31, 2001. The balance sheet and the profit and loss account are in agreement with the books of account, have complied with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 ('the Act'), and are presented in the manner required by the Act. Further, in our opinion, the Company has maintained proper books of account, as required by law, insofar as appears from our examination of those books.

On the basis of information and explanations given to us, and representations obtained by the Company, there are no directors of the Company who, as at March 31, 2001, are disqualified under section 274(1)(g) of the Act, from being appointed as directors.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 for the period ended March 31, 2001 as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 8, 2001

FIRST ANNUAL REPORT - 2001
CUMMINS AUTO SERVICES LIMITED

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2001

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, management conducted a physical verification of the fixed assets during the period and no discrepancies were noticed on such verification. 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 period ended March 31, 2001.
3. Physical verification has been conducted by management during the period in respect of stock-in-trade, excluding goods-in-transit and stocks lying with a third party, in respect of which confirmation from the third party has been received. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies between physical and book stocks were not material and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles. This being the first year of operations of the Company, the question of change in the basis of valuation of stocks does not arise.
7. The Company has not taken or granted any loans, secured or unsecured, from or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. Loans or advances in the nature of loans have been given to employees who are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
9. In our opinion and according to the information and explanations given to us and having regard to the explanation that most of the items purchased are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stock-in-trade, equipment and other assets and for the sale of goods.
10. The Company has not entered into transactions of purchase of goods and materials and sale of goods, materials and services with parties listed in the register maintained under section 301 of the Companies Act, 1956.
11. 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.

Cummins India Limited

12. The Company has not accepted any deposits to which the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder apply.
13. We are informed that the Company's activities do not generate any by-product or scrap.
14. The clause relating to internal audit is not applicable to the Company, as the paid up share capital and turnover of the Company did not exceed the specified limits.
15. We are informed that 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.
16. We are informed that the Company is in the process of obtaining the necessary approvals from the Provident Fund Authorities for making contributions to the Provident Fund Scheme. Pending such approval, the Company has deposited the contribution deducted from the employees and its own contribution with the appropriate authorities in the month of March 2001. As explained to us, the provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company for the period ended March 31, 2001.
17. According to the records of the Company, there were no undisputed amounts in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at March 31, 2001 for a period of more than six months from the date they became payable.
18. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the profit and loss account for the period ended March 31, 2001, other than those payable under contractual obligations, or in accordance with generally accepted business practices.
19. The Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. As explained to us, no damaged goods were determined in the class of goods traded in by the Company.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 8, 2001

CUMMINS AUTO SERVICES LIMITED**BALANCE SHEET AS AT MARCH 31, 2001**

| | Schedule | As at March 31, 2001 (see schedule 8, note 8) Rupees '000 |
|---|----------|---|
| SOURCES OF FUNDS : | | |
| SHAREHOLDERS' FUNDS : | | |
| Share capital | 1 | 40,000 |
| Share application money pending allotment | | 25,000 |
| | | <u>65,000</u> |
| APPLICATION OF FUNDS : | | |
| FIXED ASSETS : | 2 | |
| Gross block | | 3,820 |
| Less : depreciation | | 316 |
| Net block | | <u>3,504</u> |
| CURRENT ASSETS, LOANS AND ADVANCES : | 3 | |
| Inventories | | 17,047 |
| Sundry debtors | | 27,011 |
| Cash and bank balances | | 50,631 |
| Other current assets | | 151 |
| Loans and advances | | 9,696 |
| | | <u>104,536</u> |
| Less : CURRENT LIABILITIES AND PROVISIONS : | 4 | |
| Current liabilities | | <u>50,288</u> |
| NET CURRENT ASSETS | | <u>54,248</u> |
| MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) | 5 | 759 |
| PROFIT AND LOSS ACCOUNT | | <u>6,489</u> |
| | | <u>65,000</u> |
| Notes : | 8 | |

Schedules 1 to 8 form integral part of the financial statements
In terms of our report of even date.

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Place : Chennai
Date : June 8, 2001

For and on behalf of the
Board of Directors

J. M. Rugg
Chairman

Alok Singh
Chief Executive Officer

Place : Pune
Date : June 8, 2001.

S. S. Phadke
Director

Sandeep Phadnis
Company Secretary

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM MAY 16, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001.

| | Schedule | For the period ended March 31, 2001 (see schedule 8, note 8) Rupees '000 |
|---|----------|--|
| INCOME : | | |
| Sale of products and other income | 6 | 43,899 |
| EXPENDITURE: | | |
| Cost of sales and other expenses | 7 | 50,072 |
| Depreciation | 2 | 316 |
| Total expenditure | | 50,388 |
| LOSS FOR THE PERIOD CARRIED TO THE BALANCE SHEET | | 6,489 |
| Notes : | 8 | |

Schedules 1 to 8 form integral part of the financial statements
In terms of our report of even date.

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

SUBRAMANIAN SURESH
Partner

Place : Chennai
Date : June 8, 2001

For and on behalf of the
Board of Directors

J. M. Rugg
Chairman

Alok Singh
Chief Executive Officer

Place : Pune
Date : June 8, 2001.

S. S. Phadke
Director

Sandeep Phadnis
Company Secretary

CUMMINS AUTO SERVICES LIMITED**SCHEDULES FORMING PART OF THE BALANCE SHEET**

As at
March 31, 2001
(see schedule 8,
note 8)
Rupees '000

SCHEDULE NO. 1**SHARE CAPITAL :****Authorised :**

10,000,000 equity shares of Rs. 10 each.

100,000

Issued and subscribed :

4,000,000 equity shares of Rs.10 each fully paid

40,000

The above equity shares are held by the holding company, Cummins Diesel Sales and Service (India) Limited and its nominee.

SCHEDULE NO. 2**FIXED ASSETS :**

[see schedule 8, note 2(b)]

(Rupees in '000)

| Particulars | Cost | | Depreciation for the period from May 16, 2000 (date of incorporation) to March 31, 2001 | Net Block as on March 31, 2001 |
|------------------------|--|---|---|---|
| | Additions during the period from May 16, 2000 (date of incorporation) to March 31, 2001 | Gross Block as on March 31, 2001 | | |
| Office equipment | 3,475 | 3,475 | 310 | 3,165 |
| Furniture and fittings | 345 | 345 | 6 | 339 |
| | 3,820 | 3,820 | 316 | 3,504 |

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

As at
March 31, 2001
(see schedule 8,
note 8)
Rupees '000

SCHEDULE NO. 3

CURRENT ASSETS, LOANS AND ADVANCES :

Inventories

[see schedule 8, note 2(c)]

| | |
|------------------|--------------|
| Stock-in-trade | 15,754 |
| Goods in transit | 1,293 |
| | <hr/> 17,047 |

Sundry debtors

(Considered good, outstanding for less than six months)
(see schedule 8, note 6)

| | |
|-----------|--------------|
| Secured | 10,377 |
| Unsecured | 16,634 |
| | <hr/> 27,011 |

Cash and bank balances

| | |
|---------------------------------|--------------|
| Cash on hand | 8 |
| Balances with scheduled banks : | |
| on current accounts | 22,149 |
| on deposit accounts | 28,474 |
| | <hr/> 50,631 |

Other current assets

| | |
|-----------------------------------|-----|
| Interest accrued on bank deposits | 151 |
|-----------------------------------|-----|

Loans and advances

(Unsecured, considered good)

| | |
|---|---------------------|
| Advances recoverable in cash or in kind or for value to be received (see schedule 8, note 7) | 9,536 |
| Advance income-tax | 160 |
| | <hr/> 9,696 |
| | <hr/> <hr/> 104,536 |

CUMMINS AUTO SERVICES LIMITED**SCHEDULES FORMING PART OF THE BALANCE SHEET**

As at
March 31, 2001
(see schedule 8,
note 8)
Rupees '000

SCHEDULE NO. 4**CURRENT LIABILITIES AND PROVISIONS :****Current liabilities :**

| | |
|---|---------------|
| Sundry creditors (see schedule 8, note 5) | 32,737 |
| Trade deposits | 16,150 |
| Other liabilities | 1,401 |
| | <u>50,288</u> |

