

Cummins India Limited

BOARD OF DIRECTORS :

Mr. Ravi Venkatesan (Chairman)
Mr. Vinod Dasari
(Executive Director and President)
Mr. Rajeev Bakshi
Mr. J. M. Barrowman
Mr. S. M. Chapman
Mr. P. S. Dasgupta
Mr. S. D. Hires
Mr. M. A. Levett
Mr. Peter McDowell
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

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune 411 006
India

REGISTRAR & TRANSFER AGENT :

Intime Spectrum Registry Limited
260, Shanti Industrial Estate
Sarojini Naidu Road
Mulund (West)
Mumbai 400 080
Phone : (022) 5923837, 5672716,
5647731
Fax : (022) 5672693

Cummins India Limited

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Phone : (020) 5385435, 5380240
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Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

Particulars	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Total income	777.31	882.94	846.90	661.75	754.72
Raw material	453.64	518.46	518.98	388.74	450.93
Employee cost	78.98	72.31	69.90	60.58	60.68
Mfg. exps. and overheads	73.49	87.58	74.70	59.88	79.22
Adm., selling and other exps.	31.07	31.96	26.12	19.98	21.81
Interest	1.45	1.92	3.43	3.51	6.94
Depreciation	24.67	26.18	24.60	22.12	19.98
Net profit before tax	114.01	144.54	129.17	106.94	115.17
Tax provision on income (Net of Excess/Short provision for prior years)	27.70	35.61	35.86	32.14	32.89
Net profit after tax	86.31	108.93	93.31	74.79	82.28
Effect of restatement of opening inventory on revised basis	—	—	8.82	—	—
Balance of profit	86.31	108.93	102.13	74.79	82.28
Dividend	29.70	25.74	19.80	15.84	15.84
Additional Income tax on dividend	0.00	2.63	2.83	1.74	1.58
Earnings in foreign exchange	275.55	288.82	277.50	128.84	146.78
Dividend %	75.00	65.00	50.00	40.00	40.00
Earning per share (Face value of Rs. 2)	4.36	5.50	4.71	3.78	4.16

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-First Annual Report and the audited accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS:

During the year under review, net sales turnover was Rs. 7,409 million (Rs.741 crore) as against Rs. 8,603 million (Rs.860 crore) during the corresponding previous year (14% lower). Export earnings were Rs.2,732 million (Rs.273 crore) as against Rs.2,853 million (Rs. 285 crore) during the corresponding previous year. Profit after tax was Rs.863 million (Rs.86 crore) against Rs.1,089 million (Rs.109 crore).

	<u>2001-2002</u> (Rs. '000)	<u>2000-2001</u> (Rs. '000)
PROFIT :		
Profit before taxation	1,140,120	1,445,415
Net Profit after tax but before tax on proposed dividend	863,093	1,089,300
Additional income-tax on dividend	—	26,255
Dividend	297,000	257,400
Transferred to General Reserve	266,093	355,645
Balance carried to Balance Sheet	750,000	450,000

DIVIDEND :

Your Directors have recommended the payment of dividend @ 75 per cent on the Equity share capital of Rs. 396 million for the year ended March 31, 2002.

CONSOLIDATED FINANCIAL STATEMENTS :

The Company has prepared Consolidated Financial Statements of Cummins India Limited and its subsidiaries as at March 31, 2002 in accordance with Accounting Standard 21 (AS-21), on 'Consolidated Financial Statements' issued by Institute of Chartered Accountants of India. The audited Consolidated Financial Statements are circulated with the Annual Report.

AMALGAMATION:

The Board of Directors of your Company, in their meeting held on June 10, 2002 have approved the Scheme of Amalgamation for amalgamating Power Systems India Limited (PSIL) and Cummins Power Solutions Limited (CPSL) in Cummins India Limited.

Over the years, your Company has been operating in and known for engines above 100 KVA range. In recent years, the business opportunities for less than 100 KVA range have grown significantly. To cater to this need, in the year 1999, PSIL was incorporated, as a subsidiary having a separate legal entity status essential to provide required focus in the

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initial years of operations. In a short span of two years of operations, PSIL has stabilised its production and sales and has achieved nearly 20% market share. Having reached a certain level of maturity at PSIL, it is only logical now that the customer is given an entire range from one entity. Hence considering the synergies in Marketing, Manufacturing support, Engineering, Technology, Sourcing and other systems and to capture significant opportunities to reduce administration and financial costs, it is proposed to amalgamate PSIL in your Company.

CPSL was created to bring Cummins closer to the customer, capture growing value added market opportunity as well as increase the share of Cummins products in the rental market. In the last 18 months of its existence, CPSL has added required skills and made more meaningful presence in the market for such value added business. It has also enabled your Company to have a better insight into customer needs. CPSL uses the existing sales channel of your Company as well as Cummins Diesel Sales and Service (India) Limited for many of its activities. Therefore, it has become necessary for CPSL activities to get integrated with your Company to ensure that we present a single face to the customer. Further, activities of CPSL shall get desired financial support as a part of CIL and the amalgamation of CPSL into your Company would result in significant reduction in administrative and financial costs.

The amalgamation of PSIL and CPSL with your Company, would enable CIL to have wholesome offering not only in product range but also in value added services thereby positioning and branding itself as complete energy solutions Company.

SUBSIDIARIES :

Cummins Diesel Sales and Service (India) Limited : (CDS&S)

The total income of Cummins Diesel Sales and Service (India) Limited (CDS&S) for the year ended March 31, 2002 was Rs. 3,311 million (Rs. 331 crore) as against Rs. 2,923 million (Rs.292 crore) during the corresponding previous year. CDS&S is engaged in the business of sale of and providing after-sales-service to engines manufactured by your Company.

Power Systems India Limited : (PSIL)

During the year under review, your Company acquired from Cummins Diesel Sales and Service (India) Limited, 3,500,000 equity shares of Rs.10 each of Power Systems India Limited (PSIL) at face value.

The turnover of PSIL for the year ended March 31, 2002, increased to Rs. 817 million (Rs. 81.7 crore) from Rs. 488 million (Rs.48.8 crore) in the previous year. The Company shipped 4,150 engines for automotive (CNG) Powergen and Industrial applications.

The Board of Directors of PSIL, in its meeting held on June 6, 2002, approved the scheme of amalgamation of PSIL with Cummins India Limited.

Cummins Power Solutions Limited : (CPSL)

During the year under review, your Company has invested Rs. 24.9 million in the equity share capital of this subsidiary Company, which was incorporated in July 2000.

The sales and other income of CPSL for the year ended March 31, 2002 increased to Rs. 188 million (Rs.18.80 crore) from Rs. 84 million (Rs.8.40 crore) in the previous year.

The Board of Directors of CPSL, in its meeting held on June 6, 2002, approved the scheme of amalgamation of CPSL with Cummins India Limited.

Cummins Infotech Limited : (CIT)

CIT is engaged in the business of software development, primarily for the engineering industry. During the year under review, the income of CIT from software development business increased to Rs. 66 million (Rs. 6.6 crore) from Rs. 9 million (Rs. 0.9 crore) in the previous year.

The Board of Directors of CIT have approved the scheme of amalgamation with KPIT Infosystems Limited, Pune. As per the scheme of amalgamation, your Company and Cummins Inc., USA (formerly known as Cummins Engine Company Inc., USA) would get 704,000 fully paid equity shares of Rs. 10 each in the share capital of KPIT Infosystems Limited in the proportion of 51:49 respectively. The scheme also provides for grant of an aggregate of 1,933,000 stock options to be converted into equity shares of Rs. 10 each fully paid of KPIT Infosystems Limited in the years 2004 and 2007 on fulfilment of certain terms and conditions.

Cummins Auto Services Limited : (CASL)

The sales and other income of Cummins Auto Services Limited (CASL) for the year ended March 31, 2002 was Rs.71 million (Rs.7.1 crore) as against Rs.44 million (Rs.4.4 crore) during the corresponding previous year. CASL is engaged in the business of retailing in parts and accessories for commercial vehicles, highway solutions in the form of authorised service stations and annual maintenance contracts with fleet owners.

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.

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, 2002 and of the profit for the period April 1, 2001 to March 31, 2002;

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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 and Compressor automation, installation of variable frequency drive for water pumps, energy efficient lighting on shop floor, optimization of air conditioning plants, optimization of heat treatment operation for 5 days a week and modification in heat exchanger return water piping system.

IMPACT OF THE ABOVE MEASURES:

Annual savings to the extent of 4.36 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, with continuous technological support from Cummins Inc. USA is committed to introduce latest Engine Models to meet future emission norms and higher level of performance of the engines. The technical centre of your Company also continues to focus on indigenisation of components for achieving import substitution, development of electronic controls and systems for the engines for improving fuel efficiency and performance.

1. Some specific areas of R & D initiatives undertaken by the Company include :
 - (a) Source approval testing of various engine components.
 - (b) Gaseous emission and particulate measurement of various engines.
 - (c) Performance optimization of engines for various applications.
 - (d) Cost reduction and modification of engine components.
2. The benefits derived as a result of above activities are :
 - (a) Reduction in product fuel consumption, Lub oil consumption and exhaust emissions.
 - (b) Improvement in quality, reliability and durability of engines and components.
 - (c) Environment friendly and emission regulation compliant engines.
3. Future plans :
 - (a) Development of engines for construction and industrial applications.
 - (b) Development of engines using compressed natural gas (CNG) as fuel.
 - (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 :-

	2001-2002 (Rs. '000)	2000-2001 (Rs. '000)
a) Capital	20,860	13,221
b) Recurring	58,240	86,453
c) Total	79,100	99,674
d) Total R&D expenditure as a percentage of total sales turnover	1.06%	1.15%

FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 1891 engines and achieved export earnings of Rs. 2732 million (Rs. 273 crore).

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

		2001-2002 (Rs. '000)	2000-2001 (Rs. '000)
(a) Earnings		2,755,520	2,888,243
(b) Outgo –			
– Raw Materials/ components	1,489,617	1,451,870	
– Capital equipment	24,072	165,326	
– Others	255,560	210,444	
		1,769,249	1,827,640
Earnings as percentage of outgo on account of import of materials / components.		185%	199%

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DIRECTORS :

During the year under review, the Board of Directors in their meeting held on October 30, 2001, co-opted Mr. Peter McDowell as an Additional Director effective October 30, 2001. In the meeting held on June 10, 2002, the Board of Directors co-opted Mr. Vinod Dasari, President (Operations) of your Company, as an Additional Director effective June 10, 2002. Mr. Vinod Dasari being in the whole-time employment of the Company and being member of the Board, is in the position of a Whole-time Director.

Resolutions for obtaining approval of the shareholders for appointment of Mr. Vinod Dasari as Whole-time Director and remuneration payable to him is being placed in the ensuing Annual General Meeting.

In accordance with the Companies Act, 1956 and Articles of Association of the Company, M/s. M. A. Levett, Ravi Venkatesan, Venu Srinivasan and J. K. Edwards, Directors of the Company, retire by rotation and are eligible for re-appointment.

AUDITORS :

The Auditors, Arthur Andersen & Associates, Chartered Accountants, have expressed that they do not wish to seek the re-appointment as Auditors of the Company. The Board of Directors placed on record their gratitude and appreciation for the services rendered by Arthur Andersen & Associates to the Company.

The Board of Directors recommend the appointment of Price Waterhouse, Chartered Accountants, as the Auditors of the Company in the place of Arthur Andersen & Associates, from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

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 : August 1, 2002

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 fall in capital expenditure.
- Some sectors including Construction and Telecom are expected to grow during 2002-03 and have shown growth during the initial quarters of the current year.
- 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.
- Increasing prices of diesel has 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%. This has resulted in growth of demand for standby generating sets and power rentals. 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 3,500 MW.
- Strong growth in demand from Telecom and Construction segments is expected to continue for 2002-03.
- 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 with solutions based on alternate fuels.
- Noise and pollution emission norms are expected to be rolled out gradually from early 2003. The Company is currently reviewing and upgrading its product range to meet the norms.

1.3 Industrial :

- Launch of initiatives for road and social infrastructure development will increase demand for on-highway construction equipment.
- Increased expenditure on defence and railway sectors are likely to have a positive impact on demand for the Company's products. However, the pace of growth will depend on government projects.
- Customers are increasingly focusing on asset utilization and uptime.

1.4 Automotive:

- 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. Low growth in demand is expected to improve over the next 12 months.
- As per Supreme Court directive, CNG buses will continue to be the primary option for public transportation in National Capital Region.

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2. Opportunities and Threats :

Key **Opportunities** include :

- India's peak power demand continues to grow at approximately 6-8% per annum. This will be a driver for demand in the future.
- High levels of load-shedding are increasing the demand for rental power services.
- 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 generator sets business from world-wide Cummins entities. Significant opportunities exist in mid-range S and B series engines exports.
- Reduction in material costs.

Key **Threats** include :

- Low economic growth and declining investments in manufacturing capacity in 2003, will dampen demand for products and increase pressure on margins.
- Fuel pricing in post-Administered Price Mechanism scenario is unclear. Further increases in prices of HSD would drive migration to alternate fuels such as Heavy Fuel Oil, Natural Gas, 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, who are likely to also have the advantage of a weak Euro.

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.
- The Company launched new products in the 100-125 KVA range with B series engines, and sales of generator sets from the 15-25 KVA range.
- During the year, the Company also enhanced its electronics product range with introduction of Power Command Control (PCC) generator controls and new engine controls for High Horsepower Products (ECP-G).
- The Company consolidated its position as a provider of 'power solutions'. The total rental fleet increased to 55 MVA, and the Company successfully completed over 11 MVA of power projects.

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's subsidiary Power Systems India Ltd. has commenced exports of S and B series engines and power packages to other Cummins entities.

- There was a slow-down in exports after the September 11, 2001 attack on the World Trade Center, New York. General softening of markets and lower global demand from Telecom and Data Centers affected high horsepower exports.

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

- Poor market conditions and lower capital investments continue to have a negative impact on demand for the Company's products. However, there has been improvements in Q1 of the current year, and the same is expected to be sustained for the remainder of the year.
- During the year under review, the Company launched new products for power generation. During the current year, the Company will continue to upgrade its products for improved emissions performance and will launch new products in the 200-300 HP product range.
- The Company is committed to continued cost reduction efforts and process improvement. During the year under review, the Company launched two key initiatives – Six Sigma and Kaizen. During the current year, the Company will continue to focus on these to improve its cost structure and process capabilities.

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 softening in global demand for power generation equipment are having an adverse effect on demand of heavy duty and high horsepower engines. However, exports of smaller mid-range engines are expected to grow significantly in the current year.

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 Board of Directors has a Finance and Audit Committee whose Chairman is an Independent Director. The Committee meets periodically with management, internal auditors and representatives of the Company's statutory Auditors to review the Company's programme of internal controls, audit plans and results and recommendations of the auditors and management's responses to those recommendations. The Company is in the process of strengthening further the scope and coverage of internal audit system.

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 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.

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A. Results of operations :

7.A.1 Income :

Net Sales decreased by 14% during the year ended March 31, 2002 to Rs. 7,409 Mn. as against Rs. 8,603 Mn. in the previous year. The sales include the domestic sales of Rs. 4,624 Mn. (previous year Rs. 5,749 Mn.) and export of Rs. 2,785 Mn. (previous year Rs. 2,854 Mn.). The sales are lower due to lower sales value and change in the sales mix though there was improved sales realisation per engine for certain models.

Other Income increased to Rs. 364 Mn. during the year ended March 31, 2002 against Rs. 227 Mn. in the previous year. The income from investments and gain on sale / redemption of investments increased to Rs. 268 Mn. against Rs. 93 Mn. in the previous year due to higher average yield earned on certain investment products and deployment of additional funds under treasury operations. The export benefits increased to Rs. 18 Mn. as against Rs. 15 Mn. in the previous year due to marginal increase in the receipt of export benefits under the duty drawback scheme. The income from Testing Charges are lower at Rs.11 Mn. as against Rs.31 Mn. in the previous year.

7.A.2 Expenses and margins :

Gross margin in terms of percentage to sales despite pressure almost remained same mainly due to indigenisation of components and improvement in sales realisation on certain models.

As a result of various initiatives like 6 Sigma, Kaizen etc., there has been savings in costs of stores and spares consumed, tools, repairs, power and certain administrative expenses.