SCHEDULE NO. 5**MISCELLANEOUS EXPENDITURE****(to the extent not written off or adjusted)**

| | |
|---|-------------|
| Preliminary expenditure [see schedule 8, note 2(f)] | |
| Registration fees | 613 |
| Stamp duty | 200 |
| Total | <u>813</u> |
| Less: Amortisation | <u>(54)</u> |
| Closing balance | <u>759</u> |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

For the period
ended
March 31, 2001
(see schedule 8,
note 8)
Rupees '000

SCHEDULE NO. 6**SALE OF PRODUCTS AND OTHER INCOME :**

| | |
|---|---------------|
| Sales [see schedule 8, note 2(d)] | 41,253 |
| Commission | 1,685 |
| Interest (tax deducted at source Rs. 159,617) | 781 |
| Other income | 180 |
| | <u>43,899</u> |

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | | For the period ended March 31, 2001 (see schedule 8, note 8) |
|---|-------------|--|
| | Rupees '000 | Rupees '000 |
| SCHEDULE NO. 7 | | |
| COST OF SALES AND OTHER EXPENSES : | | |
| Cost of sales | | |
| Purchases | 54,412 | |
| Less : Increase in stocks | (17,047) | |
| | | 37,365 |
| Payments to and provision for employees : | | |
| Salaries and perquisites | 3,019 | |
| Contribution to provident, gratuity and other funds | 174 | |
| Staff welfare expenses | 264 | |
| | | 3,457 |
| Operational and other expenses | | |
| Travel and conveyance | | 2,831 |
| Advertisement expenses | | 1,158 |
| Software expenses | | 1,054 |
| Communications | | 1,042 |
| Legal and professional expenses | | 753 |
| Transportation and other services | | 733 |
| Rent | | 487 |
| Auditors remuneration : | | |
| Audit fees | | 344 |
| Preliminary expenses written off | | 54 |
| Miscellaneous expenses | | 794 |
| | | <u>50,072</u> |

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CUMMINS AUTO SERVICES LIMITED

SCHEDULE 8

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM MAY 16, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001.

1. Background

Cummins Auto Services Limited ('the Company') was incorporated on May 16, 2000 as a wholly owned subsidiary of Cummins Diesel Sales and Service (India) Limited. The Company is mainly engaged in:

- procuring and marketing spare parts and accessories;
- establishing authorised service centres on national and state highways by entering into joint ventures with appropriate partners; and
- providing maintenance for commercial vehicles.

The Company has commenced procuring and marketing spare parts and accessories.

2. Statement of significant accounting policies

a) Basis of accounting :

The financial statements are prepared under historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in section 211(3C) of the Companies Act, 1956

b) Fixed assets and depreciation :

- i) Fixed assets are stated at cost of acquisition less depreciation. All significant costs related to acquisition and installation of fixed assets are capitalised.
- ii) Depreciation is provided using the straight line method specified in Schedule XIV to the Companies Act, 1956 and at rates prescribed therein or based on the useful life of the fixed assets, whichever is higher. Data processing machines and related assets are depreciated over four years.

c) Inventories :

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes costs incurred to bring the inventories to their present location and condition.

d) Revenue recognition :

Sale of goods is recognised on shipment to customers. Sales exclude amounts recovered towards sales tax.

e) Retirement benefits :

Retirement benefits to employees comprise of payments to gratuity and provident funds under the approved schemes of the Company. Annual contributions to gratuity funds are based on an actuarial valuation by Life Insurance Corporation of India (LIC).

f) 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.

Cummins India Limited

SCHEDULE 8 (Contd.)

3. Analysis of sales

[see note 4(ii)]

| | Nos. | 2001 Rupees '000 |
|----------------------------|------|---------------------|
| Engine Cores | 9 | 562 |
| Spare parts and components | | 40,691 |
| Total | | 41,253 |

4. Analysis of purchases and closing stock

| | Purchases | | Closing stock | |
|----------------------------|-----------|-------------|---------------|-------------|
| | Nos. | Rupees '000 | Nos. | Rupees '000 |
| Engines | 19 | 1,101 | 10 | 440 |
| Spare parts and components | | 53,311 | | 16,607 |
| Total | | 54,412 | | 17,047 |

Notes:

- (i) The above figures are after adjustment of excesses and shortages ascertained on physical count.
 - (ii) There are no individual items of spare parts and components exceeding 10% of the value of stocks, purchases and sales.
5. Sundry creditors include amounts due to a small-scale industrial undertaking of Rs. 228,938. The Company does not owe a sum exceeding Rs. 100,000, which is outstanding for more than 30 days to any small-scale industrial undertaking as at March 31, 2001. For the information given above, the small scale industrial undertaking status has been reckoned on the basis of information available with the Company.
 6. Sundry debtors include an amount of Rs. 1,674,636 due from Valvoline Cummins Limited, a company under the same management as defined under section 370(1B) of the Companies Act, 1956.
 7. Advances recoverable in cash or in kind include advance against share application money pending allotment paid to the following 50:50 Joint Venture companies :

| | Rupees '000 |
|---|-------------|
| a) Fourstroke Automotive Private Limited, Chennai | 2,000 |
| b) MRC Auto Solutions Private Limited, Baroda | 3,000 |
| c) RDB Auto Services Private Limited, Jaipur | 2,000 |
 8. The profit and loss account has been drawn up for the period from May 16, 2000 (date of incorporation) to March 31, 2001. This being the first year of operation of the Company, no comparative figures for the previous year have been given.

Signatories to Schedules 1 to 8

| | | |
|----------------------|-------------------------|--------------------------|
| | J. M. Rugg Chairman | S. S. Phadke Director |
| Place : Pune | Alok Singh | Sandeep Phadnis |
| Date : June 8, 2001. | Chief Executive Officer | Company Secretary |

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CUMMINS AUTO SERVICES LIMITED

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) dated 15th May, 1995.

I. REGISTRATION DETAILS

| | | |
|--------------------|---|---------------|
| Registration No. | : | 25-14889 |
| State Code | : | 25 |
| Balance sheet date | : | March 31 2001 |

Rs. '000

II. CAPITAL RAISED DURING THE YEAR ENDED March 31, 2001

| | |
|---------------------|--------|
| Public issue : | NIL |
| Right issue : | NIL |
| Bonus issue : | NIL |
| Private placement : | 40,000 |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT MARCH 31, 2001

| | |
|---|---------------|
| Total liabilities (see note 2) | 65,000 |
| Total assets | 65,000 |
| Sources of funds - | |
| Paid up capital | 40,000 |
| Share application money pending allotment | 25,000 |
| Reserve and surplus | NIL |
| Secured loans | NIL |
| Unsecured loans | NIL |
| Total | 65,000 |
| Application of funds - | |
| Net fixed assets | 3,504 |
| Investments | NIL |
| Net current assets | 54,248 |
| Miscellaneous expenditure | 759 |
| Accumulated losses | 6,489 |
| Total | 65,000 |

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 ST MARCH, 2001

| | |
|---|---------|
| i) Turnover | 43,899 |
| (net sales and other income as per the audited profit and loss account) | |
| ii) Total expenditure | 50,388 |
| iii) Profit / (Loss) before tax | (6,489) |
| iv) Profit / (Loss) after tax | (6,489) |
| v) Earning per share (face value of Rs. 10) | NIL |
| vi) Dividend rate (%) | N.A. |
| Interim | N.A. |
| Final | N.A. |

Notes :

- The above particulars should be read alongwith the balance sheet as at March 31, 2001 and the profit and loss account for the period from May 16, 2000 to March 31, 2001 and the schedules forming part thereof.
- Total liabilities include share capital Rs 40 million and share application money Rs. 25 million.

First Annual Report for the period ended March 31, 2001 of Cummins Power Solutions Limited

BOARD OF DIRECTORS :

Mr. Ravi Venkatesan (Chairman)
Mr. Pradeep Bhargava (Managing Director)
Mr. J. K. Edwards
Mr. J. M. Rugg

BANKERS :

HDFC Bank Ltd.

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants,
19th Floor, Express Towers,
Nariman Point,
Mumbai 400 021.

REGISTERED OFFICE :

35A/1/2, Erandawana,
Pune 411 038.