There was increase in employee cost mainly due to wage settlement effective from 1st October, 2001. However, overtime cost was reduced by Rs. 33 Mn. by improving planning process of production schedule. The Voluntary Retirement Scheme (VRS) was introduced in the month of March 2002 and 126 No. of employees opted for VRS and an aggregate of Rs. 49 Mn. was spent on VRS compensation and charged to Profit and Loss Account.

Depreciation charge decreased by 6% to Rs. 247 Mn. mainly due to expiry of depreciated life of certain Fixed Assets. Depreciation rates remained unchanged during the year.

Interest expenses decreased by 24% to Rs. 15 Mn. due to lower utilisation of loans on account of better fund management and repayment of fixed deposits.

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

Profit before tax (PBT) decreased to Rs. 1140 Mn. against Rs. 1445 Mn. during the previous year. PBT decreased by 21% mainly due to lower sales volume, increase in employee cost etc.

7.A.4 Provision for Tax :

Provision for current Income Tax is made on the assessable income at the tax rate applicable to the relevant assessment year. In accordance with Accounting Standard 22 (AS-22) on 'Accounting for Taxes on Income' issued by The Institute of Chartered Accountants of India, the Company has provided for deferred tax w.e.f. the current year. Deferred income taxes are recognised

for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The net cumulative effect of recognition of deferred tax liability upto March 31, 2001 amounting to Rs. 164 Mn. has been adjusted to the general reserve as at April 1, 2001. Whereas, deferred tax liability for the year ended March 2002 amounting to Rs. 1 Mn. has been charged to the P&L Account. The provision for current income tax is lower at Rs. 276 Mn. as against Rs. 356 Mn. in the previous year mainly due to the lower assessable income for the year ended March 2002.

7.A.5 Net Profit for the year :

Net Profit for the year decreased by 21% to Rs. 863 Mn. Earning per share, (EPS) is Rs.4.36 against Rs. 5.5 in the previous year for the face value of an equity share of Rs.2 each.

The proposed dividend at 75% is higher than the previous year at 65% and constitute a pay out of Rs. 297 Mn. as against Rs. 284 Mn. including additional Income Tax of Rs. 26 Mn. on dividend in the previous year.

7.B. Financial Condition :

7.B.1 Share Capital :

Issued and subscribed capital remained unchanged at Rs. 396 Mn. consisting of 198,000,000 equity shares of Rs.2 each.

7.B.2 Reserves and Surplus :

Reserves and Surplus increased by Rs.402 Mn. as a result of profit appropriation of Rs. 266 Mn. to general reserve and increase in the carried forward credit balance of P&L Account by Rs. 300 Mn. after deduction of Rs. 164 Mn. on account of net cumulative effect of deferred tax liability upto March 31, 2001.

7.B.3 Loan funds :

Loan funds reduced to Rs.105 Mn. against Rs.120 Mn. as at March 31, 2001. Unsecured fixed deposits of Rs. 33 Mn. were repaid during the year. A modest borrowing under cash credit loan of Rs.18 Mn. was outstanding as on March 31, 2002. The debt equity ratio as at March 31, 2002 is 0.017 as against 0.02 as at March 31, 2001.

7.B.4 Deferred tax liability :

In accordance with Accounting Standard 22 ('AS-22'), 'Accounting for taxes on Income' deferred tax assets and liabilities are recognised and net of adjustments carried forward to the extent of Rs. 165 Mn. as at March 31, 2002.

7.B.5 Fixed Assets :

Additions to Fixed Assets block during the year was Rs. 228 Mn. against Rs. 485 Mn. in the previous year. The additions consist mainly of Plant & Machinery Rs. 203 Mn. for augmenting various manufacturing facilities, building Rs. 7 Mn., furniture and fittings Rs.7 Mn. and vehicles Rs. 11 Mn.

The net fixed assets block decreased to Rs.1,674 Mn. as at March 31, 2002 against Rs. 1,716 Mn. as at March 31, 2001.

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Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2002 was Rs. 89 Mn. and the Company believes that it will be able to fund them from internal accruals and liquid assets.

7.B.6 Investments :

Investments net of permanent diminution in value of long term investments increased to Rs. 2,358 Mn. as at March 31, 2002 as against Rs. 1,318 Mn. as at March 31, 2001. The net increase was due to investments in the equity share capital of subsidiaries of the Company and investment in units of mutual funds, tax redeemable / non cumulative bonds, Government of India bonds, Corporate bonds, commercial papers etc.

During the year, the Company got allotted equity shares of Rs. 24.9 Mn. in its subsidiary, Cummins Power Solutions Ltd. against the amount paid in the previous year which was shown in the books of account of the Company as amount pending allotment of shares under loans and advances as at March 31, 2001.

The Company invested liquid funds in securities, bonds, units of mutual funds, commercial papers etc. and earned income thereon. A provision for permanent diminution in value of long term investment of Rs. 26 Mn. is made due to estimated permanent diminution of value in respect of investment outstanding as at March 31, 2002 in Unit 64 Scheme of Unit Trust of India.

7.B.7 Current Assets, Loans and Advances :

i. Inventories :

Inventories reduced to Rs. 1,130 Mn. as at March 31, 2002 against Rs. 1,353 Mn. as at March 31, 2001 on account of initiatives taken to reduce the inventories through supply chain management process, etc. Inventory turns based on certain assumptions decreased to Rs. 4.58 Mn. as at March 31, 2002 as against Rs. 5.51 Mn. as at March 31, 2001 mainly due to lower production volume.

ii. Sundry Debtors :

Sundry debtors net of provision for doubtful debts increased to Rs. 2,405 Mn. as at March 31, 2002 as against Rs.2,348 Mn. as at March 31, 2001. These are considered good and realisable.

The need for cumulative provision for doubtful debts as at March 31, 2002 of Rs. 28 Mn. (previous year Rs. 25 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 to Rs. 143 Mn. as at March 31, 2002 as against Rs. 111 Mn. as at March 31, 2001. They represent the year end cash and bank balances with scheduled 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 remain unchanged at Rs. 60 Mn.

v. **Loans and Advances :**

Advances are primarily towards amounts paid in advance for value, material and services to be received in future. Advances also include various deposits kept towards telephone, electricity, insurance etc. Loans and advances decreased to Rs. 276 Mn. as at March 31, 2002 against Rs. 418 Mn. as at March 31, 2001 mainly due to taxes, followed by advances recoverable in cash or in kind.

7.B.8 **Current Liabilities and Provisions :**

i. **Current Liabilities :**

Acceptances represent bills of exchange drawn for a period by the suppliers and accepted by the Company. The sundry creditors represent the amount payable to suppliers for supplies of goods and services and also include accrued cost of various operational expenses. The total current liabilities increased to Rs. 1,043 Mn. as at March 31, 2002 against Rs. 938 Mn. as at March 31, 2001.

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.

Taxation represent the tax liability net of advance payments.

Pension and leave encashment 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 provision increased to Rs. 549 Mn. as at March 31, 2002 as against Rs. 482 Mn. as at March 31, 2001.

8. **Human Resources and Industrial Relations**

Human Resource Initiatives :

HR and Organisational Effectiveness Initiatives :

During the year 2001 and 2002, the organization focused its HR/OE efforts to become a Customer centric and a High Performance Organisation. Key initiatives in this direction include :

Organisational Redesign/Restructuring : This is the key initiative under implementation. Integration and alignment of resources to be close to external customer and getting organized along processes seemed to be a single most critical agenda for the organization.

Organisational Development and Performance Management : The Cummins Performance Management Systems and Organizational Development Review initiatives that we launched last year have helped us to manage resources and performance better. The data flowing out of these processes helped us to objectively evaluate and implement several key people related decisions and also provide input for other important initiatives like capability building, organizational redesign, job rotations and job enrichments.

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Remuneration philosophy to drive performance ethic : In order to create a high performance organization it was essential to design our remuneration policy that encourages pay for performance and drives distinction between various levels of performance.

Induction of fresh talent : To create a talent pool and build a pipe line for future leadership roles the organisation has picked up 15 business graduates from premier business schools in India and Overseas.

Leadership Development and Capability Building : One of our successful HR/OE initiatives for the year 2001-02 has been the leadership Development Programme that we launched for the top 120 high potential leaders. This year the focus is to organise a similar programme called "Front line leadership Programme" for the High Potential Managers at entry and middle management levels.

Employee Recognition Programme : In early 2002, the employee satisfaction survey revealed that "employee recognition" is one of our major concerns and we launched a recognition programme across the Company called "Chairman's Awards". This is a semi annual event where employees are given Chairman's recognition for excellence in various categories or performance.

Industrial Relations : The IR climate continues to be harmonious. The wage agreement was signed for the associates with a generous wage increase. The associates are actively partnering with the management on various continuous improvement and cost reduction initiatives.

Corporate social responsibility : We bagged the Helen Keller Award – 2001 by the National Center for Promotion of Employment for Disabled People, New Delhi on account of providing an employment opportunity to 18 physically challenged people.

The NCPEDP – Shell Helen Keller Awards are given to individuals and various organizations for their laudable contributions in promoting employment opportunities for the disabled people.

Sports and Cultural Activities : Cummins has always been a very active participant in the sports and cultural field. This year we bagged Winners Trophy on Group events in the Industrial Badminton Competition organized by the Industrial Sports Association for the year 2001 and our team was the Runners up in The Industrial Sunday League Cricket Tournament held for the year 2000-2001 organized by the Maharashtra Cricket Association.

Corporate Communication : To ensure effective communication across all levels and audience segments, both internal and external at Cummins – various new platforms for communication were introduced. Newsletters, Audio Video News Magazines, amongst others were the initiatives taken along with establishing various key communication processes for the organization.

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 a 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 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, 2002, consisted of 13 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 11, 2001, July 26, 2001, October 30, 2001, January 22, 2002, February 11, 2002 and March 26, 2002. 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.	Mr.Ravi Venkatesan	Non-Executive	July 23, 1999
		2.	Mr.J.M.Barrowman	Non-Executive	June 21, 2000
		3.	Mr.S.M.Chapman	Non-Executive	July 8, 1992
		4.	Mr.S.D.Hires	Non-Executive	November 10, 1992
		5.	Mr.M.A.Levett	Non-Executive	February 28, 1991
		6.	Mr.J.K.Edwards	Non-Executive	June 21, 2000
		7.	Mr.J.M.Rugg	Executive	July 27, 2000
		8.	Mr.Peter McDowell	Non-Executive	October 30, 2001
2	Independent	1.	Mr.Rajeev Bakshi	Non-Executive	October 20, 2000
		2.	Mr.P.S.Dasgupta	Non-Executive	February 26, 1998
		3.	Mr.Nasser Munjee	Non-Executive	March 29, 2001
		4.	Mr.B.H.Reporter	Non-Executive	March 15, 1962
		5.	Mr.Venu Srinivasan	Non-Executive	January 27, 2000
3	Alternate		Mr.Pradeep Bhargava (Alternate Director to Mr. J.K.Edwards)	Executive	October 20, 2000

Note: 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 Equity share capital of the Company.

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Attendance of each Director at the Board meetings and the last Annual General Meeting (AGM) held on July 26, 2001 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, 2002 (Refer Note 1 below)	No. of Memberships in other Board Committees as on March 31, 2002 (Refer Note 2 below)
Mr.Ravi Venkatesan	6	6	Present	8	2
Mr.J.M.Barrowman	6	3	Present	1	—
Mr.S.M.Chapman	6	—	Absent	9	—
Mr.P.S.Dasgupta	6	6	Present	22	—
Mr.J.K.Edwards	6	1	Absent	4	2
Mr.B.H.Reporter	6	4	Absent	6	2
Mr.Venu Srinivasan	6	2	Absent	16	6
Mr.S.D.Hires	6	—	Absent	—	—
Mr.M.A.Levett	6	1	Absent	7	—
Mr.J.M.Rugg	6	6	Present	8	1
Mr.Rajeev Bakshi	6	2	Absent	—	—
Mr.Pradeep Bhargava (Alternate Director)	6	4	Present	4	—
Mr.Nasser Munjee	6	5	Present	11	9
Mr. Peter McDowell (Appointed w.e.f. October 30, 2001)	6	2	Not Applicable	5	—

Note 1 : Directorships in Foreign Companies and Private Limited Companies are included in the above table.

Note 2 : Mr. Ravi Venkatesan is Chairman of 3 other Boards, Mr. Pradeep Bhargava is Chairman of 1 other Board, 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 1 other Board and 1 other Committee.

Details of Board Meetings held during the year April 1, 2001 to March 31, 2002.

Sr. No.	Date	Board Strength	No. of Directors present
1	June 11, 2001	12	5
2	July 26, 2001	12	6
3	October 30, 2001	13	10
4	January 22, 2002	13	9
5	February 11, 2002	13	6
6	March 26, 2002	13	6

3. COMMITTEES OF THE BOARD :

FINANCE AND AUDIT COMMITTEE :

During the year, meetings of the Finance and Audit Committee were held on June 11, 2001, July 26, 2001, October 30, 2001 and January 22, 2002. The Committee, during the year, reviewed the audited financial results for the year ended March 31, 2001 and quarterly results for the quarters ended June 30, 2001, September 30, 2001 and December 31, 2001. The Committee also approved Investment and Foreign Currency Exposure Management policies. The composition, names of Directors, and the Broad Terms of Reference to the Finance and Audit Committee are as follows: -

Composition, names of members, no. of meetings and attendance during the year April 1, 2001 to March 31, 2002.

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

Broad Terms of Reference to Finance and Audit Committee :

- Oversee the Company's financial reporting process and 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.

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- .. 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 transaction, 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.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE :

During the year, meetings of the Compensation and Management Development Committee were held on June 11, 2001 and October 30, 2001. The composition, names of Directors, and the Broad Terms of Reference to the Compensation and Management Development Committee are as follows :-

Composition, names of members, no. of meetings and attendance during the year April 1, 2001 to March 31, 2002.

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

Remuneration Policy :

The Company follows a market linked remuneration policy, which is aimed at attracting and retaining the best talent. Compensation is also linked to individual and team performance as they support the achievement of corporate goals. The Company does not at present, have an Employee Stock Option Plan.

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.

Details of Remuneration paid to all Directors during the year April 1, 2001 to March 31, 2002:

(in Rs.)

Name of the Director	Sitting fees	Salary	Commission*	House rent allowance	Gas/Elect. Club fees	Medical	Total
Rajeev Bakshi	30,000	—	114,000	—	—	—	144,000
P.S.Dasgupta	65,000	—	114,000	—	—	—	179,000
Nasser Munjee	45,000	—	114,000	—	—	—	159,000
B.H.Reporter	40,000	—	114,000	—	—	—	154,000
Venu Srinivasan	15,000	—	114,000	—	—	—	129,000
J.M. Rugg	—	12,012	—	1,201,775	319,222	781	1,533,790
Pradeep Bhargava	—	900,000	—	—	10,800	82,035	992,835
Total	195,000	912,012	570,000	1,201,775	330,022	82,816	3,291,625

Notes:

1. 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.
2. Mr. J. M. Rugg and Mr. Pradeep Bhargava are appointed for a period of 5 years effective July 27, 2000 and October 20, 2000 respectively.
3. * Payment of commission to non whole-time Directors is subject to approval of the Shareholders and Central Government.
4. During the year under review the company has paid Rs. 108,735/- as professional fees to New Delhi Law Offices, a firm in which Mr P.S Dasgupta is a partner.

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SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

During the year, meetings of the Shareholders/Investors Grievance Committee were held on June 11, 2001, October 30, 2001 and January 22, 2002. The composition, names of Directors, and the Broad Terms of Reference to the Shareholders/Investors Grievance Committee are as follows: -

Composition, names of members, no. of meetings and attendance during the year April 1, 2001 to March 31, 2002.

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

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
Senior General Manager and Company Secretary

Number of shareholders complaints received during the period April 1, 2001 to March 31, 2002 :

Total 12 complaints were received. These complaints were mainly relating to non-receipt of (a) dividend warrants (b) annual report (c) share certificates and (d) credit of dematerialised shares etc. Out of these complaints, 11 complaints were solved to the satisfaction of shareholders and in respect of the remaining 1 complaint, the Company could not dematerialise the shares due to an order of the Court of the Additional City Civil Judge, Bangalore.