Phone : (020) 4008094
Fax : (020) 5439490
WEBSITE : www.cumminspowersolutions.com

Cummins Power Solutions Limited

DIRECTORS' REPORT

The Directors of Cummins Power Solutions Limited have pleasure in presenting the First Annual Report and the Audited Accounts of the Company for the period July 19, 2000 to March 31, 2001.

FINANCIAL RESULTS :

During the period under review, the Company has earned an income of Rs. 84.32 million (Rs. 8.43 crores) mainly from lease rentals and sale of power generating equipment. During the same period the Company has earned a net profit of Rs. 6.78 million (Rs. 0.68 crores). This is the first financial period of the Company.

OPERATIONS :

Your Company was incorporated as a 'Private Limited Company' on July 19, 2000, under the name and style 'Power Solutions Private Limited'. During the period under review, Cummins India Limited, (CIL), India's largest independent diesel engine manufacturer, acquired 100% of the share capital of the Company. In view of CIL's investment, the name of your Company was changed from 'Power Solutions Private Limited' to 'Cummins Power Solutions Limited'.

Your Company was incorporated with the main object of carrying on business as management and industrial consultant in identifying, assessing and providing total power solutions to meet power requirements of the customers and to let on hire/lease generating sets, power systems, etc.

Your Company has started operations from October 1, 2000 and has forayed into the following three business lines :

Power Rentals

Your Company provides diesel generator sets on rental basis. The Company undertakes commissioning, operation and maintenance of the set during the tenure of the rental. In most cases, the Company provides efficiency and up-time guarantees. The tenure of the rental may range up to 3 years. The Company has become the market leader in power rent, with a range of diesel generator sets varying from 30-1250 KVA. Within a short span of 6 months, the Company has a deployable fleet capacity of more than 40 MVA, of which 11 MVA capacity is owned by the Company.

Power Projects

Under power projects, your Company provides professional services for identifying the power needs of the customer ending in the genset sizing and freezing related equipment requirements. The Company procures, installs and commissions the equipment. The entire equipment is operated and maintained by the Company for an agreed period. The Company guarantees up-time and efficiency parameters. At the end of this agreed period, the entire equipment is transferred to the customer at an agreed (residual) value. The Company has executed power projects during the year under Build, Own, Operate and Transfer (BOOT) scheme. The current capacity of BOOT plants is 3.5 MVA.

Power Consulting

Your Company provides consultancy for power requirements and electrical system audits. The Company also supplies energy management systems and power quality improvement products.

Cummins India Limited

AUDIT COMMITTEE :

In pursuance of provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company have constituted an Audit Committee consisting of M/s. Ravi Venkatesan, J.M. Rugg and J.K. Edwards as members of the Committee.

DIRECTORS' RESPONSIBILITY STATEMENT :

In pursuance of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors make the following statement :-

- (i) that in the preparation of the annual accounts, the applicable Accounting Standards had been followed and there was no material departure from the Accounting Standards;
- (ii) that the Directors had 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, 2001 and of the profit of the Company for the period July 19, 2000 to March 31, 2001;
- (iii) that the 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) that the Directors had prepared the annual accounts on a going concern basis.

DIVIDEND :

Your Company has earned a net profit of Rs. 6.78 million (Rs. 0.68 crores) for the period under review. However, in order to augment the working capital of the Company, the Directors have decided not to recommend any dividend.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The operations of your Company are service oriented and not energy intensive. By distributing pamphlets and screening of video films on 'energy conservation', an awareness of importance of energy conservation is inculcated amongst employees. Further, the Company also educates its customers on efficient utilisation of Diesel Generator Sets for obtaining maximum electrical output at lesser quantity of diesel fuel. The feed back from the customers is monitored on regular basis.

During the period under review, the Company has provided professional consultancy to power generating equipment manufacturers abroad and has earned foreign exchange of GBP 11,250. There was no foreign exchange outgo during the period under review.

DIRECTORS :

Ms. Matangi Gowrishankar and Mr. Rampraveen Swaminathan who were appointed as the first Directors of the Company at the time of incorporation of the Company, resigned as Directors of the Company effective July 26, 2000. The Board has placed on record its appreciation for the valuable contributions made by the above Directors in the formation of the Company.

M/s. Ravi Venkatesan, J.L. Deshmukh, Y.S. Joshi, J.M. Rugg and J.K. Edwards were appointed as Additional Directors effective July 26, 2000 and Mr. Ravi Venkatesan was appointed as the Chairman of the Board effective July 26, 2000. The Board further appointed Mr. Pradeep Bhargava as an Additional Director effective October 20, 2000 and as Managing Director of the Company for a period of five years effective October 20, 2000.

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Cummins Power Solutions Limited

Resolutions for obtaining shareholders' approval for appointment of M/s. Ravi Venkatesan, J.M. Rugg and J.K. Edwards as Directors of the Company and for appointment of Mr. Pradeep Bhargava as Managing Director of the Company are being placed in the ensuing Annual General Meeting of the Company.

During the period under review, M/s. Y.S. Joshi and J.L. Deshmukh resigned as Directors of the Company effective September 22, 2000 and January 15, 2001 respectively. The Board has also placed on record its appreciation for the valuable contribution made by the above Directors for the growth of the Company.

AUDITORS :

The Auditors, Arthur Andersen & Associates, Mumbai, are eligible for reappointment at the first Annual General Meeting of the Company.

PARTICULARS OF EMPLOYEES :

As required under Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975, a statement giving the required information relating to employees covered thereunder is attached.

On behalf of Board of Directors



Ravi Venkatesan
Chairman

Pune : June 5, 2001

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001.

| Sr. No. | Name of Employee | Age Exp. Yrs. | Qualifications Designation/ Nature of Duties | Date of Joining | Remuneration Received | | Particulars of last employment held |
|---------|------------------|---------------|--|-----------------|-----------------------|---------|---|
| | | | | | Gross Rs. | Net Rs. | |
| 1 | Pradeep Bhargava | 51 30 | B.Sc., B.E., M.B.A. Managing Director | 01/10/2000 | 698,490 | 480,606 | General Electric (GE) India, Business Development, 5 months |

Notes :

1. The employee was in service only for a part of the year.
2. Designation of the employee indicates the nature of his duties.
3. The appointment is contractual.
4. The gross remuneration comprises of salary, allowances, incentive and perquisites, the monetary value of which is as per Income-tax Act and Company's contribution to provident fund and superannuation fund.
5. Net remuneration is arrived at by deducting from the gross remuneration income-tax, Company's contribution to provident fund and superannuation fund.
6. The company has contributed an appropriate amount to gratuity and pension funds. These amounts have not been included in gross remuneration as no separate figures are available for individual employee.
7. Other terms and conditions are as per rules of the Company.

On behalf of Board of Directors



Ravi Venkatesan
Chairman

Pune : June 5, 2001

Cummins India Limited

AUDITORS' REPORT

To the Members of
CUMMINS POWER SOLUTIONS LIMITED :

We have examined the balance sheet of CUMMINS POWER SOLUTIONS LIMITED ('the Company') at March 31, 2001 and the related statement of profit and loss for the period from July 19, 2000 (the date of incorporation) to March 31, 2001. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the financial statements referred to above give a true and fair view of the state of affairs of CUMMINS POWER SOLUTIONS LIMITED at March 31, 2001 and of its profit for the period then ended. The balance sheet and the related statement of profit and loss are in agreement with the books of account, have complied with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 ('the Act'), and are presented in the manner required by the Act. Further, in our opinion, the Company has maintained proper books of account, as required by law, insofar as appears from our examination of those books.

On the basis of information and explanations given to us, and representations obtained by the Company, there are no directors of the Company who, as at March 31, 2001, are disqualified under section 274(1)(g) of the Act, from being appointed as directors.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 ('the Order') for the period ended March 31, 2001, as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

Cummins Power Solutions Limited

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2001

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. Fixed assets were physically verified by management during the period and no discrepancies were noted. In our opinion, the fixed assets are being verified at reasonable intervals having regard to the size of the Company and the nature of its assets.
2. The fixed assets of the Company have not been revalued during the period ended March 31, 2001.
3. Physical verification has been conducted by management during the period in respect of stocks of finished goods, stores and spare parts (other than certain items lying with third parties in respect of which confirmations from parties have been received). In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures for physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. There were no discrepancies between physical and book inventories.
6. As the Company did not have any inventories at March 31, 2001, clause (vi) of the Order relating to valuation of inventories is not applicable to the Company.
7. The Company has not taken or granted any loans, secured or unsecured, from or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and/or from or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. In respect of loans and advances in the nature of loans given by the Company, the parties are generally regular in repaying the principal amounts and interest, where applicable, as stipulated.
9. In our opinion and according to the information and explanations given to us, and having regard to the explanation that certain items purchased are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, plant and machinery, equipment and other assets and for the sale of goods. Due to the nature of its business, the Company does not purchase any raw materials including components.
10. We are informed that the Company has not entered into any transactions for purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the period to Rs 50,000 or more in respect of each party.
11. As the Company did not have any inventories at March 31, 2001, clause (xii) of the Order, relating to provision for loss on determination of unserviceable or damaged stores, raw materials or finished goods, is not applicable to the Company.

Cummins India Limited

12. The Company has not accepted any deposits from the public to which the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder apply.
13. We are informed that the operations of the Company do not generate any realisable by-products or scrap.
14. The clause relating to internal audit is not applicable to the Company, as the paid-up share capital of the Company at the beginning of the period, and the turnover during the period did not exceed the specified limits.
15. We are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 201(1)(d) of the Companies Act, 1956.
16. We are informed that the registration formalities for depositing provident fund with the Regional Provident Fund Commissioner were completed in March 2001, and accordingly, provident fund dues of Rs 345,948 deducted during the period ended March 31, 2001 have been deposited with the appropriate authorities in March 2001 except for a short payment of Rs 34,010 that has been paid on May 3, 2001. As explained to us, the provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company for the period ended March 31, 2001.
17. We are informed that there were no amounts outstanding at March 31, 2001, in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were outstanding for a period of more than six months from the date they became payable.
18. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the statement of profit and loss for the period ended March 31, 2001, other than those payable under contractual obligations, or in accordance with generally accepted business practices.
19. The Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

In respect of service activities:

20. Having regard to the manner of billing and that services are performed by third parties, it is not considered necessary to have a system of recording receipts, issues and consumption of material and stores, and allocation of materials, stores and labour to the relative jobs.

In respect of trading activities:

21. Since the Company does not have any inventory of traded goods at March 31, 2001, the clause relating to the determination of damaged traded goods is not applicable to the Company.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

Cummins Power Solutions Limited**BALANCE SHEET AS AT MARCH 31, 2001**

| | Schedule Number | As at March 31, 2001 (see schedule 7, note 10) Rupees '000s |
|--|--------------------|---|
| SOURCES OF FUNDS : | | |
| Shareholders' funds : | | |
| Share capital | 1 | 45,001 |
| Share application money pending allotment | | 24,900 |
| Profit and loss account | | 6,784 |
| | | <u>76,685</u> |
| APPLICATION OF FUNDS : | | |
| Fixed assets : | 2 | |
| Gross block | | 55,387 |
| Less : depreciation | | 1,685 |
| Net block | | 53,702 |
| Capital work in progress | | 9,878 |
| | | <u>63,580</u> |
| Current assets, loans and advances : | 3 | |
| Sundry debtors | | 53,820 |
| Cash and bank balances | | 2,441 |
| Loans and advances | | 4,799 |
| | | <u>61,060</u> |
| Less : Current liabilities and provisions : | 4 | |
| Current liabilities | | 42,533 |
| Provisions | | 5,422 |
| | | <u>47,955</u> |
| Net current assets | | <u>13,105</u> |
| | | <u>76,685</u> |
| Significant accounting policies and notes forming part of the accounts | 7 | |

For Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

Pradeep Bhargava
Managing Director

Pune : June 5, 2001

Jim Rugg
Director

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JULY 19, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001

| | Schedule Number | For the period ended March 31, 2001 (see schedule 7, note 10) Rupees '000s |
|--|--------------------|---|
| INCOME : | | |
| Sale and service income | 5 | 82,604 |
| Interest income | | 1,720 |
| | | <hr/> 84,324 |
| EXPENDITURE : | | |
| Cost of sales and other expenses | 6 | 73,755 |
| Depreciation | 2 | 1,685 |
| | | <hr/> 75,440 |
| Profit before tax | | 8,884 |
| Provision for tax | | 2,100 |
| Net profit for the year | | <hr/> 6,784 |
| carried forward to Balance Sheet | | |
| Significant accounting policies and notes forming part of the accounts | 7 | |

For Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

Pradeep Bhargava
Managing Director

Pune : June 5, 2001

Jim Rugg
Director

Cummins Power Solutions Limited**SCHEDULES FORMING PART OF BALANCE SHEET**

As at
March 31, 2001
(see schedule 7,
note 10)
Rupees '000s

SCHEDULE NO. 1**SHARE CAPITAL :****Authorised :**

7,500,000 equity shares of Rs. 10 each

75,000

Issued, subscribed and paid up :

4,500,100 equity shares of Rs. 10 each

45,001

All the above shares are held by the holding company,
Cummins India Limited, and its nominee

SCHEDULE NO. 2**FIXED ASSETS :**

(Rupees '000s)

| Particulars | Cost | | Depreciation for the period from July 19, 2000 (date of incorporation) to March 31, 2001 | Net block as on March 31, 2001 |
|--------------------------|---|---|--|---|
| | Additions during the period from July 19, 2000 (date of incorporation) to March 31, 2001 | Gross Block as on March 31, 2001 | | |
| Plant and machinery * | 47,027 | 47,027 | 1,346 | 45,681 |
| Office equipment | 3,289 | 3,289 | 261 | 3,028 |
| Furniture and fittings | 1,593 | 1,593 | 20 | 1,573 |
| Vehicles ** | 3,478 | 3,478 | 58 | 3,420 |
| | 55,387 | 55,387 | 1,685 | 53,702 |
| Capital work-in-progress | | 9,878 | | 9,878 |
| | | 65,265 | | 63,580 |

* given on operating lease

** includes vehicles costing Rs. 2,642,571 (net block Rs. 2,603,396), acquired under finance leases.

Cummins India Limited

SCHEDULES FORMING PART OF BALANCE SHEET

As at
March 31, 2001
(see schedule 7,
note 10)
Rupees '000s

SCHEDULE NO. 3

CURRENT ASSETS, LOANS AND ADVANCES :

Sundry debtors :

(Unsecured, considered good)

| | |
|---|---------------|
| Debts outstanding for a period less than six months | 53,820 |
| | <u>53,820</u> |

Cash and bank balances :

| | |
|--|--------------|
| Cash on hand | 3 |
| Cheques on hand | 906 |
| Balance with scheduled bank in deposit account | 1,532 |
| | <u>2,441</u> |

Loans and advances :

(Unsecured, considered good)

| | |
|---|---------------|
| Advances recoverable in cash or in kind or for value to be received | 3,850 |
| Loans to employees | 524 |
| Sundry deposits | 425 |
| | <u>4,799</u> |
| | <u>61,060</u> |

SCHEDULE NO. 4

CURRENT LIABILITIES AND PROVISIONS :

Current liabilities :

| | |
|--|---------------|
| Sundry creditors | — |
| (i) Dues to small scale industrial undertaking | |
| (ii) Dues to creditors other than small scale industrial undertaking | 36,821 |
| Advances from customers | 4,372 |
| Credit balance of bank - represents book overdraft | 1,340 |
| | <u>42,533</u> |

Provisions :

| | |
|--|---------------|
| Provision for maintenance and overhaul of power generating equipment | 4,434 |
| Provision for tax (net of advance) | 988 |
| | <u>5,422</u> |
| | <u>47,955</u> |

Cummins Power Solutions Limited**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

For the
period ended
March 31, 2001
(see schedule 7,
note 10)
Rupees '000s

SCHEDULE NO. 5**SALE AND SERVICE INCOME :**

| | |
|---|---------------|
| Lease rentals on power generating equipment | 44,786 |
| Sale of goods | 34,523 |
| Income from services | 3,295 |
| | <u>82,604</u> |