One shareholder, not satisfied with the reply of the Company had filed a petition before the Company Law Board ('CLB') during the year ended March 31, 2001 and the same is pending with the CLB.

Number of complaints pending with the Company:

Nil

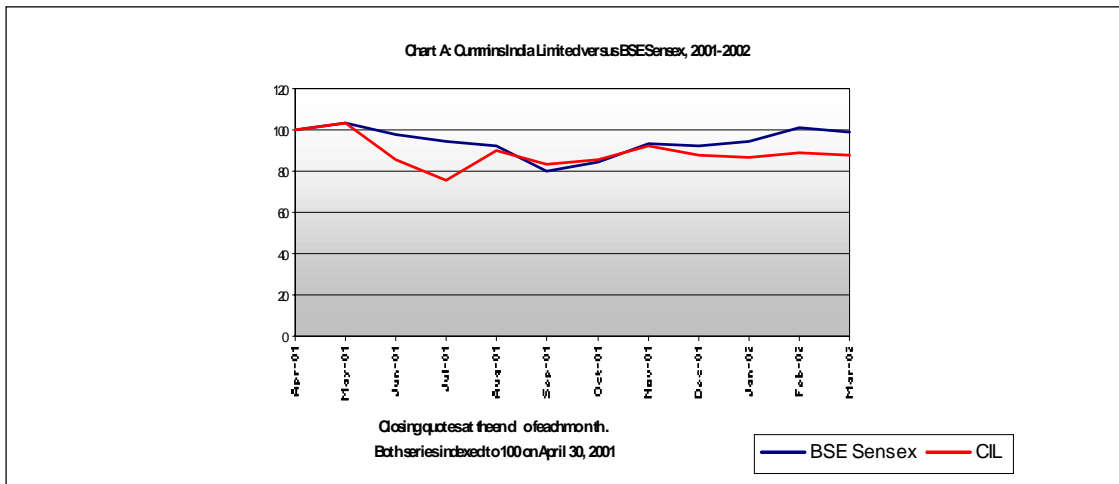
Number of pending share transfers:

Nil

General Shareholder information:

Registered Office	Kothrud, Pune 411 038. Phone No. : 5385435, 5381105, 5380240 Fax No. : 5380125 Website : www.cummins-india.com		
Annual General Meeting	Date and Time : September 13, 2002 at 10.00 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 and half year ending September 30, 2002-Last week of October 2002. • Results for quarter and nine months ending December 2002-Last week of January 2003. • Results for the year ending March 31, 2003 – June 15, 2003. 		
Date of book closure	(For the purpose of deciding dividend) September 6, 2002 to September 13, 2002		
Dividend Payment date	September 20, 2002 onwards.		
Listing on Stock Exchanges	<ol style="list-style-type: none"> 1. Pune Stock Exchange Ltd., Pune. (Stock Code : KIRCU 480) 2. The Stock Exchange, Mumbai (Stock Code: 500480) 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 2001	63.95	54.10
	May 2001	70.35	51.50
	June 2001	61.70	49.50
	July 2001	54.75	44.40
	August 2001	59.90	43.50
	September 2001	56.00	46.00
	October 2001	56.00	44.00
	November 2001	64.90	51.70
	December 2001	63.30	50.85
	January 2002	57.60	50.50
	February 2002	64.80	50.10
	March 2002	58.70	50.80
Performance in comparison to broad-based indices such as BSE Sensex.	Chart A depicts the comparable movements of Cummins India Limited's Equity shares against the BSE Sensex, during the year ended March 31, 2002.		

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Registrar and Transfer agent	<p>The Company has appointed Intime Spectrum Registry Limited, Mumbai as its Registrar and Transfer Agent w.e.f. May 15, 2002. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities will be attended to and processed at the office of Registrar and Transfer Agent at the following address:-</p> <p>Intime Spectrum Registry Limited Unit : Cummins India Limited 260, Shanti Industrial Estate Sarojini Naidu Road, Mulund (West) Mumbai 400 080 Phone Nos. : 5923837(10 lines) 5647731, 5672716, Fax No. : 5672693 Contact Person : Mr. Satyawan Kavatkar Timings : 10.00 to 16.00 (Monday to Friday excluding Public Holidays)</p>		
Share Transfer System	<p>Share Transfer requests in physical form 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.</p>		
Distribution of shareholding as on March 31, 2002.	Category	No. of shares of Rs. 2 each	% of shareholding
	Promoters	114,880,488	58.02
	Mutual Funds	15,728,940	7.94
	Banks/Financial Institutions/Insurance Companies	14,504,917	7.33
	Foreign Institutional Investors	23,234,744	11.73
	Corporate Bodies	2,211,877	1.12
	Individuals	27,439,034	13.86
	TOTAL :	198,000,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2002)	42.67% shares are dematerialised.
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity.	The company has not issued any GDRs / ADRs / Warrants or any Convertible instruments.
Plant location Address for correspondence	Kothrud, Pune 411 038 Registered Office : Kothrud, Pune 411 038. Registrar and Transfer Agent : Intime Spectrum Registry Limited Unit : Cummins India Limited 260, Shanti Industrial Estate Sarojini Naidu Road, Mulund (West) Mumbai 400 080.

ANNUAL GENERAL MEETINGS:

Particulars	FY 1998-1999	FY 1999-2000	FY 2000-2001
Date and Time	23.7.1999 at 10.00 a.m.	27.7.2000 at 10.00 a.m.	26.7.2001 at 11.00 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

Postal Ballot :

No special resolution was passed through Postal Ballot. However, an Ordinary Resolution under Section 293 (1)(a) of the Companies Act, 1956 was passed through postal ballot for obtaining shareholders consent to sell, lease or otherwise dispose of undertaking, viz. Plant II at Survey No. 206 / 2, Nagar Road, Pune 411 014 or various assets thereof.

Procedure of Postal Ballot :

Mr. S. V. Deulkar proprietor of S.V. Deulkar & Co., Company Secretaries, was appointed as Scrutinizer for the Postal Ballot. Following procedure was followed for conducting Postal Ballot:

Sr. No.	Event	Date
1.	Despatch of Notice along with Postal Ballot Forms to the shareholders Under Certificate of Posting.	February 18, 2002
2.	Last date for receiving Postal Ballot Forms by Scrutinizer.	March 20, 2002
3.	Date of submission of report by Scrutinizer.	March 25, 2002
4.	Date of declaration of result of Postal Ballot in the EGM	March 26, 2002

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Result of Postal Ballot :

Sr.No.	Particulars	Nos.	No. of Shares
1.	Total number of shareholders	21,404	198,000,000
2.	Total number of shareholders who exercised their votes through Postal Ballot.	846	127,559,416
3.	Total number of shareholders who voted in favour of resolution.	789	116,650,178
4.	Total number of shareholders who voted against the resolution.	20	10,885,293
5.	Number of Postal Ballots rejected.	37	23,945

The resolution was passed by majority. 91.44% votes were in favour of the resolution.

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, 2001 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 and Loksatta.
- The quarterly / half yearly unaudited financial results were displayed on Company's website www.cummins-india.com
- Presentation made to analysts on August 9, 2001 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' REPORT ON CORPORATE GOVERNANCE - MARCH 31, 2002

To the Board of directors 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 ('the Company'), for the year ended March 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an 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 on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement. 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.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

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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, 2002.

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	* Amte P G	52	B.E.(Mech.)	32	Dy. General Manager Product Planning	03/08/70	1,283,018	962,636	—
2	* Atre A G	52	B.E.(Electrical); D.B.M.	27	Dy. General Manager Application Engineering (Power Gen)	21/02/75	1,219,146	885,588	—
3	* Belsare C G	43	B.E.(Mech.)	21	General Manager Export	01/08/81	1,268,034	960,329	—
4	Chaubal C M	54	B.E.(Mech.)	32	Vice President Manufacturing	03/08/70	1,827,476	1,127,333	—
5	Gowrishankar Matangi (Ms.)	44	B.A. Sociology, PGDIR & PM	23	Vice President HR & Organisation Effectiveness	01/10/99	2,708,860	1,802,997	International Computers India Limited, Vice President Human Resources, 6 months
6	Phadke S S	50	B.E.(Mech.), B.A.(Eco.)	26	Vice President Industrial Business	01/05/93	1,820,683	1,141,384	Cummins Diesel Sales and Service (India) Ltd., Zonal Manager South, 1 yr., 3 months
7	* Sabnis R S	49	B.E.(Mech.), D.B.M.	26	General Manager Power Cylinder	01/12/75	1,409,250	1,024,825	—
8	Sarpotdar S G	51	B.Com., A.C.A.	27	Vice President Finance	15/01/01	1,350,390	906,842	Kalyani Sharp India Limited, General Manager, 10 yrs., 8 months
9	* Shah P P	54	B.Sc., MLW I.R.	26	Sr. General Manager Human Resources	06/09/76	2,570,528	1,861,276	—

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 : August 1, 2002

AUDITORS' REPORT

To the Members of
CUMMINS INDIA LIMITED :

1. We have audited the accompanying balance sheet of CUMMINS INDIA LIMITED ('the Company') at March 31, 2002 and the statements of profit and loss and cash flows for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of CUMMINS INDIA LIMITED at March 31, 2002 and of its profit and cash flows for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

5. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

Cummins India Limited

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of most of the assets during the year and no material 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, 2002.
3. Physical verification has been conducted by management during the year in respect of stocks of finished goods, stores, spare parts and raw materials, other than certain items lying with third parties in respect of which confirmations have been received from most parties. 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 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 a basis consistent with the preceding year.
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, which are prima facie prejudicial to the interest of the Company.
8. Parties to whom loans, or advances in the nature of loans have been given by the Company, 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, 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. 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 sales 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. We are informed that unserviceable or damaged stores, raw materials and finished goods are determined by management and where required, adequate provision has been made in the books of account 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. We are informed that the Company's manufacturing process does not generate any by-product.
14. In our opinion and according to the information and explanations given to us, the Company has an internal audit system, the scope and coverage of which is being further strengthened to make it commensurate with the size of the Company and 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 prescribed 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. 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. According to the records of the Company, Employees' State Insurance dues and Provident Fund dues, where deducted/accrued in the books of account, have been regularly deposited during the year with the appropriate authorities.
17. According to the records of the Company, and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, 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, 2002, 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. We are informed that the nature of the Company's service activity does not involve the consumption of materials and stores.
21. The Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size and nature of its business.
22. 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.

In respect of trading activities :

23. As explained to us, no damaged goods were determined in the class of goods traded in by the Company.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule Number	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	5,788,207		5,385,642
			6,184,207	5,781,642
Loan funds :				
Secured loans	3	17,728		—
Unsecured loans	4	87,366		119,944
			105,094	119,944
Deferred tax liability	5		164,771	—
			<u>6,454,072</u>	<u>5,901,586</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	6	4,232,930		4,055,404
Less : depreciation		2,559,155		2,339,581
Net block			1,673,775	1,715,823
Investments	7		2,358,339	1,317,690
Current assets, loans and advances :				
Inventories	8	1,129,964		1,353,125
Sundry debtors		2,405,067		2,347,729
Cash and bank balances		143,257		110,673
Other current assets		60,063		59,566
Loans and advances		275,754		417,732
		<u>4,014,105</u>		<u>4,288,825</u>
Less : Current liabilities and provisions :				
Current liabilities	9	1,042,766		938,327
Provisions		549,381		482,425
		<u>1,592,147</u>		<u>1,420,752</u>
Net current assets			2,421,958	2,868,073
			<u>6,454,072</u>	<u>5,901,586</u>
Notes :	12			

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Thane : June 10, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Thane : June 10, 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
INCOME :			
Sales and other income (Schedule 10)		7,773,130	<i>8,829,396</i>
EXPENDITURE :			
Cost of sales and other expenses (Schedule 11)	6,323,047		<i>7,103,039</i>
Lumpsum compensation under voluntary retirement scheme	48,727		—
Depreciation	246,700		<i>261,768</i>
INTEREST :			
on fixed loans	12,645		<i>16,517</i>
others	1,892		<i>2,657</i>
	<u>14,537</u>		<u><i>19,174</i></u>
		6,633,011	<i>7,383,981</i>
PROFIT BEFORE TAX		1,140,119	<i>1,445,415</i>
PROVISION FOR TAX :			
Current Tax	275,785		<i>356,115</i>
Deferred Tax	1,241		—
		<u>277,026</u>	<u><i>356,115</i></u>
NET PROFIT FOR THE YEAR		863,093	<i>1,089,300</i>
Balance carried forward from last balance sheet		450,000	—
APPROPRIATIONS :			
I Proposed dividend		297,000	<i>257,400</i>
II Additional income tax on dividend		—	<i>26,255</i>
III Transferred to general reserve		266,093	<i>355,645</i>
Balance carried to balance sheet		<u>750,000</u>	<u><i>450,000</i></u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs.2)		4.36	<i>5.50</i>

Notes : Schedule 12

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Thane : June 10, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Thane : June 10, 2002

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations (see note 21(1), Schedule 12)	1,522,498		1,993,244
Tax paid (net of refunds)	(144,681)		(361,158)
Net cash provided by operating activities		1,377,817	1,632,086
II. Cash flows from investing activities :			
Fixed assets (see note 21(2), Schedule 12)			
Purchase	(230,993)		(502,667)
Sale	8,112		8,225
Interest received	45,580		22,199
Dividend received	46,109		46,053
Investments			
Purchase	(7,162,817)		(2,440,660)
Sale/redemption	6,261,574		1,630,958
Net cash used for investing activities		(1,032,435)	(1,235,892)
III. Cash flows from financing activities :			
Export packing credit (net)	—		(120,326)
Repayment of fixed deposits (net)	(32,573)		(14,918)
Interest paid	(15,229)		(19,805)
Dividend paid (including tax on dividend)	(282,724)		(225,836)
Net cash used for financing activities		(330,526)	(380,885)
IV. Net change in cash and cash equivalents (I+II+III)		14,856	15,309
V. Cash and cash equivalents at the beginning of the year (see note 21(3), Schedule 12)		110,673	95,364
Cash and cash equivalents at the end of the year (IV+V) (see note 21(3), Schedule 12)		125,529	110,673

Notes : Schedule 12

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Thane : June 10, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Thane : June 10, 2002

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
200,000,000 equity shares of Rs. 2 each (previous year 200,000,000 equity shares of Rs. 2 each)	400,000	400,000
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each (previous year 198,000,000 equity shares of Rs. 2 each)	396,000	396,000
Of the above equity shares;		
i) 190,500,000 shares of Rs. 2 each (previous year 190,500,000 shares of Rs.2 each) are allotted as fully paid bonus shares by capitalisation of reserves.		
ii) 100,980,000 shares of Rs. 2 each (previous year 100,980,000 shares of Rs.2 each) are held by the holding company, Cummins Inc.,USA.		

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 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	4,928,642	4,560,497
Less : adjustment of net cumulative effect of recognition of deferred tax liability upto 31st March 2001 (refer note 19, Schedule 12)	163,528	—
	4,765,114	4,560,497
Add : transferred from :		
i) Investment allowance reserve account	—	12,500
ii) Profit and loss account	266,093	355,645
	5,031,207	4,928,642
Investment allowance reserve account :		
Balance as per last account	—	12,500
Less : transferred to general reserve	—	12,500
	—	—
Profit and loss account	750,000	450,000
	5,788,207	5,385,642

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 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	17,728	—
	<u>17,728</u>	<u>—</u>
SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed deposits (including interest accrued and due Rs.1,296,365; <i>previous year Rs.1,300,634</i>)	87,366	<i>119,944</i>
	<u>87,366</u>	<u><i>119,944</i></u>
SCHEDULE NO. 5		
DEFERRED TAX LIABILITY (NET)		
Fixed assets	255,672	—
Sundry debtors	(10,030)	—
Current liabilities	(17,396)	—
Provisions	(63,475)	—
	<u>164,771</u>	<u>—</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6

FIXED ASSETS :

(Rs.'000)

Particulars	Gross block (at cost) as at 31st March, 2001	Additions	Deductions	Gross block (at cost) as at 31st March, 2002	Depreciation as per schedule 6A	Net block as at 31st March, 2002
Land						
— Freehold	2,084	—	—	2,084	—	2,084
— Leasehold	15,412	—	—	15,412	181	15,231
Roads	6,019	—	—	6,019	4,005	2,014
Buildings	191,757 *	7,274	—	199,031 *	66,042	132,989
Plant and machinery	3,684,542	202,882	27,010	3,860,414	2,467,350	1,393,064
Furniture and fittings	31,939	7,103	3,004	36,038	13,553	22,485
Vehicles	29,070	11,225	5,684	34,611	8,024	26,587
	<u>3,960,823</u> <u>(3,517,387)</u>	<u>228,484</u> <u>(485,248)</u>	<u>35,698</u> <u>(41,812)</u>	<u>4,153,609</u> <u>(3,960,823)</u>	<u>2,559,155</u> <u>(2,339,581)</u>	<u>1,594,454</u> <u>(1,621,242)</u>
Buildings, plant and machinery etc., under erection including advances for capital expenditure				79,321 <u>(94,581)</u>		79,321 <u>(94,581)</u>
				<u>4,232,930</u> <u>(4,055,404)</u>	<u>2,559,155</u> <u>(2,339,581)</u>	<u>1,673,775</u> <u>(1,715,823)</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. 89,245,808
(previous year - Rs. 136,764,073).