SCHEDULE NO. 6**COST OF SALES AND OTHER EXPENSES :**

| | | |
|--|--------|---------------|
| Cost of goods sold | | 34,368 |
| Payments to and provisions for employees : | | |
| Salaries and bonus | 3,579 | |
| Contribution to provident and other funds | 242 | |
| Staff welfare expenses | 249 | |
| | | <u>4,070</u> |
| Operational and other expenses : | | |
| Lease rentals on power generating equipment | 11,183 | |
| Installation and maintenance of power generating equipment | 8,278 | |
| Travelling and conveyance | 3,596 | |
| Dealer commission | 2,295 | |
| Rates and taxes | 1,769 | |
| Legal and professional charges | 1,149 | |
| Communication | 1,008 | |
| Rent | 834 | |
| Bad debts written off | 637 | |
| Freight and forwarding charges | 633 | |
| Insurance | 600 | |
| Repairs to machinery | 76 | |
| Other repairs | 6 | |
| Foreign exchange loss | 20 | |
| Interest | 17 | |
| Preliminary expenses written off | 496 | |
| Miscellaneous expenses | 2,720 | |
| | | <u>35,317</u> |
| | | <u>73,755</u> |

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JULY 19, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001

SCHEDULE NO.7

1. Background

Cummins Power Solutions Limited ('the Company') was incorporated on July 19, 2000. On August 16, 2000 it became a wholly owned subsidiary of Cummins India Limited.

The Company's business activities consist of providing :

- diesel power generating sets and allied equipment ('equipment') under leasing arrangements
- operation and maintenance facilities for the equipment
- consulting services in respect of power generation and utilisation.

2. Significant accounting policies

a) Basis of accounting

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956, including the mandatory Accounting Standards specified under section 211(3C) of the Act, under the historical cost convention on an accrual basis.

b) Revenue recognition

- i) The Company enters into agreements that transfer the right to use equipment though substantial services by the Company may be called for in connection with the operation or maintenance of such assets. As such agreements convey to the customer the right to use the equipment, they meet the definition of a lease and are accounted for based on their classification into finance leases and operating leases. The agreement is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership and agreements not meeting this criteria are classified as operating lease. The accounting adopted for each of such classifications is as follows :

- Operating Lease – minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term. Contingent rental income is recognised as revenue when the factors on which the contingent lease payments are based actually occur.
- Finance Lease – recognised as a sale when goods are accepted by the customer and recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance income is recognised on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease, and the amount attributable to service income is recognised as revenue on a straight line basis over the lease term.

- ii) Outright sales are recognised when goods are despatched to customers and exclude amounts recovered towards sales tax.

- iii) Income from consulting services is recognised on completion of services as per the terms of specific contracts.

c) Provision for overhaul

Cost of planned major overhaul of equipment is provided for by estimating the cost of the overhaul and accruing the same, based on an hourly rate, to the overhaul.

d) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition less depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised.
- ii) Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at the rates prescribed therein or based on the estimated useful life of assets, whichever is higher. Power generating equipment is depreciated over nine years. Computers and related assets are depreciated over four years.

Cummins Power Solutions Limited**NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JULY 19, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001****SCHEDULE NO. 7 (contd.)****e) Retirement benefits**

Retirement benefits to employees comprise of payments to gratuity, superannuation and provident funds as per the approved schemes of the Company. Annual contributions to gratuity fund are determined based on an actuarial valuation by the Life Insurance Corporation of India ('LIC'). Liability towards superannuation is funded in accordance with the scheme with LIC.

f) Leave encashment entitlements

Liability for leave encashment is determined and accrued for, based on the number of days of encashable leave to the credit of each employee as on the balance sheet date, at year end salary rates.

g) Foreign currency transactions (other than for fixed assets)

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Foreign currency denominated current assets and liabilities outstanding at the year end are stated at the closing exchange rates. Foreign exchange differences arising out of changes in foreign exchange rates are appropriately recognised in the profit and loss account.

3. Lease commitments**i) Finance lease :**

The Company leases vehicles under finance lease arrangements of upto five years. The future minimum lease payments under these leases as of March 31, 2001 are as follows :

| | Due within 12 months Rupees '000s | Due between 12 – 60 months Rupees '000s | Total amount due Rupees '000s |
|---|---|---|-------------------------------------|
| Minimum lease payments | 618 | 2,414 | 3,032 |
| Less amount representing interest | 293 | 580 | 873 |
| Present value of minimum lease payments | 325 | 1,834 | 2,159 |

ii) Operating lease :

a) The Company leases equipment on operating lease arrangements at stipulated fixed rentals. The future minimum lease payments under these leases are as follows :

| | Due within 12 months Rupees '000s | Due between 12 – 60 months Rupees '000s | Total amount due Rupees '000s |
|------------------------|---|---|-------------------------------------|
| Minimum lease payments | 18,074 | 63,260 | 81,334 |

b) The sub-lease payments received/ receivable and recognised in the statement of profit and loss for the period aggregate Rs. 35,105,352.

4. Lease income

i) The minimum lease payments receivable in respect of finance lease arrangements are as follows :

| | Due within 12 months Rupees '000s | Due between 12 – 60 months Rupees '000s | Total amount due Rupees '000s |
|--|---|---|-------------------------------------|
| Minimum lease payments receivable | 6,250 | 25,787 | 32,037 |
| Less unearned finance income | 3,095 | 5,426 | 8,521 |
| Present value of minimum lease payments receivable | 3,155 | 20,361 | 23,516 |

ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the period aggregate Rs. 2,089,756.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JULY 19, 2000 (DATE OF INCORPORATION) TO MARCH 31, 2001

SCHEDULE NO. 7 (contd.)

| | | | |
|--|-------------------|-------------------|-------------------|
| 5. Details of turnover of goods | | March 31, 2001 | |
| | | Nos. | Rupees '000s |
| Equipment (including 4 nos. under finance lease arrangements) | | 6 | 32,822 |
| Others | | | 1,701 |
| | | | <u>34,523</u> |
| 6. Details of purchases of goods for resale and opening and closing stock | | March 31, 2001 | |
| | Opening stock | Purchases | Closing stock |
| | Nos. Rupees '000s | Nos. Rupees '000s | Nos. Rupees '000s |
| Equipment | — — | 6 32,667 | — — |
| Others | — — | 1,701 | — — |
| | | <u>34,368</u> | |
| | | | March 31, 2001 |
| | | | Rupees '000s |
| 7. Payments to auditors | | | |
| - Audit fees | | | 450 |
| - Certification | | | 50 |
| | | | <u>500</u> |
| 8. Managerial remuneration | | | |
| Salary | | | 511 |
| Perquisites in cash or in kind | | | 201 |
| | | | <u>712</u> |
| Note : | | | |
| a) As the future liability for gratuity is provided on actuarial basis for the Company as a whole, the amount pertaining to the Managing Director is not ascertainable and therefore is not included. | | | |
| b) The computation of net profits in accordance with section 309(5) of the Companies Act, 1956 is not given since no remuneration by way of commission is payable to the directors. | | | |
| | | | March 31, 2001 |
| | | | Rupees '000s |
| 9. Earnings in foreign currency | | | |
| Consultancy charges | | | 775 |
| 10. The Company was incorporated on July 19, 2000 and accordingly, the profit and loss account has been drawn up for the period from July 19, 2000 to March 31, 2001. This being the first year of operation of the Company, no comparative figures for the previous year have been given. | | | |

Signatories to Schedules 1 to 7

Pradeep Bhargava
Managing Director

Jim Rugg
Director

Pune : June 5, 2001

FIRST ANNUAL REPORT - 2001

Cummins Power Solutions Limited

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) dated 15th May 1995 :

I. REGISTRATION DETAILS :

| | | |
|--------------------|---|----------------|
| Registration No. | : | 25.15139 |
| State Code | : | 11 |
| Balance sheet date | : | March 31, 2001 |

Rupees '000

II. CAPITAL RAISED DURING THE PERIOD ENDED MARCH 31, 2001 :

| | |
|-------------------|--------|
| Public issue | NIL |
| Right issue | NIL |
| Bonus issue | NIL |
| Private placement | 45,001 |

III. POSITION OF MOBILISATION OF FUNDS AND DEPLOYMENT OF FUNDS :

| | |
|--------------------------------|--------|
| Total liabilities (see note 2) | 76,685 |
|--------------------------------|--------|

| | |
|--------------|--------|
| Total assets | 76,685 |
|--------------|--------|

Sources of funds -

| | |
|-------------------------|---------------|
| Paid up capital | 45,001 |
| Share application money | 24,900 |
| Profit and loss account | 6,784 |
| Total | 76,685 |

Application of funds -

| | |
|--------------------|---------------|
| Net fixed assets | 63,580 |
| Net current assets | 13,105 |
| Total | 76,685 |

IV. PERFORMANCE OF THE COMPANY FOR THE PERIOD ENDED MARCH 31, 2001 :

| | |
|--|----------|
| i) Turnover (Sale of goods and other income as per audited profit and loss account) | 84,324 |
| ii) Total expenditure | 75,440 |
| iii) Profit before tax | 8,884 |
| iv) Profit after tax | 6,784 |
| v) Earnings per share (face value of Rs. 10) | Rs. 1.51 |

V. PRODUCTS OF THE COMPANY

Generic Names of Three Principal Products / Services of the Company :
(As per monetary terms)

| Item code No. (ITC Code) | Product description |
|-----------------------------|--|
| N.A. | Supply of power generating equipment under operating and finance leases. |
| N.A. | Maintenance of power generating equipment |
| N.A. | Power consulting |

Notes :

- The above should be read alongwith the balance sheet as at March 31, 2001, the profit and loss account for the period July 19, 2000 to March 31, 2001 and schedules forming part thereof.
- Total liabilities include share capital Rs. 45 million, share application money Rs. 24.90 million and balance in profit and loss account Rs. 6.78 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

Second Annual Report for the year ended March, 31, 2001 of Cummins Infotech Limited

BOARD OF DIRECTORS :

Mr. Ravi Venkatesan (Chairman)
Mr. J.M. Rugg
Mr. J.M. Crowther
Mr. A.S. Bhagwat
Mr. A.K. Pathak
Mr. F.K. Rutan
Ms. Matangi Gowrishankar
Mr. Steve Spaulding

BANKERS :

HDFC Bank Limited

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
19th Floor, Express Towers
Nariman Point
Mumbai 400 021

REGISTERED OFFICE :

9/1-A/2, Erandawana,
Off Karve Road,
Pune 411 004

PHONE : (020) 5440014, 5440015
FAX : (91) 020-5448737
WEBSITE : www.cumminsinfotech.com

SECOND ANNUAL REPORT - 2001

Cummins Infotech Limited

DIRECTORS' REPORT

The Directors of Cummins Infotech Limited have pleasure in presenting the Second Annual Report and the audited accounts of the Company for the year ended March 31, 2001.

FINANCIAL RESULTS :

| | April 1, 2000 to March 31, 2001 Rupees '000 | September 23, 1999 to March 31, 2000 Rupees '000 |
|---------------------------|---|--|
| Revenue | 9,444 | 217 |
| Profit / (Loss) after tax | (10,436) | (137) |

OPERATIONS :

During the period under review, your Company has obtained the status of a Public Limited Company. Cummins India Limited, Pune, India, (CIL), India's largest independent Diesel Engine Manufacturer, made additional investment in the share capital of the Company. Your Company has obtained an independent office premises and obtained all the necessary licenses under the various statutes.

During the period under review, the Company has made concerted efforts in developing infrastructure, resources, systems and processes. Your Company has also developed clientele in USA & South East Asia. Similarly discussions are on for business prospects in Australia and China.

DIVIDEND :

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

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

The operations of the Company are not energy intensive. Adequate measures are, however being taken to reduce energy consumption through installation of energy efficient computer terminals and equipment. Awareness is also being inculcated among 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 taking adequate measures to develop and retain capabilities in the areas of Relational Database Systems and e-commerce technologies.

During the period under review your Company earned foreign exchange to the tune of US Dollars 86,940 and the foreign exchange outflow was to the tune of US Dollars 84,532.

DIRECTORS :

The Board of Directors in their meeting held on February 20, 2001 have co-opted Mr. Floyd K. Rutan as additional Director. The Board of Directors in their meeting held on June 6, 2001

Cummins India Limited

have co-opted Mr. Steve A. Spaulding as additional Director. Mr David S. Shouse has tendered his resignation as a Director of the Company with effect from November 21, 2000. The Board has placed on record its appreciation for the valuable contribution made by Mr. David S. Shouse.

AUDITORS :

The Auditors, Arthur Andersen and Associates, Mumbai, hold office till conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES :

As required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement giving the required information relating to the employees covered thereunder is attached.

AUDIT COMMITTEE :

In pursuance of the provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company have constituted an audit committee consisting of the following members, Mr. Ravi Venkatesan, Mr. J. M. Rugg and Mr. A. S. Bhagwat.

DIRECTORS RESPONSIBILITY STATEMENT :

In pursuance of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors make the following statement :

- a) that in the preparation of annual accounts, the applicable accounting standards had been followed and there was no material departure from the accounting standard.
- b) that 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 as on March 31, 2001 and of the loss for the period April 1, 2000 to March 31, 2001.
- c) that 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.
- d) that Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the
Board of Directors



RAVI VENKATESAN
Chairman

Pune : June 6, 2001

SECOND ANNUAL REPORT - 2001

Cummins Infotech Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under section 217 (2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001.

| Sr. No | Name of Employee | Age Years | Qualifications | Experience Years | Designation / Nature of Duties | Date of Joining | Remuneration Received | | Particulars of last employment held |
|--------|------------------|-----------|----------------------|------------------|--------------------------------|-----------------|-----------------------|---------|--|
| | | | | | | | Gross Rs. | Net Rs. | Organisation, Designation and Experience Years |
| 1. | Subash A. K. Rao | 35 | B. S. C., PGDPM & IR | 13 | Chief Executive Officer | 01/03/2000 | 1,238,338 | 841,676 | GE Capital, Vice President 6 months |

Notes: -

1. Designation of the employee indicates the nature of his duties.
2. The appointment is contractual.
3. The gross remuneration comprises of salary, allowances and perquisites, the monetary value of which is as per Income Tax Act and Company's contribution to Provident and Superannuation fund, wherever applicable.
4. Net remuneration is arrived at by deducting from the gross remuneration income-tax, contribution to Provident fund and Company's contribution to Superannuation fund, wherever applicable.
5. Other terms and conditions are as per rules of the Company.
6. The employee is not a relative of any director of the Company.

For and on behalf of the
Board of Directors



RAVI VENKATESAN
Chairman

Pune : June 6, 2001

Cummins India Limited

AUDITORS' REPORT

To the Members of
CUMMINS INFOTECH LIMITED :

We have examined the accompanying balance sheet of CUMMINS INFOTECH LIMITED ('the Company') at March 31, 2001 and the related statement of profit and loss for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the financial statements referred to above give a true and fair view of the state of affairs of CUMMINS INFOTECH LIMITED at March 31, 2001 and of its loss for the year then ended. The balance sheet and the related statement of profit and loss are in agreement with the books of account, have complied with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 ('the Act'), and are presented in the manner required by the Act. Further, in our opinion, the Company has maintained proper books of account, as required by law, insofar as appears from our examination of those books.

On the basis of information and explanations given to us, and representations obtained by the Company, there are no directors of the Company who, as at March 31, 2001, are disqualified under section 274(1)(g) of the Act, from being appointed as directors.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 ('the Order') for the year ended March 31, 2001 as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

SECOND ANNUAL REPORT - 2001
Cummins Infotech Limited

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2001

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All fixed assets have been physically verified by management during the year and no discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. Due to the nature of its business, clauses (iii) to (vi) and (xii) of the Order, relating to physical verification and valuation of inventories are not applicable to the Company.
4. The Company has not taken or granted any loans, secured or unsecured, from or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
5. Employees to whom interest free loans or advances in the nature of loans, have been given by the Company, are repaying the principal amounts as stipulated.
6. In our opinion and according to the information and explanations given to us, the internal control procedures of the Company relating to the purchase of equipment and other similar assets are adequate and commensurate with the size of the Company and the nature of its business. Due to the nature of its business, the Company does not purchase any stores or raw materials including components nor does the Company have any sale of goods.
7. The Company has not entered into transactions of purchase of goods and materials and sale of goods, materials and services with parties listed in the register maintained under section 301 of the Companies Act, 1956.
8. The Company has not accepted any deposits to which the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder apply.
9. The clause relating to the maintenance of records for the sale and disposal of realisable by-products and scrap is not applicable to the Company.
10. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
11. 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.
12. The Company has been regular in depositing Provident Fund dues with the appropriate authorities. As explained to us, the provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company for the year ended March 31, 2001.
13. According to the records of the Company, there were no undisputed amounts outstanding at March 31, 2001, in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which were outstanding for a period of more than six months from the date they became payable.