Figures in brackets are in respect of the previous year.

SCHEDULE NO. 6 A

DEPRECIATION

(Rs.'000)

Particulars	Depreciation upto 31st March, 2001	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2002
Land				
— Freehold	—	—	—	—
— Leasehold	20	161	—	181
Roads	3,966	39	—	4,005
Buildings	59,629	6,413	—	66,042
Plant and machinery	2,256,030	234,865	23,545	2,467,350
Furniture and fittings	12,239	2,307	993	13,553
Vehicles	7,697	2,915	2,588	8,024
	<u>2,339,581</u> <u>(2,113,276)</u>	<u>246,700</u> <u>(261,768)</u>	<u>27,126</u> <u>(35,463)</u>	<u>2,559,155</u> <u>(2,339,581)</u>

Figures in brackets are in respect of the previous year.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2002	As at 31st March, 2001
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 7				
INVESTMENTS :				
	Face value per unit			
<u>Number</u>	<u>Rupees</u>			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
599,970	100	Cummins Diesel Sales and Service (India) Limited	19,058	19,061
3,967,880	10	Cummins Infotech Limited # Cummins Power Solutions	39,679	39,684
6,989,600	10	Limited	69,896	45,001
3,999,600	10	Power Systems India Limited	39,996	5,000
100	10	Cummins Auto Services Limited	1	—
			168,630	108,746
TRADE INVESTMENTS				
Fully paid ordinary/ equity shares				
1,999,500	10	Nelson Engine Systems India Limited	19,995	20,000
1,000	25	The Shamrao Vithal Co-operative Bank Limited	25	25
1,000	10	The Saraswat Co-operative Bank Limited	10	10
60,000	10	Housing Development Finance Corporation Limited*	1,575	1,575
500	10	HDFC Bank Limited *	5	5
			21,610	21,615
OTHER THAN TRADE INVESTMENTS				
<u>Units in Unit Trust of India</u>				
<u>Units in Venture</u>				
Capital Units Scheme,				
2,240	100	1990 (VECAUS II)	224	224
Carried forward			190,240	130,585

SCHEDULES FORMING PART OF THE BALANCE SHEET

				As at 31st March, 2002	As at 31st March, 2001
				Rupees '000	Rupees '000
SCHEDULE NO. 7 (Contd.)					
	Face value per unit				
Number	Rupees				
				190,240	130,585
250,000	10	Brought forward Under Institutional Investors' Special Fund Unit scheme 1998	2,500		2,500
10,306,108	10	Under Unit Scheme, 1964 *	129,252		198,831
				131,976	201,555
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS			
30,000	1,000	10.5% Housing & Urban Development Corporation Limited *	30,945		30,945
100	100,000	10.25 % Nuclear Power Corporation Limited *	10,140		10,140
20,000	1,000	8.95% Konkan Railway Corporation Limited *	20,000		—
100	100,000	10.5 % Nuclear Power Corporation Limited *	10,930		10,930
—	1,000	9% Indian Railway Finance Corporation Limited *	—		60,340
22,550	1,000	10.5% Indian Railway Finance Corporation Limited *	23,712		9,999
100,000	1,000	10.5% Konkan Railway Corporation Limited *	103,435		93,180
4,000	20,000	10.5 % Power Finance Corporation Limited *	82,858		—
300	100,000	8.85 % Power Finance Corporation Limited *	30,270		—
—	—	9.50% National Housing Bank * (Face Value Rs.50,000,000)	50,820		—
4	5,000,000	8.70 % Rural Electrical Corporation Limited *	20,126		—
				383,236	215,534
		Carried forward		705,452	547,450

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st March, 2002	As at 31st March, 2001
		Rupees '000	Rupees '000
SCHEDULE NO. 7 (Contd.)			
<u>Number</u>	<u>Face value per unit Rupees</u>		
		Brought forward	705,452
			<i>547,450</i>
		GOVERNMENT OF INDIA BONDS	
		6.5% Government of India 2002 *	—
		(Face Value Rs.50,000,000)	<i>47,365</i>
		12.30% Government of India 2016 *	—
		(Face Value Rs.50,000,000)	<i>55,260</i>
		11.10% Government of India 2003 *	—
		(Face Value Rs.50,000,000)	<i>51,875</i>
		11.50% Government of India 2004 *	
		(Face Value Rs.50,000,000) 55,050	—
		11.03% Government of India 2012 *	
		(Face Value Rs.50,000,000) 59,325	—
		11.68% Government of India 2006 *	
		(Face Value Rs.50,000,000) 59,210	—
		9.85% Government of India 2015 *	
		(Face Value Rs.50,000,000) 59,440	—
		10.95% Government of India 2011 *	
		(Face Value Rs.50,000,000) 61,425	—
		10.47% Government of India 2015 *	
		(Face Value Rs.50,000,000) 61,300	—
		<hr/>	<hr/>
			355,750
			<i>154,500</i>
		CORPORATE BONDS	
100.00	500,000	10.00% Steel Authority of India Limited *	
		50,620	—
		<hr/>	<hr/>
			50,620
		UNITS OF MUTUAL FUNDS	
		Debt Fund (Growth Scheme)	
3,165,247	10	Pioneer ITI SIP VIII Plan A	31,652
2,108,777	10	Alliance Income Fund	38,561
3,259,962	10	Birla Income Plus Plan B	72,449
1,109,746	10	DSP Merrill Lynch Bond Fund	20,464
4,837,714	10	HDFC Income Fund	60,108
432,251	10	IDBI Principal Income Fund	5,359
4,143,071	10	JM I Income Fund	58,222
1,334,203	10	Kotak Mahindra K-Bond (Wholesale Plan)	18,280
2,060,297	10	Prudential ICICI Income Plan	32,339
1,286,249	10	Reliance Income Fund	20,920
		<hr/>	<hr/>
		Carried forward	1,111,822
			<i>701,950</i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

				As at 31st March, 2002	As at 31st March, 2001
				Rupees '000	Rupees '000
SCHEDULE NO. 7 (Contd.)					
	Face value per unit				
<u>Number</u>	<u>Rupees</u>				
		Brought forward		1,111,822	701,950
355,354	10	SBI Magnum Income Fund	5,288		—
1,500,000	10	Standard Chartered Mutual Fund Fixed Savings Scheme (IV)	15,000		—
442,890	10	Standard Chartered Mutual Fund Investment Plan	5,598		—
353,453	10	Sun F& C Money Value Fund	5,337		—
649,505	10	S 22 Sundaram Bond Saver	10,944		—
1,971,838	10	Templeton India Income Fund Templeton Floating	36,025		—
1,000,000	10	Rate Income Fund	10,000		—
1,111,147	10	Zurich India High Interest Fund	20,090		—
				466,636	—
		Dividend re-investment Plan			
2,721,913	10	Alliance Liquid Income	29,736		—
1,246,338	10	Birla Income Plus- Plan A	12,939		—
1,056,415	10	DSP Merrill Lynch Bond Fund	11,841		—
1,146,306	10	HDFC Income Fund	12,275		—
1,735,109	10	JM Income Fund	18,493		—
926,984	10	Kotak Mahindra K-Bond (Wholesale Plan)	12,165		—
3,194,346	10	Pioneer ITI Income Builder	37,494		—
3,648,336	10	Prudential ICICI Income Plan	40,348		—
1,543,161	10	Reliance Income Fund	17,773		—
2,320,157	10	Templeton India Income Fund	26,046		—
1,629,450	10	Zurich India High Interest Fund	18,616		—
				237,726	—
		Total Long term investments (A)		1,816,184	701,950
		CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS			
		Treasury Bills * (Face Value Rs.150,000,000)		145,047	380,358
		Carried forward		145,047	380,358

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

				As at 31st March, 2002	As at 31st March, 2001
				Rupees '000	Rupees '000
SCHEDULE NO. 7 (Contd.)					
	Face value per unit				
<u>Number</u>	<u>Rupees</u>				
		Brought forward		145,047	380,358
		COMMERCIAL PAPERS			
100	500,000	GMAC-TCFC Finance Limited *	48,009	—	—
100	500,000	ICICI Limited *	48,066	—	—
100	500,000	Citicorp Finance (India) Limited *	49,068	—	—
100	500,000	Indian Oil Corporation Limited *	49,502	—	—
				194,645	—
		CORPORATE BONDS			
1,000	100,000	10.25% ICICI Limited*	100,555	—	—
2,100,000	30	17.50% Hindalco Limited*	77,973	—	—
5	10,000,000	8.65% GE Capital Limited*	50,126	—	—
				228,654	—
		UNITS OF MUTUAL FUNDS			
		Debt Fund (Growth Scheme)			
—	10	Pioneer ITI SIP VIII Plan A	—	—	10,000
—	10	Alliance Income Fund	—	—	10,000
—	10	Birla Income Plus Plan B	—	—	31,082
—	10	DSP Merrill Lynch Bond Fund	—	—	—
—	10	HDFC Income Fund	—	—	10,000
—	10	IDBI Principal Income Fund	—	—	—
—	10	JM I Income Fund	—	—	5,000
—	10	Kotak Mahindra K-Bond (Wholesale Plan)	—	—	—
—	10	Prudential ICICI Income Plan	—	—	10,438
—	10	Reliance Income Fund	—	—	—
—	10	SBI Magnum Income Fund	—	—	—
—	10	Standard Chartered Mutual Fund	—	—	—
—	10	Fixed Savings Scheme (IV)	—	—	—
—	10	Standard Chartered Mutual	—	—	—
—	10	Fund Investment Plan	—	—	—
—	10	Sun F& C Money Value Fund	—	—	—
—	10	S 22 Sundaram Bond Saver	—	—	—
—	10	Templeton India Income Fund	—	—	21,134
—	10	Templeton Floating Rate Income Fund	—	—	—
—	10	Zurich India High Interest Fund	—	—	5,000
				—	102,654
		Carried forward		568,346	483,012

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st March, 2002	As at 31st March, 2001
		Rupees '000	Rupees '000
SCHEDULE NO. 7 (Contd.)			
<u>Number</u>	Face value per unit <u>Rupees</u>		
	Brought forward	568,346	483,012
	Liquid Fund		
—	1000 Alliance Cash Manager -Growth	—	5,134
—	10 Birla Sun Life Cash Plus Growth	—	10,862
—	10 HDFC Liquid Fund	—	15,045
—	10 JM Mutual High Liquid Fund	—	15,000
—	10 Kotak Mahindra Liquid Scheme Growth	—	11,021
—	10 Prudential ICICI Liquid Fund	—	32,600
—	10 Reliance Liquid Fund- Treasury Plan-Growth	—	10,000
—	10 Templeton Liquid Fund Growth	—	33,066
		—	132,728
	Total Current Investments (B)	568,346	615,740
	Total Investments (A+B)	2,384,530	1,317,690
	Provision for permanent diminution in value of long term investments	(26,191)	—
	TOTAL	2,358,339	1,317,690
	Aggregate cost of quoted investments	1,488,784	950,803
	Aggregate cost of unquoted investments	895,746	366,887
		2,384,530	1,317,690
	Aggregate market value of quoted investments	1,484,562	1,021,030

* quoted investments

Company under the same management

See note 2 schedule 12 for Investments purchased and sold during the year ended March 31, 2002.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories :			
Stores and Spares		51,142	<i>50,956</i>
Loose tools and gauges		47,811	<i>53,312</i>
Stock-in-trade :			
Raw materials and components	629,220		<i>765,159</i>
Work-in-progress	317,096		<i>426,530</i>
Finished goods	12,570		<i>3,375</i>
Materials in transit	72,125		<i>53,793</i>
		<u>1,031,011</u>	<u><i>1,248,857</i></u>
		1,129,964	<i>1,353,125</i>
Sundry debtors : Unsecured			
(See note 3(a), Schedule 12)			
Debts outstanding for a period exceeding six months			
Considered good	29,771		<i>39,142</i>
Considered doubtful	28,097		<i>22,982</i>
Other debts -			
Considered good	2,375,296		<i>2,308,587</i>
Considered doubtful	—		<i>2,428</i>
		<u>2,433,164</u>	<u><i>2,373,139</i></u>
<i>Less: Provision for doubtful debts</i>	<u>28,097</u>		<u><i>25,410</i></u>
		2,405,067	<i>2,347,729</i>
Cash and bank balances :			
Cash on hand	179		<i>185</i>
Balances with scheduled banks :			
on current account	43,283		<i>90,119</i>
on deposit account	99,795		<i>20,369</i>
		<u>143,257</u>	<u><i>110,673</i></u>
Carried forward		3,678,288	<i>3,811,527</i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 8 (Contd.)		
Brought forward	3,678,288	<i>3,811,527</i>
Other current assets :		
Interest accrued on investments	32,298	<i>10,777</i>
Other receivables	27,765	<i>48,789</i>
	60,063	<i>59,566</i>
Loans and advances : Unsecured		
Considered good :		
Advances recoverable in cash or in kind or for value to be received. (See note 3(b), Schedule 12)		
275,749		<i>309,213</i>
Balance with Excise Department	5	<i>43</i>
Taxation (net of provisions)	—	<i>108,476</i>
	275,754	<i>417,732</i>
	4,014,105	<i>4,288,825</i>
SCHEDULE NO. 9		
CURRENT LIABILITIES AND PROVISIONS :		
Current liabilities :		
Acceptances	268,446	<i>260,393</i>
Sundry Creditors (See note 3(c), Schedule 12)	760,722	<i>665,974</i>
Advances from customers	2,405	<i>1,011</i>
Dividend warrants posted but not encashed	4,398	<i>3,467</i>
Interest accrued but not due on loans	6,795	<i>7,482</i>
	1,042,766	<i>938,327</i>
Provisions :		
Taxation (net of advance payments)	21,943	—
Proposed dividend	297,000	<i>257,400</i>
Additional income tax on dividend	—	<i>26,255</i>
Pension and leave entitlement	72,514	<i>65,697</i>
Others	157,924	<i>133,073</i>
	549,381	<i>482,425</i>
	1,592,147	<i>1,420,752</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
Sales		7,451,783	8,632,428
Less : Commission	42,639		29,794
Discount	—		—
	<u>42,639</u>		<u>29,794</u>
		7,409,144	8,602,634
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. 777,212; previous year Rs. 684,668)		9,070	24,684
Miscellaneous income (including testing charges Rs. 10,594,100; previous year Rs. 30,588,458)		68,297	91,861
Export benefits - duty drawback etc.		18,432	15,167
Income from investments			
Long Term investments			
Trade investments	753		548
Other investments	86,917		47,884
Dividend from subsidiary	—		9,000
	<u>87,670</u>		<u>57,432</u>
Current investments - other than trade		14,920	1,970
Gain on sale / redemption of long term investments		13,478	3,654
Gain on sale / redemption of current investments		152,119	30,118
Net gain on fixed assets sold or discarded		—	1,876
		<u>7,773,130</u>	<u>8,829,396</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		4,434,074	5,189,411
Purchase of goods for resale (See note 14(d), Schedule 12)		6,632	14,682
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	626,911		589,217
Company's contribution to provident and other funds	106,061		73,203
Welfare expenses	56,816		60,632
		789,788	723,052
Operation and other expenses :			
Stores, spares, consumable materials, etc.	203,506		249,616
Tools and gauges	43,536		46,092
Repairs to buildings	38,561		35,514
Repairs to machinery	24,568		32,240
Other repairs	22,285		20,072
Power and fuel	136,395		159,239
Rent	3,443		2,817
Rates and taxes	20,305		32,069
Insurance	20,430		18,598
Outside processing charges	147,608		206,372
Other expenses (see note 11, Schedule 12)	256,539		308,856
Donations and contributions	5,000		10,743
Net loss on fixed assets sold or discarded	460		—
		922,636	1,122,228
Technical fees and royalties		74,257	73,183
Carried forward		6,227,387	7,122,556

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 11 (Contd.)			
Brought forward		6,227,387	7,122,556
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	12,570		3,375
Work-in-progress	317,096		426,530
		329,666	429,905
Opening inventories :			
Finished goods	3,375		2,915
Work-in-progress	426,530		432,319
		429,905	435,234
		100,239	5,329
		6,327,626	7,127,885
Less : cost of plant and machinery manufactured		4,579	24,846
		<u>6,323,047</u>	<u>7,103,039</u>

SCHEDULE NO.12

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 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 accumulated 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) 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

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

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.