Cummins India Limited

14. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations, or in accordance with generally accepted business practices.
15. The Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

In respect of service activities of the Company:

16. There is no consumption of materials and stores and hence, the requirements of having a reasonable system of recording receipts, issues and consumption of materials and stores and authorisation at proper levels with necessary control on the issue of stores and allocation of stores to jobs are not applicable.
17. The system for allocating manhours utilised to relative jobs, is commensurate considering the present level of activities of the Company and the nature of its business. We are informed by management that the Company is in the process of strengthening its system for allocation of manhours utilised to relative jobs to make it commensurate with the projected scale of operations of the Company and nature of its business.
18. There is a reasonable system of authorisation at proper levels, and an adequate system of internal controls commensurate with the size of the Company and the nature of its business, relating to allocation of manpower to jobs.

Arthur Andersen & Associates
Chartered Accountants

Subramanian Suresh
Partner

Chennai : June 6, 2001

SECOND ANNUAL REPORT - 2001
Cummins Infotech Limited

BALANCE SHEET AS AT MARCH 31, 2001

| | Schedule | As at 31st March, 2001 Rs '000 | As at 31st March, 2000 Rs '000 (see schedule 9, note 9) |
|--|----------|--------------------------------------|---|
| SOURCES OF FUNDS : | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 1 | 77,500 | 4,801 |
| | | <u>77,500</u> | <u>4,801</u> |
| APPLICATION OF FUNDS : | | | |
| Fixed Assets | 2 | | |
| Gross block | | 27,326 | 173 |
| Less : Depreciation | | <u>1,664</u> | <u>1</u> |
| Net block | | 25,662 | 172 |
| Capital work-in-progress | | <u>5</u> | <u>—</u> |
| | | 25,667 | 172 |
| Current Assets, Loans & Advances | 3 | | |
| Sundry debtors | | 4,450 | 217 |
| Cash and bank balance | | 39,685 | 4,733 |
| Loans and advances | | <u>4,574</u> | <u>—</u> |
| | | 48,709 | 4,950 |
| Less : Current Liabilities & Provisions | 4 | | |
| Current liabilities | | 7,255 | 458 |
| Provisions | | <u>194</u> | <u>—</u> |
| | | 7,449 | 458 |
| Net Current Assets | | 41,260 | 4,492 |
| Profit And Loss Account | | <u>10,573</u> | <u>137</u> |
| | | <u>77,500</u> | <u>4,801</u> |

The accompanying schedules 1 to 9 are an integral part of this Balance sheet.

For ARTHUR ANDERSEN & ASSOCIATES
 CHARTERED ACCOUNTANTS

SUBRAMANIAN SURESH
 Partner

Chennai : June 6, 2001

RAVI VENKATESAN
 Chairman

ANAND K. PATHAK
 Director

PRASAD KALE
 Company Secretary

Pune : June 6, 2001

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

| | Schedule | For the Year ended 31st March, 2001 Rs '000 | For the Period ended 31st March, 2000 Rs '000 (see schedule 9, note 9) |
|--|----------|--|---|
| INCOME : | | | |
| Revenue | 5 | 9,444 | 217 |
| Other income | 6 | 1,122 | — |
| | | <u>10,566</u> | <u>217</u> |
| EXPENDITURE : | | | |
| Employee cost | 7 | 8,765 | 181 |
| General and administrative expenses | 8 | 10,574 | 172 |
| Depreciation | 2 | 1,663 | 1 |
| | | <u>21,002</u> | <u>354</u> |
| NET LOSS | | (10,436) | (137) |
| Profit and loss account, beginning of the year/period | | (137) | — |
| Profit and loss account, end of the year/period | | <u>(10,573)</u> | <u>(137)</u> |

The accompanying schedules 1-9 are an integral part of this statement.

For ARTHUR ANDERSEN & ASSOCIATES
CHARTERED ACCOUNTANTS

SUBRAMANIAN SURESH
Partner

Chennai : June 6, 2001

RAVI VENKATESAN
Chairman

ANAND K. PATHAK
Director

PRASAD KALE
Company Secretary

Pune : June 6, 2001

SECOND ANNUAL REPORT - 2001
Cummins Infotech Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2001

| | As at 31st March, 2001 Rs '000 | As at 31st March, 2000 Rs '000 (see schedule 9, note 9) |
|--|--------------------------------------|---|
| SCHEDULE NO. 1 | | |
| SHARE CAPITAL | | |
| Authorised capital 8,000,000 (<i>previous period : 1,000,000</i>) equity shares of Rs 10 each | 80,000 | 10,000 |
| Issued, subscribed and paid-up 7,750,000 (<i>previous period : 480,100</i>) equity shares of Rs 10 each | 77,500 | 4,801 |

Note : Of the above equity shares 3,781,620 (*previous period Nil*) equity shares are held by Cummins Inc., U.S.A. and 3,968,380 (*previous period 480,100*) equity shares are held by Cummins India Limited, the holding Company, which is a 51 percent subsidiary of Cummins Inc., U.S.A.

SCHEDULE NO. 2

FIXED ASSETS :

(All amounts in Rs '000)

| Particulars | Gross Block at cost | | | Depreciation | | | Net Block | |
|---------------------------|---------------------------|-----------|---------------------------|--------------------------|--------------|--------------------------|---------------------------|---------------------------|
| | As at 31st March, 2000 | Additions | As at 31st March, 2001 | Upto 31st March, 2000 | For the year | Upto 31st March, 2001 | As at 31st March, 2001 | As at 31st March, 2000 |
| Leasehold improvements | — | 2,285 | 2,285 | — | 74 | 74 | 2,211 | — |
| Data processing equipment | 173 | 9,476 | 9,649 | 1 | 754 | 755 | 8,894 | 172 |
| Office equipment | — | 9,680 | 9,680 | — | 676 | 676 | 9,004 | — |
| Furniture and fixtures | — | 4,439 | 4,439 | — | 99 | 99 | 4,340 | — |
| Vehicles on finance lease | — | 1,273 | 1,273 | — | 60 | 60 | 1,213 | — |
| Total | 173 | 27,153 | 27,326 | 1 | 1,663 | 1,664 | 25,662 | 172 |
| <i>Previous Period</i> | — | 173 | 173 | — | 1 | 1 | 172 | — |

Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs 2,578 (*previous period : Rs Nil*).

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2001

| | As at 31st March, 2001 Rs '000 | As at 31st March, 2000 Rs '000 (see schedule 9, note 9) |
|---|--------------------------------------|---|
| SCHEDULE NO. 3 | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| CURRENT ASSETS | | |
| Sundry debtors (Unsecured, considered good) | | |
| Debts outstanding for a period below 6 months (see Schedule 9, note 8) | 4,450 | 217 |
| Cash and bank balance | | |
| Cash in hand | 8 | 1 |
| Balance with scheduled bank | | |
| - In current account | 34,889 | 4,732 |
| - In deposit account | 4,788 | — |
| | 39,685 | 4,733 |
| LOANS AND ADVANCES (Unsecured, considered good & recoverable in cash or in kind or for value to be received) | | |
| Security deposits | 495 | — |
| Employee loans and advances | 1,069 | — |
| Advance tax | 318 | — |
| Others | 2,692 | — |
| | 4,574 | — |
| | 48,709 | 4,950 |
| SCHEDULE NO. 4 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry creditors | 4,913 | 458 |
| Advance from customers | 348 | — |
| Finance lease (see Schedule 9, note 3) | 1,021 | — |
| Other liabilities | 973 | — |
| | 7,255 | 458 |
| PROVISIONS | | |
| Provision for gratuity | 85 | — |
| Provision for leave encashment | 109 | — |
| | 194 | — |
| | 7,449 | 458 |

The Company did not have any dues towards small scale industrial undertakings. The small scale undertakings status has been reckoned on the basis of information available with the Company.