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

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) **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 included 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'.

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 as at the year end, based on 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) **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.

j) **Income Tax**

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

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

2. Investments purchased and sold

	Nos.	Face Value (Rs.)	Cost (Rs.)
I) Sale / Redemption :			
Cummins Diesel Sales and Service (India) Limited	30	3,000	3,000
Cummins Infotech Limited #	500	5,000	5,000
Cummins Power Solutions Limited	500	5,000	5,000
Power Systems India Limited	400	4,000	4,000
Cummins Auto Services Limited	100	1,000	1,000
Nelson Engine Systems India Limited	500	5,000	5,000
Tax Free Bonds			
Units in Units Scheme 1964	5,548,000	55,480,000	69,579,096
9% Indian Railway Finance * Corporation Limited	60,000	60,000,000	60,340,000
Government of India Bonds			
6.50% Government of India 2002 *	—	50,000,000	47,365,000
12.30% Government of India 2016 *	—	50,000,000	55,260,000
11.10% Government of India 2003 *	—	50,000,000	51,875,000
Treasury bills			
Various	—	405,000,000	380,357,675
UNITS OF MUTUAL FUNDS			
Debt Fund (Growth Scheme)			
Alliance Income Fund	643,915	6,439,150	10,000,000
Birla Income Plus Plan B	1,639,742	16,397,421	31,081,941
HDFC Income Fund	952,562	9,525,624	10,000,000
JM Income Fund	285,714	2,857,143	5,000,000
Pioneer ITI Income Builder	648,508	6,485,084	10,000,000
Prudential ICICI Income Plan	775,452	7,754,516	10,437,579
Templeton Income Fund	1,301,762	13,017,620	21,133,820
Zurich India High Interest Fund	324,465	3,244,646	5,000,000
LIQUID FUND			
Alliance Cash Manager -Growth	3,988	3,988,334	5,133,504
Birla Sun Life Cash Plus Growth	770,776	7,707,762	10,862,549
HDFC Liquid Fund	1,450,630	14,506,303	15,045,357
JM Mutual High Liquid Fund	1,038,790	10,387,897	15,000,000

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

	Nos.	Face Value (Rs.)	Cost (Rs.)
Kotak Mahindra Liquid Scheme Growth	1,054,301	10,543,014	11,020,613
Prudential ICICI Liquid Fund	2,528,152	25,281,511	32,600,003
Reliance Liquid Fund-			
Treasury Plan-Growth	791,095	7,910,954	10,000,000
Templeton Liquid Fund Growth	2,545,854	25,458,542	33,066,063
II) Purchased and sold / redeemed during the year :-			
9% Indian Railway Finance * Corporation Limited	6,500	6,500,000	6,526,650
9 % National Thermal Power * Corporation Limited	4	20,000,000	20,072,000
9% Housing & Urban * Development Corporation Limited	110	11,000,000	11,033,000
Government of India Bonds			
Various	—	825,000,000	952,857,440
Treasury bills			
Various	—	1,526,525,000	1,490,649,980
Commercial Paper			
Various	—	280,000,000	273,074,981
Units in Mutual Fund			
Income Fund			
Growth Option			
Alliance Income Fund	6,015,197	60,151,971	104,780,898
Birla Income Plus Plan B	5,098,285	50,982,851	106,615,208
DSP Merrill Lynch Bond Fund	3,549,426	35,494,264	62,665,074
HDFC Income Fund	8,293,437	82,934,369	95,549,302
IDBI Principal Income Fund	432,350	4,323,502	5,000,000
JM Income Fund	8,225,757	82,257,572	134,898,045
Kotak Mahindra K-Bond (Wholesale Plan)	2,672,893	26,728,932	33,457,462
Pioneer ITI	6,478,854	64,788,541	115,498,279
Prudential ICICI Income Plan	8,581,372	85,813,723	127,777,788
Reliance Income Fund	4,543,196	45,431,961	70,822,174
SBI Magnum Income Fund	355,457	3,554,570	5,000,000
Standard Chartered Mutual Fund	1,332,566	13,325,656	15,678,450

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

	Nos.	Face Value (Rs.)	Cost (Rs.)
Sun F& C Money Value Fund	353,857	3,538,570	5,000,000
S 22 Sundaram Bond Saver	649,773	6,497,726	10,000,000
Templeton India Income Fund	4,569,712	45,697,121	80,103,378
Zurich India High Interest Fund	2,471,749	24,717,491	42,691,960
Dividend option			
Kotak Mahindra K-Bond (Wholesale Plan)	5,984,888	59,848,882	80,000,000

Liquid Fund

Alliance Cash Manager	109,790	109,790,449	147,727,493
Birla Sun Life Cash Plus	13,411,635	134,116,350	197,720,787
DSP Merrill Lynch Liquidity Fund	5,407,179	54,071,788	73,001,519
HDFC Liquid Fund	17,039,735	170,397,348	185,183,515
IDBI Principal Cash Management	484,249	4,842,486	5,357,727
JM Mutual High Liquidity Fund	8,557,373	85,573,726	128,074,118
Kotak Mahindra Liquid Scheme	3,221,847	32,218,467	35,622,207
Pioneer ITI Treasury Management	84,972	84,972,192	115,528,920
Prudential ICICI Liquid Plan	9,378,960	93,789,598	127,101,801
Reliance Liquid Fund	5,895,819	58,958,194	77,529,809
SBI Magnum Liquid Bond	420,300	4,202,996	5,285,645
Standard Chartered Cash Fund	1,583,923	15,839,227	16,255,918
Sun F& C Money Value Liquid Fund	407,873	4,078,732	5,336,164
Sundaram Mutual Money Fund	939,171	9,391,710	10,942,000
Templeton Liquid Fund	8,332,246	83,322,455	112,759,459
Zurich India Liquidity Fund	9,101,016	91,010,164	102,639,959

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

3. a) Sundry debtors include Rs. 2,607,291 (*previous year Rs. 7,552,535*) due from Tata Cummins Limited, a company under the same management.

b) Advances recoverable include

- i) amounts due from directors Nil (*previous year Nil*); maximum amount due during the year Nil (*previous year Rs. 581,266*).
- ii) an intercorporate deposit of Rs. 15,000,000 (*previous year Nil*) placed with Cummins Power Solutions Limited, a subsidiary company.
- iii) an intercorporate deposit of Rs. 25,000,000 (*previous year Rs. 2,500,000*) placed with Power Systems India Limited, a subsidiary company.
- iv) an intercorporate deposit of Rs. 40,000,000 (*previous year Nil*) placed with Cummins Auto Services Limited, a subsidiary company.
- v) share application money paid to Cummins Power Solutions Limited amounting to Rs. Nil (*previous year Rs. 24,900,000*), a subsidiary company.
- vi) dues from Cummins Infotech Limited amounting to Rs. 1,747,044 (*previous year Rs.175,871*), a subsidiary company, which is also a company under the same management; maximum amount outstanding during the year Rs. 1,747,044 (*previous year Rs. 1,011,488*).

c) Sundry creditors include —

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
i) Amounts due to directors	—	15
ii) Subsidiary companies	5,641	—
iii) Amounts due to small scale industrial undertakings	72,986	32,514

d) Small scale industrial undertakings to whom the Company owes sums which are outstanding for more than 30 days are as follows:-

Gastechnik	United Brothers Instruments
Ambika Enterprises	Bright Engineering Works
Anand Engineering Works	Barve Industries
Ace Valves Private Limited.	Baker Gauges India Private Limited.(Hip)
Imeco Clening and Welding Equipment	Bhide Packings
Arnimech Products Private Limited	Bhairavanath Engineering Works
Arke Enterprises	Belose Industries
Ashok Industry	Bhalchand Industries
Aask Engineers	Bemco India Private Limited.
A V S Traders	Continuous Stationery Private Limited
Abc Steel Aids	Cougar Paints Private Limited
Anography	Cyclo Instruments Private Limited
	Craft And Technik Industries

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

Alwin Corporation	Chem-Tech Specialities.
Avcon Controls Private Limited	Dynam Pressings
Ancil Engineers	Dynamic Enterprises
Akanksha Enterprises	Chemoplate Finishers Private Limited
Bajaji Engineering Works	Eme Gears Private Limited
Ganesh Engineering Works	Electro Professionals
Guruprasad Enterprises Xerox	Farsak Engineering Works
Indian Packaging Industry	Fabricast
Metal Craft	Flow Control Equipments
Micro Pins	Fluid Dynamics Private Limited
M J Woods	Kolhatkar Metal Works
Madan Micro Metal & Cast	Kiran Pressure Controls
M. H. Industries	Kishor Multi Services
Mercury Fittings Private Limited	Menon Ancillaries
Nitin Enterprises	Nagpure Industries
Palavi Industries,	Noble Industries
Punch Advertising	Poona Pressings Private Limited
Polybond India Private Limited.	Precision Rubber Company India
Paranjape Autocast Private Limited	Pramod Metal Works
Precision Industries India	Rieco
Premier Engineering Works	Ravikiran Engineering Works
Prabha Industries	Roshan Enterprises
Ravian Industries	Ramesh & Company.
Rajshri Products	Shree Metal Works
Rahul Engineering Corporation	Jayant Industries
J.D.Panse	Jai Suprabha Protective Products Private Limited
J D Enterprises	Paramount Seals and Packings
Sunil Traders	Precifab
Suyash Electricals	Precision Products
Superflex Engineering Polymers Private Limited	Prabhat Industries
Supreme Cranes Private Limited	Pava Industries
Samarth Engineering	Sachin Engineering
Subra Industries	Sneha Industries
Shri Ganesh Foundry Private Limited.	Suprabha Protective Products
Snape Enterprises	Try O Spark Engineers
Spark Engineering	Techno Spark
Shriram Rubber Products Private Limited	Trimurti Enterprises-Warje
Screen Enterprises	Unpa Engineering
Shree Engineers	Ultraseal (India) Private Limited
Somamshu	Versatile Engineering Works
Praj Industries Limited.	Vijay Industries
Shende Sales Corporation	Venkatesh Engineering Company
Shubhankar Engineering Works	Viram Plastics
Shivganga Manufacturing Company	Vivek Engineering
Bitscan	Yog Electro Process
	Sahayog Founders and Engineers
	Sardesai Autoparts Private Limited

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Bhor Engineering Private Limited.	Saw Seisaku Corporation
Box-Pack	Spectrum Communications
Rahul Industries	M.K.Precimax Engineering.
Ramps Engineers	Poonam Dresses and Tailoring Firm
Rochi Engineers	Zulfikar Engineering
Shree Ganesh Industries	Skey Products
S S Nivsarkar & Associates	Doright Engineering
Sam Techno Sales	Rishi Laser Cutting Limited.
Sagari Engineering	D.J. Aluminium Fabricators
Unity Bushes And Tools Company	Central & Western (I) Chemicals
U S Industries	Vyankatesh Packing
Unity Gauge And Tool Company Private Limited	Vijay Engineering
Uma Udyog	Vishal Plastic Products

The small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

4. Contingent liabilities

	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
a) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	37,001	<i>26,763</i>
b) Central excise duty/customs duty – demands not accepted by the Company	7,201	<i>10,391</i>
c) Civil liability / secondary civil liability in respect of suits filed against the Company	401	<i>401</i>
d) Guarantees given on behalf of subsidiary company to its bankers	21,820	<i>21,820</i>
e) Matters concerning sections 297/299 of the Companies Act,1956	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
f) Claims against the Company not acknowledged as debts and Customs Show Cause Notices against the Company	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
g) 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.		

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

5. Related Party Disclosures

a) Name of the related party and nature of relationship where control exists

<u>Name of the related party</u>	<u>Nature of Relationship</u>
Cummins Inc.	Holding company
Cummins Diesel Sales and Service (India) Limited	Subsidiary company
Power Systems India Limited	Subsidiary company
Cummins Power Solutions Limited	Subsidiary company
Cummins Auto Services Limited	Subsidiary company
Cummins Infotech Limited	Subsidiary company

b) Transactions with related parties as per the books of account during the year ended 31st March 2002

	Rs.'000				
	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Total
Purchases of goods	243,296	2,848	824,010	—	1,070,154
Sale of goods	95,268	1,602,954	2,625,253	—	4,323,475
Purchase of fixed assets	—	336	—	—	336
Sale of fixed assets	—	190	—	—	190
Services rendered	13,909	13,516	195	—	27,620
Services received	—	69,397	—	2,526	71,923
Transfer of technology	74,257	—	24,340	—	98,597
Inter corporate deposits – given	—	87,000	—	—	87,000
Repayment of intercorporate deposits	—	9,500	—	—	9,500
Interest on inter-corporate deposits	—	1,640	—	—	1,640
Interest due to increase in credit period	—	—	2,234	—	2,234
Purchase of investment	—	35,001	—	—	35,001
Sale of investments	—	5	2	—	7
Miscellaneous sale	—	—	1,792	—	1,792
Sale of scrap	858	688	—	—	1,546
Equity contributions	—	24,895	—	—	24,895

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

4. Key Management Personnel
- i) Jim Rugg
 - ii) Pradeep Bhargava
- ii) Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice versa have not been included above.
- iii) The information given above, have been reckoned on the basis of information available with the Company.

6. Segmental Information

a) Primary Segment

The Company's operations predominantly relate to manufacture of Internal combustion engines and parts thereof (Engines business segment) used for various applications such as power generation, construction, compressor, mining, marine, locomotive, fire-fighting, etc, accounting for approximately 99% of the total revenue for the year ended March 31, 2002.

b) Secondary Segment

Two secondary segments have been identified based on the geographical locations of customers: domestic and export.

Information about business segments (Primary segments)	Engine Business	Others	Total
i) Segment revenue	7,441,509	10,274	7,451,783
ii) Segment result			1,401,356
Depreciation			246,700
Interest			14,537
Profit before tax			1,140,119
Provision for tax			
Current tax			275,785
Deferred tax			1,241
Net profit for the year			863,093
iii) Segment assets			8,046,219
iv) Segment liabilities			1,273,204
Common Liabilities			588,808
Enterprise Liabilities			1,862,012
v) Capital expenditure			213,224
Information about geographical segments (Secondary segments)	Domestic	Export	Total
vi) Segment revenue	4,719,954	2,731,829	7,451,783

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Notes:

- i) In view of the insignificant nature of "Others" in the total operations of the company, no allocation of segment result, segment assets, segment liabilities, capital expenditure and depreciation has been made.
- ii) The Company's tangible assets are located entirely in India.

7. The net exchange differences (gains/(losses)) arising during the year :

- i) Appropriately recognised in the profit and loss account - Rs.50,225,201 (*previous year Rs.14,612,936*)
- ii) Adjusted in the carrying amount of fixed assets - Rs. (2,324,909) (*previous year Rs.209,115*).

8. a) Managerial Remuneration

Particulars	Rupees	<i>Previous Year Rupees</i>
Salary	912,012	<i>3,876,661</i>
Perquisites	1,614,613	<i>1,977,011</i>
Commission - wholetime directors	—	<i>448,813</i>
- non-wholetime directors	570,000	—
Sitting fees	195,000	<i>75,000</i>
Total	3,291,625	<i>6,377,485</i>

Managerial remuneration paid by a subsidiary company to the wholetime director of the company in the capacity of Managing Director is Rs.1,624,000 (*previous year Rs.712,000*) including perquisites Rs. 724,000 (*previous year Rs.201,000*)

b) Computation of net profits in accordance with section 309(5) of the Companies Act, 1956

Particulars	Rupees '000	Rupees '000	<i>Previous Year Rupees '000</i>
Profits before Tax as per Profit and Loss account		1,140,119	<i>1,445,415</i>
Add: Directors' remuneration	3,097		<i>6,302</i>
Depreciation provided in the books	246,700		<i>261,768</i>
Net profit on fixed assets sold or Discarded under section 350 of the Companies Act, 1956	—		<i>1,876</i>

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

Particulars	Rupees '000	Rupees '000	<i>Previous Year Rupees '000</i>
Net loss on fixed assets sold or Discarded as per schedule 11	460		—
Wealth tax	300		300
Provision for doubtful debts and Advances	2,687		4,428
		253,244	274,674
Less: Depreciation under section 350 of the Companies Act, 1956	246,700		261,768
Net profit on fixed assets sold or discarded as per schedule 10	—		1,876
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	460		—
Profit on redemption or sale of investments	165,597		33,772
		412,757	297,416
Net Profit as per section 309(5)		980,606	1,422,673
Commission payable to wholetime directors restricted to		—	449
Commission payable to non-wholetime directors restricted to		570	—

9. Remuneration to auditors

	Rupees '000	<i>Previous year Rupees '000</i>
Audit fees	2,520	3,402
Other services	1,236	2,365
Reimbursement of out of pocket expenses	82	314
	3,838	6,081

10. Future obligations as per lease agreements in respect of assets taken on finance lease is Rs. 1,588,516 (*previous year Rs.2,253,543*). Lease rent of Rs. 4,106,997 (*previous year Rs. 9,146,650*) has been debited to the profit and loss account.

11. Other expenses include provision for doubtful debts Rs. 2,686,632 (*previous year Rs.4,428,265*) and provision for permanent diminution in value of long term investments Rs. 26,190,844 (*previous year Rs. Nil*).

12. Research and development expenses aggregating Rs.79,100,751, including Rs. 20,860,466 on capital account (*previous year Rs.99,673,630, including Rs.13,221,221 on capital account*) have been incurred by the Company. The expenses disclosed above include expenses incurred on development of parts, etc.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

13. Earning Per share

- a) The amount used as the numerator in calculating Basic and Diluted earnings per share is the net profit for the year disclosed in the profit and loss account.
- b) The weighted average number of equity shares used as the denominator in calculating both Basic and Diluted earnings per share is 198,000,000.

14. a) Quantitative information with 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)	7,496 (8,539)
Generating sets powered by Internal Combustion Engines	640 (640)	100 (100)	9 (21)
Hydraulic Governors (see note (ii) below)	3,000 (3,000)	— (—)	33 (48)
Machine tools including special purpose machines and transfer lines	50 * (50)*	10 (10)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	— (—)	0.882 (1.344)

* 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 availment of sub-contracting facilities.

Notes :

- i) Production includes engines captively consumed 9 nos. (*previous year - 21 nos.*);
- 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, 2002 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	*7,450 (8,517)	5,981,923 (6,541,560)	18 (17)	2,477 (2,414)	** 29 (18)	12,363 (2,477)
Generating sets	10 (17)	9,371 (26,884)	6 (2)	898 (415)	5 (6)	207 (898)
Hydraulic governors	33 (48)	903 (1,275)	See note (i) below			
Goods for resale :						
Engineering components and accessories						
Radiators	— (784)	— (7,879)	— (101)	— (86)	— (—)	— (—)
Others	—	— (7,816)	— (—)	— (—)	—	— (—)
Engines	15 (—)	6,506 (—)	— (—)	— (—)	— (—)	— (—)
Spare parts accessories and components		1,453,080 (2,047,014)	See note (i) below			
		7,451,783 (8,632,428)		3,375 (2,915)		12,570 (3,375)

* net of sales returns 5 nos (*previous year – Nil*) and excluding engines given as free replacement 21 (*previous year Nil.*)

** excluding engines scrapped 5 nos. (*previous year Nil.*)

Notes :

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

c) Details of raw materials and components consumed :

	Rs '000	<i>Previous year</i> Rs.'000
i) Steel (M.tonnes 1,360; <i>previous year 1,657</i>)	45,954	80,279
ii) Mild steel scrap (M.tonnes 381; <i>previous year 612</i>)	3,551	4,896
iii) Castings – various	244,878	442,778
iv) Forgings – various	320,569	413,106
v) Components	3,380,655	3,853,886
vi) Others including semi-finished components	438,467	394,466
	<u>4,434,074</u>	<u>5,189,411</u>

Note :

Item (v) includes -

- 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
- the cost of purchased components issued as free replacements under the Company's warranty for goods sold.

d) Details of purchase of goods for resale :

	Qty. Nos.	Value Rs.'000	<i>Previous year</i> Qty. Nos.	<i>Value</i> Rs.'000
Engineering components and accessories				
Radiators	—	—	683	7,310
Others		—		7,372
Engines	15	6,632	—	—
		<u>6,632</u>		<u>14,682</u>

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

	Rs.'000	%	<i>Previous year</i> Rs.'000	%
Imported	2,004,372	45.20	2,207,002	42.53
Indigenously procured	2,429,702	54.80	2,982,409	57.47
	<u>4,434,074</u>	<u>100.00</u>	<u>5,189,411</u>	<u>100.00</u>

Notes :

- See comments in note 6(c) above.
- 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.

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

15. Value of imports calculated on CIF basis :

	Rupees '000	<i>Previous year</i> <u>Rupees '000</u>
a) Raw materials	1,318	1,034
b) Components	1,488,299	1,450,836
c) Machinery spares	9,250	13,366
d) Capital goods	24,072	165,326
e) Tools, stores, etc.	20,472	12,491

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

	Rupees '000	<i>Previous year</i> <u>Rupees '000</u>
a) Royalty	74,257	73,183
b) Others (including travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	20,307	10,424

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

		<i>Previous year</i> <u></u>
Number of shareholders	1	1
Number of equity shares (shares of Rs.2 each)	100,980,000	100,980,000
Amount remitted Rs.'000		
For the year ended 31st March, 2001	131,274	—
For the year ended 31st March, 2000	—	100,980

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

18. Earnings in foreign exchange :

	Rupees '000	<i>Previous year</i> <u>Rupees '000</u>
i) Export on FOB basis	2,731,829	2,853,270
ii) Recovery of freight, insurance and other expenses on exports	9,148	10,450
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	12,310	24,380
iv) Interest	2,233	143

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

19. In accordance with Accounting Standard 22 ('AS-22'), 'Accounting for taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax with effect from the current year. The net cumulative effect of recognition of deferred tax liability upto March 31, 2001 amounting to Rs. 163,528,143 has been adjusted against the General Reserve as at April 1, 2001. Consequent to the change in accounting policy, the net profit for the year is lower by Rs 1,240,802 and the reserves as at March 31, 2002 are lower by Rs. 164,770,945.
20. The Board of Directors of the Company subject to appropriate approvals have decided to amalgamate its subsidiaries Power Systems India Limited and Cummins Power Solutions Limited with itself w.e.f. April 1, 2002.

21. Notes to the Cash Flow

	Rupees '000	Rupees '000	Previous year Rupees '000
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		1,140,119	1,445,415
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	246,700		261,768
Interest expense	14,537		19,174
Interest income (gross)	(67,784)		(29,033)
Dividend earned (gross)	(46,109)		(55,053)
Loss/(gain) on assets sold, discarded etc;	460		(1,876)
Loss/(gain) on redemption / sale of investments	(165,597)		(33,772)
Provision for doubtful debts	2,687		4,428
Permanent dimunition in value of long term investments	26,191		—
		11,085	165,636
b) Changes in working capital and other provisions :-			
Sundry debtors	(60,025)		(111,411)
Inventories	223,161		479,130
Loans and advances	33,502		(32,981)
Other current assets	21,024		42,319
Current liabilities	121,964		1,301
Provisions	31,668		3,835
		371,294	382,193
Total adjustments (a+b)		382,379	547,829
Cash generated from operations		1,522,498	1,993,244

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

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 2001-02	<i>Rupees '000 2000-01</i>	<i>Rupees '000 1999-00</i>
Cash in hand	179	<i>185</i>	<i>167</i>
Balances with bank on current account :			
Unclaimed dividend account (restricted)	4,398	<i>3,467</i>	<i>2,989</i>
Other current accounts	38,885	<i>86,652</i>	<i>77,218</i>
Balances with bank on deposit account	99,795	<i>20,369</i>	<i>14,990</i>
Cash credit (excluding interest accrued & export packing credit)	(17,728)	<i>—</i>	<i>—</i>
Total	125,529	<i>110,673</i>	<i>95,364</i>

22. Where figures have been rounded to the nearest thousand, specific indication has been given.

23. Previous year's figures have been regrouped/recast wherever necessary.

Signatories to Schedules 1 to 12.

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

NASSER MUNJEE
Director

RAVI VENKATESAN
Chairman

Thane : June 10, 2002

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) dt. 15th May 1995 :

I. REGISTRATION DETAILS :

Registration no.	: 12276
State Code	: 11
Balance sheet date	: 31st March, 2002

Rupees '000

II. CAPITAL RAISED DURING THE YEAR ENDED 31st MARCH, 2002 :

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2002 :

Total Liabilities(see note 2) 6,454,072

Total Assets 6,454,072

Sources of Funds –

Paid - up capital	396,000
Reserve & surplus	5,788,207
Secured loans	17,728
Unsecured loans	87,366
Deferred tax liability	164,771
Total	<u>6,454,072</u>

Application of funds –

Net fixed assets	1,673,775
Investments	2,358,339
Net current assets	2,421,958
Miscellaneous expenditure	—
Accumulated losses	—
Total	<u>6,454,072</u>

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2002 :

	Rupees '000
i) Turnover (net sales and other income as per the audited profit and loss account)	7,773,130
ii) Total Expenditure	6,633,011
iii) Profit before tax	1,140,119
iv) Profit after tax	863,093
v) Earning per share (See note 3) (face value of Rs. 2)	4.36
vi) Dividend rate (%)	75%

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, 2002, 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. 5,788 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

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)	Cummins Auto Services Limited (CASL)	Power Systems India Limited (PSIL)	Cummins Power Solutions Limited (CPSL)	Cummins Infotech Limited (CIT)
1 The Financial year / Period of the subsidiary company ended on	March 31, 2002	March 31, 2002	March 31, 2002	March 31, 2002	March 31, 2002
2 Holding Company's Interest (a) The number of Equity shares held	599,970 Equity shares of Rs.100 each fully paid are held by Cummins India Limited and its nominees.	9,999,600 Equity shares of Rs.10 each fully paid are held by Cummins Diesel Sales and Service (India) Limited (CDS&S) and its nominee. CDS&S is wholly owned subsidiary of Cummins India Ltd. (CIL) Therefore, CASL, is subsidiary of CIL in terms of Section 4(1) (c) of the Companies Act, 1956.	3,999,600 Equity shares of Rs.10 each fully paid are held by Cummins India Limited and its nominees.	6,989,600 Equity shares of Rs.10 each fully paid are held by Cummins India Limited and its nominees.	3,967,880 Equity shares of Rs.10 each fully paid are held by Cummins India Limited.
(b) Extent of interest in the capital of subsidiary	99.99%	—	99.99%	99.99%	51.20%
3. The net aggregate amount so far as it concerns members of the holding Company and is not dealt with in the Company'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	155,635	(43,233)	37,363	9,697	(1,356)
ii) for the financial year/period of the subsidiary since it became the holding Company's subsidiary.	898,831	(49,722)	69,079	14,814	(11,929)

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)	Cummins Auto Services Limited (CASL)	Power Systems India Limited (PSIL)	Cummins Power Solutions Limited (CPSL)	Cummins Infotech Limited (CIT)
4. Net aggregate amount 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	Nil	Nil	Nil	Nil	Nil
ii) for the financial year/ period of the subsidiary since it became the holding Company's subsidiary.	95,200	Nil	Nil	Nil	Nil

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

NASEER MUNJEE
Director

RAVI VENKATESAN
Chairman

Mumbai : July 27, 2002

Cummins India Limited and Subsidiaries

**CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT**

Cummins India Limited and its Subsidiaries

AUDITORS' REPORT

TO THE MEMBERS OF
CUMMINS INDIA LIMITED:

1. We have audited the accompanying consolidated balance sheet of CUMMINS INDIA LIMITED and its subsidiaries, as described in Note 1 of Schedule 14 to the consolidated financial statements (collectively referred to as 'the Group'), at March 31, 2002, the related consolidated statements of profit and loss and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements referred to above give a true and fair view, in all material respects, of the consolidated financial position of the Group as at March 31, 2002 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with the accounting principles generally accepted in India.

Arthur Andersen & Associates
Chartered Accountants

Pune
July 27, 2002

Arvind Sethi
Partner

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule Number	Rupees '000	Rupees '000
SOURCES OF FUNDS :			
Shareholders' funds :			
Share capital	1	396,000	
Reserves and surplus	2	6,567,910	
			6,963,910
Minority interest			
			31,998
Loan funds :			
Secured loans	3	31,661	
Unsecured loans	4	191,536	
			223,197
Lease rentals payable			5,778
Deferred tax liability	5		168,591
			<u>7,393,474</u>
APPLICATION OF FUNDS :			
Fixed assets :			
Gross block	6	4,861,483	
Less : depreciation		2,714,696	
Net block			2,146,787
Investments	7		2,307,953
Deferred tax asset	8		7,010
Lease rentals receivable	9		42,703
Current assets, loans and advances :			
Inventories	10	1,784,111	
Sundry debtors		2,649,543	
Cash and bank balances		333,617	
Other current assets		107,147	
Loans and advances		354,817	
		5,229,235	
Less : Current liabilities and provisions :			
Current liabilities	11	1,704,250	
Provisions		635,964	
		2,340,214	
Net current assets			<u>2,889,021</u>
			<u>7,393,474</u>

Notes : 14

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : July 27, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Mumbai : July 27, 2002

Cummins India Limited and its Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule Number	Rupees '000	Rupees '000
INCOME :			
Sales and other income	12		10,519,530
EXPENDITURE :			
Cost of sales and other expenses	13	8,736,271	
Lumpsum compensation under voluntary retirement schemes		70,176	
Depreciation		294,956	
INTEREST :			
on fixed loans		13,255	
others		19,945	
		<u>33,200</u>	
			<u>9,134,603</u>
PROFIT BEFORE TAX			1,384,927
PROVISION FOR TAX :			
Current tax		350,246	
Deferred tax		685	
		<u>350,931</u>	
			1,033,996
MINORITY INTEREST			662
			<u>1,034,658</u>
NET PROFIT FOR THE YEAR			
Opening balance		564,604	
Less: adjustment of net cumulative effect of recognition of deferred tax liability upto 31st March 2001 (refer note 19, Schedule 14)		1,667	
		<u>562,937</u>	
APPROPRIATIONS :			
I Proposed dividend			297,000
II Transferred to general reserve			412,728
Balance carried to balance sheet			<u>887,867</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			<u>5.23</u>

Notes : 14

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : July 27, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Mumbai : July 27, 2002

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000
I. Cash flows from operating activities :		
Cash generated from operations (see note 21(1), Schedule 14)	1,572,337	
Tax paid (net of refunds)	(237,370)	
	<hr/>	
Net cash provided by operating activities		1,334,967
II. Cash flows from investing activities :		
Fixed assets (See note 21(2), Schedule 14)		
Purchase	(392,397)	
Sale	12,271	
Interest received	73,264	
Dividend received	58,716	
Investments :		
Purchase	(7,119,438)	
Sale/redemption	6,264,074	
	<hr/>	
Net cash used for investing activities		(1,103,510)
III. Cash flows from financing activities :		
Short term bank borrowings	100,000	
Short term borrowings from other than bank	3,561	
Repayment of fixed deposits (net)	(35,412)	
Interest paid	(33,917)	
Dividend paid (including tax on dividend)	(282,724)	
	<hr/>	
Net cash used for financing activities		(248,492)
IV. Net change in cash and cash equivalents (I+II+III)		(17,035)
V. Cash and cash equivalents at the beginning of the year (See note 21(3), Schedule 14)		318,991
Cash and cash equivalents at the end of the year (IV+V) (See note 21(3), Schedule 14)		301,956