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Cummins Infotech Limited

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2001**

| | Year ended 31st March, 2001 Rs '000 | Period ended 31st March , 2000 Rs '000 (see schedule 9, note 9) |
|--|--|--|
| SCHEDULE NO. 5 | | |
| REVENUE | | |
| Income from software development | 9,387 | 217 |
| Foreign exchange gain | 57 | — |
| | <u>9,444</u> | <u>217</u> |
| SCHEDULE NO. 6 | | |
| OTHER INCOME | | |
| Interest income [inclusive of tax deducted at source Rs. 246,821 (<i>Previous period : Rs Nil</i>)] | 1,112 | — |
| Miscellaneous income | 10 | — |
| | <u>1,122</u> | <u>—</u> |
| SCHEDULE NO. 7 | | |
| EMPLOYEE COST | | |
| Salaries, bonus etc. | 8,191 | 181 |
| Contribution to provident fund | 216 | — |
| Staff welfare expenses | 358 | — |
| | <u>8,765</u> | <u>181</u> |
| SCHEDULE NO. 8 | | |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Travelling & Conveyance | 4,262 | 24 |
| Recruitment expenses | 1,369 | — |
| Rent | 951 | 24 |
| Legal and professional charges | 940 | 109 |
| Communication | 839 | — |
| Computer software | 738 | — |
| Rates and taxes | 501 | 3 |
| Repairs and maintenance - | | |
| Data processing equipment | 151 | — |
| Others | 3 | — |
| Printing and stationery | 140 | — |
| Power | 102 | — |
| Interest on finance lease | 69 | — |
| Insurance | 39 | — |
| Miscellaneous expenses | 470 | 12 |
| | <u>10,574</u> | <u>172</u> |

Cummins India Limited

SCHEDULE NO. 9

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

1. Background

Cummins Infotech Limited ('the Company') was incorporated under the Companies Act, 1956 ('the Act'), on September 23, 1999. At March 31, 2001, Cummins India Limited holds 51 percent of the equity share capital of the Company and the balance is held by Cummins Inc., USA, which holds 51 percent of the equity share capital of Cummins India Limited.

The Company has been set up as a 100 percent export oriented unit under the Software Technology Parks of India scheme of the Government of India, and is principally engaged in providing software development and consultancy services to Cummins Group Companies worldwide.

2. Summary of significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956, including the mandatory Accounting Standards specified under Section 211 (3C) of the Act, under historical cost convention on an accrual basis.

(b) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised.

Depreciation on fixed assets is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at the rates prescribed therein or based on the estimated useful life of assets, whichever is higher. Data processing machines are depreciated over four years.

Leasehold improvements are amortised over the period of lease or the life of the asset, whichever is lower.

(c) Revenue recognition

Revenue comprises income from time-and-material and fixed-price contracts. Revenue from time-and-material contracts are recognised as and when the related services are performed. Revenue from fixed-price contracts is recognised using the percentage of completion basis.

(d) Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated current assets and current liabilities outstanding at the year end are stated at the closing exchange rates. Foreign exchange differences arising out of changes in foreign exchange rates are appropriately recognised in the profit and loss account.

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NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (contd.)

(e) Retirement benefits

Retirement benefits to employees comprise of gratuity and provident fund under the approved schemes of the Company. Accrual for gratuity liability is computed in accordance with the rules of the Company, based on the period of service completed by the employees, at year end salary rates.

(f) Leave encashment entitlement

Liability for leave encashment has been determined and accrued for, based on the number of days of encashable leave to the credit of each employee as on the balance sheet date, at year end salary rates.

3. Finance lease obligation

The Company has acquired vehicles on finance lease during the year. Future minimum lease payments under finance leases are as follows:

| | Due within 12 months Rs. '000 | Due between 12 and 60 months Rs. '000 | Total amount due Rs. '000 |
|---|-------------------------------------|--|---------------------------------|
| Minimum lease payments | 293 | 1,000 | 1,293 |
| Less amount representing interest | 103 | 169 | 272 |
| Present value of minimum lease payments | 190 | 831 | 1,021 |

For the year
ended 31st
March, 2001
Rs '000

*For the period
ended 31st
March, 2000
Rs '000*

4. Earnings in foreign currency

| | | |
|----------------------------------|-------|-----|
| Income from software development | 5,022 | 217 |
|----------------------------------|-------|-----|

5. Expenditure in foreign currency

| | | |
|-----------------|-------|---|
| Travel expenses | 1,296 | — |
|-----------------|-------|---|

6. Value of imports on CIF basis

| | | |
|---------------|-------|---|
| Capital goods | 3,124 | — |
|---------------|-------|---|

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2001 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (contd.)

7. Payments to auditors

| | | |
|-------------|------------|-----------|
| Audit fees | 240 | 50 |
| Service tax | 12 | 3 |
| | <u>252</u> | <u>53</u> |

8. Sundry debtors comprise of the following amounts due from enterprises that directly, or indirectly, through one or more intermediaries, control or are controlled by or are under common control with, the Company :

| | As at 31st March, 2001 Rs '000 | As at 31st March, 2000 Rs '000 (see schedule 9, note 9) |
|---|--------------------------------------|---|
| Cummins Inc., USA | 697 | 217 |
| Cummins India Limited, India | 1,206 | — |
| Cummins Diesel Sales & Services (India) Ltd., India | 1,147 | — |
| Cummins Power Solutions Limited, India | 300 | — |
| Valvoline Cummins Limited, India | 400 | — |
| Cummins Powergeneration, USA | 700 | — |
| | <u>4,450</u> | <u>217</u> |

Of the above enterprises, Cummins India Limited, Cummins Diesel Sales & Services (India) Limited and Cummins Power Solutions Limited are companies under the same management as defined under Section 370(1B) of the Act.

9. Amounts for the period ended March 31, 2000 are for the period from September 23, 1999 (date of incorporation) to March 31, 2000 and hence are not comparable to the current year's amounts.

Prior period amounts have been reclassified, wherever necessary, to conform with the current year's presentation.

Signatories to Schedules 1 to 9

RAVI VENKATESAN
Chairman

ANAND K. PATHAK
Director

PRASAD KALE
Company Secretary

Pune : June 6, 2001

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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) dated 15th May, 1995 :

I. REGISTRATION DETAILS :

| | | |
|--------------------|---|----------------|
| Registration No. | : | 25-14014 |
| State Code | : | 11 |
| Balance sheet date | : | March 31, 2001 |

Rupees '000

II. CAPITAL RAISED DURING THE YEAR ENDED MARCH 31, 2001 :

| | |
|-------------------|--------|
| Public issue | — |
| Right issue | — |
| Bonus issue | — |
| Private placement | 72,699 |
| | <hr/> |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

AS AT MARCH 31, 2001 :

Total liabilities 77,500

Total assets 77,500

Sources of funds -

| | |
|-------------------|--------|
| Paid up capital | 77,500 |
| Reserve & surplus | — |
| Secured Loans | — |
| Unsecured Loans | — |

Total 77,500

Application of funds -

| | |
|---------------------------|--------|
| Net Fixed Assets | 25,667 |
| Investments | — |
| Net Current Assets | 41,260 |
| Miscellaneous Expenditure | — |
| Accumulated Losses | 10,573 |

Total 77,500

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2001 :

| | |
|---------------------------------|----------|
| i) Turnover | 10,566 |
| ii) Total expenditure | 21,002 |
| iii) (Loss) / Profit before tax | (10,436) |
| iv) (Loss) / Profit after tax | (10,436) |
| v) Earnings per share in Rs. | — |
| vi) Dividend rate % | — |

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY :

Software Development and Related Activities.

Note :

The above particulars should be read alongwith the Balance Sheet as at March 31, 2001, the Profit and Loss Account for the year then ended and the schedules forming part thereof.