Notes : Schedule 14

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : July 27, 2002

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

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

Mumbai : July 27, 2002

Cummins India Limited and its Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
200,000,000 equity shares of Rs. 2 each		<u>400,000</u>
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each		<u>396,000</u>
Of the above equity shares;		
i) 190,500,000 shares of Rs. 2 each are allotted as fully paid bonus shares.		
ii) 100,980,000 shares of Rs. 2 each are held by the holding company, Cummins Inc.,USA.		
SCHEDULE NO. 2		
RESERVES AND SURPLUS :		
Capital redemption reserve account		7,000
General reserve :		
Opening balance	5,419,537	
Less: adjustment of net cumulative effect of recognition of deferred tax liability upto 31st March 2001 (refer note 19, Schedule 14)	159,227	
	<u>5,260,310</u>	
Add : transferred from profit and loss account	412,728	
		5,673,038
Capital reserve on consolidation		5
Profit and loss account		887,867
		<u>6,567,910</u>

Cummins India Limited
Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

As at 31st
 March, 2002
 Rupees '000

SCHEDULE NO. 3

SECURED LOANS :

From banks - 31,661

Of the above, loans aggregating Rs ('000s) 17,728 are secured by hypothecation of inventories, all receivables, investments (excluding investments in units of Unit Trust of India), rights, assets, etc. and second charge on immovable properties of Cummins India Limited situated at Kothrud, Pune and Rs ('000s) 13,933 are secured by first charge on inventories and book debts of Cummins Auto Services Limited

31,661

SCHEDULE NO. 4

UNSECURED LOANS :

Fixed deposits
 (including interest accrued
 and due Rs ('000s) 1,480) 87,975

Short term loan from a scheduled bank 100,000

Term loans from other than banks 3,561

191,536

SCHEDULE NO. 5

DEFERRED TAX LIABILITY :

Lease rentals payable 307

Fixed assets 260,301

Lease rentals receivable 2,718

Sundry debtors (11,122)

Current liabilities (17,396)

Provisions (66,111)

Preliminary expenditure (106)

168,591

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6

FIXED ASSETS : (See note 4, Schedule 14)

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2001	Additions	Deductions	Gross block (at cost) as at 31st March, 2002	Depreciation as per schedule 6A	Net block as at 31st March, 2002
Goodwill on consolidation	4,759	—	—	4,759	952	3,807
Land :						
- Freehold	9,657	14,513	—	24,170	—	24,170
- Leasehold	18,426	—	—	18,426	211	18,215
Roads	6,850	—	—	6,850	4,481	2,369
Buildings	236,959 *	21,346	—	258,305 *	77,868	180,437
Leasehold improvements	2,285	45	—	2,330	848	1,482
Plant and machinery	4,001,749	293,209	30,269	4,264,689	2,579,841	1,684,848
Furniture and fittings	73,882	19,515	4,202	89,195	30,583	58,612
Vehicles	61,766	28,945	9,056	81,655	19,912	61,743
	<u>4,416,333</u>	<u>377,573</u>	<u>43,527</u>	<u>4,750,379</u>	<u>2,714,696</u>	<u>2,035,683</u>
Capital work-in-progress including advances for capital expenditure				100,866		100,866
Expenditure pending allocation				10,238		10,238
				<u>4,861,483</u>	<u>2,714,696</u>	<u>2,146,787</u>

NOTES :

- 1) * Includes hangar costing Rs. ('000s) 119 owned jointly with other companies.
- 2) The Group has purchased land at Village Shijra, Taluka and District Gurgaon for which the Group is in the process of transferring the title deeds in its own name.
- 3) Vehicles includes assets costing Rs. ('000s) 7,100 (net block Rs. ('000s) 6,359) acquired under finance leases.
- 4) Plant and machinery includes office equipments costing Rs. ('000s) 890 (net block Rs. ('000s) 828) acquired under finance lease and power generating equipment costing Rs. ('000s) 72,177 (net block Rs. ('000s) 64,944) given under operating lease arrangements.
- 5) 'Expenditure pending allocation' represents pre-operative expenditure incurred to establish service stations, not commercially operational till year end.
- 6) Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs. ('000s) 92,430.

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6A

DEPRECIATION :

Rupees '000

Particulars	Depreciation upto 31st March, 2001	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2002
Goodwill on consolidation	476	476	—	952
Land :				
– Freehold	—	—	—	—
– Leasehold	20	191	—	211
Roads	4,414	67	—	4,481
Buildings	70,345	7,523	—	77,868
Leasehold improvements	74	774	—	848
Plant and machinery	2,332,939	270,919	24,017	2,579,841
Furniture and fittings	23,596	8,287	1,300	30,583
Vehicles	17,587	6,719	4,394	19,912
	<u>2,449,451</u>	<u>294,956</u>	<u>29,711</u>	<u>2,714,696</u>

Cummins India Limited and its Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 7

INVESTMENTS :

	Rupees '000	As at 31st March, 2002 Rupees '000
LONG TERM INVESTMENTS AT COST		
TRADE INVESTMENTS		
Investments in joint venture companies		
Valvoline Cummins Limited	78,775	
Nelson Engine Systems India Limited	20,000	
Fourstroke Automotive Private Limited	7,500	
MRC Auto Solutions Private Limited	9,000	
	<u>115,275</u>	
Other trade investments	4,044	
		119,319
OTHER THAN TRADE INVESTMENTS		
Units in Unit Trust of India	131,976	
Tax free redeemable bonds	403,771	
Government of India bonds	355,750	
Corporate bonds	50,620	
Units of mutual funds	704,362	
		<u>1,646,479</u>
Total Long term investments	(A)	1,765,798
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE		
OTHER THAN TRADE INVESTMENTS		
Treasury bills	145,047	
Commercial papers	194,645	
Corporate bonds	228,654	
		<u>568,346</u>
Total Current Investments	(B)	568,346
Total Investments	(A+B)	<u>2,334,144</u>
Provision for permanent diminution in value of long term investments		(26,191)
	TOTAL	<u>2,307,953</u>
Aggregate cost of quoted investments		1,509,348
Aggregate cost of unquoted investments		824,796
		<u>2,334,144</u>
Aggregate market value of quoted investments		1,505,330

Cummins India Limited
Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

As at 31st
March, 2002
Rupees '000

SCHEDULE NO. 8

DEFERRED TAX ASSET :

Fixed assets	(32,099)
Sundry debtors	7,428
Current liabilities	24,166
Provisions	7,515
	<u>7,010</u>

SCHEDULE NO. 9

LEASE RENTALS RECEIVABLE :

(Secured, considered good)

Over six months	—
Others	42,703
	<u>42,703</u>

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 10			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories :			
(See note 16, Schedule 14)			
Stores and spares			51,142
Loose tools and gauges			47,811
Stock-in-trade :			
Raw materials and components		700,238	
Work-in-progress		339,964	
Finished goods		438,232	
Service stocks		43,427	
Materials in transit		163,297	
		<hr/>	1,685,158
			<hr/>
			1,784,111
Sundry debtors			
(See note 3(a), Schedule 14)			
Secured : considered good			
Debts outstanding for a period exceeding six months	8,411		
Other debts	76,194		
	<hr/>		
		84,605	
Unsecured :			
Debts outstanding for a period exceeding six months :			
Considered good	92,934		
Considered doubtful	51,054		
Other debts -			
Considered good	2,472,004		
Considered doubtful	2,684		
	<hr/>		
		2,618,676	
Less: Provision for doubtful debts	53,738		
	<hr/>		
		2,564,938	
		<hr/>	2,649,543
			<hr/>
			4,433,654
		Carried forward	

Cummins India Limited
Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 10 (Contd.)		
Brought forward		4,433,654
Cash and bank balances :		
Cash on hand	852	
Cheques on hand	30,998	
Balances with scheduled banks :		
on current accounts	176,196	
on deposit accounts	125,571	
(See note 3(c), Schedule 14)	<hr/>	333,617
Other current assets :		
Interest accrued on investments	33,624	
Other receivables	73,523	
	<hr/>	107,147
Loans and advances :		
Unsecured, considered good :		
Advances recoverable in cash or in kind or for value to be received (See note 3(b), Schedule 14)	299,115	
Balance with Excise Department	211	
Taxation (net of provisions)	55,491	
	<hr/>	354,817
		<hr/> <u>5,229,235</u>

Cummins India Limited and its Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 11		
CURRENT LIABILITIES AND PROVISIONS :		
Current liabilities :		
Acceptances	268,446	
Sundry creditors (See note 3(d), Schedule 14)	1,266,961	
Advances from customers	30,764	
Dealer deposits	126,886	
Dividend warrants posted but not encashed	4,398	
Interest accrued but not due on loans	6,795	
	<hr/>	1,704,250
Provisions :		
Taxation (net of advance payments)	23,496	
Proposed dividend	297,000	
Pension and leave entitlement (see note 18, Schedule 14)	93,224	
Others	222,244	
	<hr/>	635,964
		<hr/> <hr/> 2,340,214

Cummins India Limited
Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000
SCHEDULE NO. 12		
SALES AND OTHER INCOME :		
Sales and services		10,187,061
Less : Commission		99,636
		<u>10,087,425</u>
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. ('000s) 5,134)		41,558
Miscellaneous income (including testing charges Rs. ('000s) 10,594 and refund from customs authorities Rs. ('000s) 57,698)		89,059
Export benefits - duty drawback etc.		18,432
Income from investments :		
Long term investments –		
Trade investments	13,360	
Other investments	89,179	
	<u> </u>	102,539
Current investments – other than trade		14,920
Gain on sale/redemption of long term investments		13,478
Gain on sale/redemption of current investments		152,119
		<u><u>10,519,530</u></u>

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000
SCHEDULE NO. 13		
COST OF SALES AND OTHER EXPENSES :		
Raw materials and components consumed		5,099,330
Purchase of goods for resale		1,096,127
Payments to and provision for employees :		
Salaries, wages, bonus, commission, etc.	868,537	
Company's contribution to provident and other funds	125,619	
Welfare expenses	79,082	
	1,073,238	
Operation and other expenses :		
Stores, spares, consumable materials, etc.	204,923	
Tools and gauges	45,763	
Repairs to buildings	47,232	
Repairs to machinery	29,384	
Other repairs	26,985	
Power and fuel	147,024	
Rent	22,067	
Rates and taxes	22,412	
Insurance	31,838	
Outside processing charges	147,608	
Other expenses (See note 13, Schedule 14)	583,906	
Donations and contributions	5,000	
Net loss on fixed assets sold or discarded	1,545	
	1,315,687	
Technical fees and royalties		74,257
(Increase)/decrease in inventories of finished goods and work-in-progress :		
Closing inventories :		
Finished goods	438,232	
Work-in-progress	339,964	
	778,196	
Opening inventories :		
Finished goods	446,683	
Work-in-progress	438,238	
	884,921	
		106,725
Less : expenses capitalised		8,765,364
Less : expenses transferred to 'Expenditure pending allocation' (see Schedule 6)		18,855
		10,238
		8,736,271

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

SCHEDULE NO. 14

1. Consolidation of accounts

Basis of preparation

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 ('AS 21') on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cummins India Limited ('CIL') and its subsidiaries. Reference in the notes to 'Group' shall mean to include CIL and its subsidiaries consolidated in these financial statements unless otherwise stated.

The list of subsidiary companies included in consolidation and CIL's shareholding therein is as under:

<u>Name of the company</u>	<u>Shareholding</u>
Cummins Diesel Sales and Service (India) Limited ('CDS&S')	100%
Power Systems India Limited ('PSIL')	100%
Cummins Power Solutions Limited ('CPSL')	100%
Cummins Auto Services Limited ('CASL')	100%
Cummins Infotech Limited ('CIT')	51.2%

Each of the above subsidiary companies is incorporated in India.

2. Statement of significant accounting policies

a) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition or construction less accumulated 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. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.
- ii) Goodwill arising on acquisition of subsidiaries is amortised over a period of 10 years from the year of acquisition.
- iii) 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. Power generating equipment is depreciated over nine years. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over the period of lease or the life of the asset, whichever is lower.

b) Investments

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

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

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.

e) Revenue recognition

i) Sale of goods is recognised on shipment to customers. Sales exclude amounts recovered towards excise duty and sales tax.

ii) The Group enters into agreements that transfer the right to use equipment though substantial services by the Group 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 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.

iii) Income under job contracts is recognised upon completion of service and delivery to customer. Income from services is recognised either proportionately over the period of contract or on completion of services as per the terms of specific contracts. Income from rentals is recognised proportionately over the period of contract.

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

- iv) 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.
 - v) Revenues of information technology business from time-and-material contracts are recognised as and when the related services are performed and from fixed price contracts are recognised using the percentage of completion basis.
 - vi) Dividend income from investments is recognised when the right to receive payment is established.
- f) 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 included 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'.
- g) Provision for overhaul
- Cost of planned major overhaul of equipment is provided for by estimating the future cost of the overhaul and accruing the same, based on actual hours incurred till date.
- h) Retirement benefits
- Retirement benefits to employees comprise of payments to/provision towards superannuation and provident and gratuity funds/liabilities under the approved schemes of the Group. Liability for gratuity and superannuation are determined as at the year end, based on actuarial valuations by actuaries.
- i) Leave encashment entitlement
- Liability for leave encashment has been determined as at the year-end, based on an actuarial valuation by an independent actuary.
- j) Lease charges under operating leases
- Lease charges under operating leases are recognised as an expense on straight line basis over the lease term.
- k) 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.

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

j) Income Tax

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

3. a) Sundry debtors include Rs.(000) 2,607 due from Tata Cummins Limited and Rs.(000) 8,433 due from Valvoline Cummins Limited, both companies under the same management.
- b) Advances recoverable include amounts due from directors and officers Rs. (000) 306; maximum amount due during the year Rs. (000) 553.
- c) Balances with scheduled bank on deposit account include Rs.(000) 15 under lien.
- d) Sundry creditors include amounts due to small scale industrial undertakings Rs.(000) 86,473.
4. a) Out of the total land admeasuring 17,199.93 sq. meters, 4,636.93 sq. meters has been reserved by Pune Municipal Corporation.
- b) Leasehold land includes 5 unquoted shares of Rs. 50 each fully paid, at cost, in National Co-operative Housing Society Limited, Pune.
- c) Buildings include :
 - i) 5 unquoted shares of Rs. 50 each fully paid, at cost, in High Landmark Co-operative Housing Society Limited, Mumbai.
 - ii) 20 unquoted shares of Rs. 250 each fully paid, at cost, in The Shree Laxmi Puja Industrial Premises Co-operative Society Limited, Mumbai.
 - iii) 10 unquoted shares of Rs. 200 each fully paid, at cost, in Sesa Ghor Premises Holders' Co-operative Society Limited, Goa.

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

5. Contingent liabilities

As at 31st March, 2002
Rupees '000

a)	Claims against the Group not acknowledged as debts	500
b)	Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Group	37,569
c)	Central excise duty/customs duty – demands not accepted by the Group	7,201
d)	Civil liability/secondary civil liability in respect of suits filed against the Group	401
e)	Guarantees given on behalf of third parties to bankers	5,000
f)	Bills discounted with bankers	60,260
g)	Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable
h)	Claims against the Group not acknowledged as debts and Customs Show Cause Notices against the Group	Amounts if any, not ascertainable
i)	Advances include Rs.('000) 1,696 in respect of which a third party has made claims against the Group, which are not acknowledged as debts by the Group.	
j)	The arbitration matter between the Group and Hindustan Shipyard Limited (HSL) is sub-judice in the Court of Principal Senior Civil Judge at Visakhapatnam. In the event the matter is finally decided in favour of HSL, the Group would have to pay the sum of Rs.('000) 1,944 with interest @ 8% per annum and also waive recovery of Rs.('000) 330 from HSL.	
k)	Pursuant to an order of the Honorable Supreme Court, restraining the State Government from recovering sales tax, one of the Group's supplier has not charged sales tax of Rs.('000) 18,503 on supplies made by it from October 2000 to March 2002. In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Group will need to reimburse the above sales tax to the supplier.	
l)	The Administration of Diu and Daman has issued a notification with regard to sales tax exemption scheme, whereunder exemption would not be available in certain circumstances. The Group contends that this notification is not applicable to products manufactured by it, on the basis of legal advice obtained. In the event that the Group's contention is not accepted, the Group would be liable to pay an estimated amount of sales tax of Rs.('000) 33,000 upto March 31, 2002, in addition to consequential interest and penalties arising on the same, if any.	

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

6. Related Party Disclosures

- a) Name of the related party and nature of relationship where control exists :

Name of the related party	Nature of Relationship
Cummins Inc.	Holding company

- b) Transactions with related parties as per the books of account during the year ended 31st March 2002

	Rupees '000				Total
	Holding Company	Fellow Subsidiaries	Joint Venture	Key Management Personnel	
Purchases of goods	243,296	1,102,596	13,849	—	1,359,741
Sale of goods	95,268	2,633,273	1,783	—	2,730,324
Miscellaneous sale	—	1,792	—	—	1,792
Sale of scrap	858	—	—	—	858
Services rendered	45,437	22,606	8,867	—	76,910
Services received	—	—	—	4,150	4,150
Transfer of technology	74,257	24,340	—	—	98,597
Interest on intercorporate deposit	—	—	126	—	126
Intercorporate deposits	—	—	4,100	—	4,100
Equity contributions	—	—	16,500	—	16,500
Sale of investments	—	2	—	—	2
Interest income	—	2,234	—	—	2,234

- c) Amounts outstanding as at 31st March 2002

	Holding Company	Fellow Subsidiaries	Joint Venture	Total
	Sundry Debtors	28,022	1,116,252	10,215
Loans and advances	—	—	4,226	4,226
Sundry Creditors	74,736	135,780	1,409	211,925

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

Notes :

- i) The names of the related parties under the appropriate relationship included in notes 6(b) & (c) above are as follows:

<u>Relationship</u>	<u>Name of the related party</u>
1. Holding Company	Cummins Inc.
2. Fellow Subsidiaries	<ul style="list-style-type: none"> i) Cummins Engine Company Limited ii) Cummins Power Generation Limited iii) Cummins Diesel Sales Corporation iv) Cummins S A DE v) Cummins Natural Gas Engine vi) Cummins Diesel N V vii) Cummins Diesel Australia viii) Cummins Engine Co-Australia ix) Cummins Engine Co.-Diesel Recon x) Cummins Power Generation (S) P xi) Cummins Power Generation-Australia xii) Cummins Engine (Singapore) PTE Ltd xiii) Ceco-Cummins Juarez xiv) Cummins Powergen S-S xv) Cummins Brazil,S.A. xvi) Fleetguard Inc xvii) Nelson Engine Systems (India) Ltd (also a joint venture) xviii) Diesel Recon Co. xix) Fleetguard Nelson Division xx) Holset Engineering Co. Ltd xxi) Holset Engineering Company, Inc. xxii) Nelson Division xxiii) Cummins Engine Diesel Co. xxiv) Wuxi Newage Alternators xxv) Fleetguard International
3. Joint Venture	<ul style="list-style-type: none"> i) Valvoline Cummins Limited ii) Fourstroke Automotive Private Limited iii) MRC Auto Solutions Private Limited
4. Key Management Personnel	<ul style="list-style-type: none"> i) Jim Rugg ii) Pradeep Bhargava
	ii) Reimbursement of expenses incurred by related parties for and on behalf of the Group and vice versa have not been included above.
	iii) The information given above, have been reckoned on the basis of information available with the Group.

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

7. Segmental Information

a) Primary Segment

The Group's operations predominantly relate to manufacture of Internal combustion engines and parts thereof (Engines business segment) used for various applications such as power generation, construction, compressor, mining, marine, locomotive, fire-fighting, etc. Others includes various activities carried on by the Group such as development of software, leasing of diesel power generating sets and allied equipment including operation and maintenance facilities of these equipments and retailing in parts and accessories for commercial vehicles, etc.

b) Secondary Segment

Two secondary segments have been identified based on the geographical locations of customers : domestic and export.

Information about business segments

<u>(Primary segments)</u>	<u>Engine Business</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
i) Segment revenue	11,470,405	393,133	(1,676,477)	10,187,061
ii) Profit before depreciation interest and tax	1,676,877	25,243	10,963	1,713,083
Depreciation	268,036	26,444	476	294,956
Segment result	1,408,841	(1,201)	10,487	1,418,127
Interest expense				33,200
Profit before tax				1,384,927
Provision for tax :				
Current tax				350,246
Deferred tax				685
Minority interest				(662)
Net profit for the year				1,034,658
iii) Segment assets	10,213,831	530,364	(1,073,008)	9,671,187
Common assets				62,501
Enterprise assets				9,733,688
iv) Segment liabilities	2,388,751	189,713	(552,968)	2,025,496
Common liabilities				744,282
Enterprise liabilities				2,769,778
v) Capital expenditure	245,651	128,980	—	374,631
Information about geographical segments				
<u>(Secondary segments)</u>	<u>Domestic</u>	<u>Export</u>	<u>Elimination</u>	<u>Total</u>
vi) Segment revenue	9,070,949	2,792,589	(1,676,477)	10,187,061

Note:

The Group's tangible assets are located entirely in India.

8. The net exchange differences gains/(losses) arising during the year :

- i) Appropriately recognised in the profit and loss account – Rs. ('000) 50,050.
- ii) Adjusted in the carrying amount of fixed assets – Rs. ('000) (2,174).

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

9. Managerial Remuneration :

Particulars	Rupees '000
Salary	4,301
Perquisites	3,895
Commission – non-whole-time directors	570
Sitting fees	195
Total	<u>8,961</u>

As the future liability for gratuity and leave encashment is provided on an actuarial basis for Group as a whole, the amounts, if any, pertaining to the officers is not ascertainable and is therefore not included above.

10. Remuneration to auditors :	Rupees '000
Audit fees	5,339
Other services	2,616
Reimbursement of out of pocket expenses	193
	<u>8,148</u>

11. Lease income

a) Finance Lease :

The Group provides equipment under finance lease arrangements for periods up to five years. The minimum lease payments receivable in respect of these arrangements are as follows :

	Due within 12 months Rupees '000	Due between 12–60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	17,234	36,524	53,758
Less : Unearned finance income	5,254	5,801	11,055.
Present value of minimum lease payments receivable	<u>11,980</u>	<u>30,723</u>	<u>42,703</u>

b) Operating Lease

- i) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 3,140.
- ii) The future minimum sub-lease payments receivable under non-cancellable operating sub lease arrangements aggregate Rs. ('000) 4,746.
- iii) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs ('000) 98,454.

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

12. Lease commitments

i) Finance lease :

The Group acquires vehicles and office equipment under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2002 are as follows :

	Due within 12 months Rupees '000	Due between 12-60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	2,011	5,965	7,976
Less : Amount representing interest	770	1,428	2,198
Present value of minimum lease payments	1,241	4,537	5,778

Future obligations as per lease agreements in respect of assets taken on finance lease is Rs.('000) 1,588. Lease rent of Rs.('000) 4,106 has been debited to the profit and loss account.

ii) Operating lease :

The Group has acquired equipment, etc. under operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of March 31, 2002 are as follows :

	Due within 12 months Rupees '000	Due between 12-60 months Rupees '000	Due beyond 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	9,351	28,423	30,565	68,339

13. Other expenses include provision for doubtful debts Rs. ('000) 12,717 and provision for permanent diminution in value of long term investments Rs.('000) 26,191.

14. Research expenditure and development expenses aggregating Rs.('000) 79,100 including Rs.('000) 20,860 on capital have been incurred by the Group. The expenses disclosed above include expenses incurred on development of parts, etc.

15. Earning Per share

- a) The amount used as the numerator in calculating Basic and Diluted earnings per share is the net profit for the year disclosed in the consolidated profit and loss account.
- b) The weighted average number of equity shares used as the denominator in calculating both Basic and Diluted earnings per share is 198,000,000.

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

16. CDS&S and CASL have during the current year, changed the basis of valuation of inventories from First in First out (FIFO) basis to Weighted average basis. As a result of this change in the basis of valuation, closing inventories are higher by Rs. ('000) 3,686 and profit before tax is higher by a similar amount.
17. CIT and PSIL have during the current year, changed the basis of determination of the Group's year-end accrued liability towards gratuity to the actuarial method of valuation. The impact on the current year's profit before tax and provisions as a result of this change is not material.
18. CIT, CPSL and PSIL have during the current year, changed the basis of determination of the Group's year-end accrued liability towards leave encashment to the actuarial method of valuation. The impact on the current year's profit before tax and provisions as a result of this change is not material.
19. In accordance with Accounting Standard 22 ('AS-22'), 'Accounting for taxes on Income', issued by the Institute of Chartered Accountants of India, the Group has provided for deferred tax with effect from the current year. The net cumulative effect of recognition of deferred tax liability upto March 31, 2001 amounting to Rs. ('000) 160,894 has been adjusted against the General reserve Rs. ('000) 159,227 and against Profit and loss account Rs. ('000) 1,667 as at April 1, 2001. Consequent to the change in accounting policy, the net profit for the year is lower by Rs. ('000) 685 and the reserves as at March 31, 2002 are lower by Rs. ('000) 161,581.
20. The Board of Directors of CIT, subject to appropriate approvals, approved a Scheme of Amalgamation ('Scheme') with KPIT Infosystems Limited, Pune ('KPIT'). In accordance with the scheme, KPIT shall take over all the assets and liabilities of CIT on a going concern basis.

In consideration of the amalgamation of CIT with KPIT, it is proposed that the shareholders of CIT be issued and allotted 704,000 equity shares of Rs. 10 each credited as fully paid. In addition, shareholders of CIT shall also be entitled to 1,933,000 options convertible into equity shares of Rs. 10 each, credited as fully paid up on fulfillment of certain terms and conditions mentioned in the Scheme.

Upon approval of the Scheme, CIT would be deemed to have carried the business and hold the property and all profits or losses arising therefrom with effect from January 1, 2002, in trust for and on behalf of KPIT. However, pending appropriate approvals, the financial statements as at and for the year ended March 31, 2002, do not include any adjustments to effect the proposed merger.

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

21. Notes to the consolidated cashflows

	Rupees '000	Rupees '000
1) Cash generated from operations has been arrived at as follows :		
Net profit before tax		1,384,927
Adjustments for -		
a) Non cash item /items required to be disclosed seperately :-		
Depreciation	294,956	
Interest expense	33,200	
Interest income (gross)	(100,301)	
Dividend earned (gross)	(58,716)	
Loss/(gain) on assets sold, discarded etc;	1,545	
Loss/(gain) on redemption /sale of investments	(165,597)	
Provision for doubtful debts	12,717	
Permanent dimunition in value of long term investments	26,191	
		43,995
b) Changes in working capital and other provisions :-		
Sundry debtors	(175,797)	
Inventories	97,231	
Loans and advances	82,159	
Other current assets	(55,534)	
Current liabilities	138,742	
Provisions	56,614	
		143,415
Total adjustments (a+b)		187,410
Cash generated from operations		1,572,337
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.		
	Rupees '000	Rupees '000
	2001-02	2000-01
3) Cash and cash equivalents comprise :		
Cash in hand	852	378
Cheques on hand	30,998	9,806
Balances with bank on current account :		
Unclaimed dividend account (restricted)	4,398	3,467
Other current accounts including Rs.('000) 15 under lien	171,798	269,660
Balances with bank on deposit account	125,571	37,020
Cash credit (excluding interest accrued)	(31,661)	(1,340)
Total	301,956	318,991

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2002.

22. Being the first year of presentation of consolidated financial statements, as permitted under the transitional provisions of Accounting Standard 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India, the comparative figures for the previous year have not been disclosed.
23. Figures pertaining to subsidiary companies have been reclassified wherever necessary to bring them in line with the Group's financial statements.

Signatories to Schedules 1 to 14

M. M. GODSE
Sr General Manager &
Company Secretary

NASSER MUNJEE
Director

RAVI VENKATESAN
Chairman

Mumbai : July 27, 2002

Fifty-First Annual Report
for the year ended March 31, 2002 of
Cummins Diesel Sales and Service (India) Limited

BOARD OF DIRECTORS :

Mr Ravi Venkatesan, Chairman
Dr Ajoy Kumar, Chief Executive Officer
Mr Pradeep Bhargava
Ms Matangi Gowrishankar
Mr S S Phadke
Mr S M Chapman
Mr Jim Rugg

BANKERS :

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

AUDITORS :

Messrs Arthur Andersen & Associates
Chartered Accountants
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune - 411 006

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 fifty-first Annual Report with Audited Accounts for the financial year ended March 31, 2002.

FINANCIAL RESULTS:

	April 1, 2001 to March 31, 2002 (Rs.'000)	April 1, 2000 to March 31, 2001 (Rs.'000)
1. Income	3,311,086	2,923,310
2. Profits		
a) Profit before Interest & Tax	235,745	232,272
b) Profit before tax	218,403	215,487
c) Profit after tax	155,635	123,758
3. Appropriations		
a) Dividend	9,000	9,000
b) General Reserve	146,635	113,840

OPERATIONS:

It is heartening to note that despite the fall in overall economy and severe recession continued in automobile, heavy engineering and construction sectors, your company has posted a modest rise in income and profitability. The Company recorded an increase of 13% in the total income of Rs. 3,311.08 millions (Rs. 331.10 crores) as against Rs. 2,923.31 millions (Rs. 292.33 crores) of last year.

The Company has laid more emphasis on initiatives to provide a range of ancillary products and services to Cummins customers. During the year under review, Company has entered into arrangements with various product leaders for offering a range of ancillary products and services to Cummins customers. This is expected to bring in additional business opportunities also enhancing the brand loyalty to Cummins engines.

During the year under review, the Company has undertaken various initiatives to strengthen the dealership operations. These include establishment of Service Network Development, introduction of Human Resource Guidance Manual for Dealership Employees Operations, training to the dealers' engineers in various applications, reinforcement of dealer council, introduction of incentive scheme for dealers' employees, etc. which would bring about overall improvement in dealership capability and infrastructure. The Company has also introduced a new model dealership and started operating under the name and style, Customer Care Center, as a pilot project at Baroda. This was well received by valued customers and the results achieved at Customer Care Center are encouraging.

Cummins India Limited

The Company has also taken up Six-Sigma Projects, implementation of Kaizen activities at Head Office and in ReCon Unit. This is expected to increase the productivity, enable process improvement and as a result help in reducing cost and improving efficiency level.

With a view to offer the Customers various benefits, the Company has initiated measures like "Zero Equipment Down", restructured field offices by empowering them in order to bring in speed in the operations, etc.

GLOBAL INTEGRATED ENTERPRISE APPLICATION (GIEA)

During the year under review, the Company switched over all its operations to an ERP package 'Oracle Applications' (internally known as Global Integrated Enterprise Application (GIEA)). The change over was smooth and there were no interruptions in the business on change over. The system is expected to give substantial operational benefits to the organisation.

VOLUNTARY RETIRMENT SCHEME 2002

Based on the current economic scenario and restructuring phases, the management of your Company formulated and implemented Voluntary Retirement Scheme 2002 for its permanent employees. 52 employees opted for Voluntary Retirement Scheme 2002.

INTERNATIONAL DISTRIBUTION BUSINESS UNIT

Your directors have pleasure in informing that Cummins Inc., USA, has granted recognition of International Distribution Business Unit (IDBU) to your Company effective 2003. This will enhance the geographical area of work of your Company beyond India, Nepal and Bhutan. The IDBU status is expected to increase foreign exchange earnings of your Company in the years to come.

SUBSIDIARIES:

Cummins Auto Services Limited

Cummins Auto Services Limited (CASL) for the year ended March 31, 2002 has achieved an income of Rs.70.96 millions (Rs.7.09 crores) and posted a loss of Rs.43.23 millions (Rs.4.32 crores).

During the year, CASL has launched service support for commercial vehicles under 'Suraksha' covering Mumbai-Delhi National Highway and has plans to strengthen the same in the forthcoming years.

Power Systems India Limited

During the year under review, your Directors have recommended and approved sale and transfer of entire investment held by your Company in the equity share capital of Power Systems India Limited (PSIL) to Cummins India Limited. Accordingly, the Company has sold investment in PSIL to Cummins India Limited at face value.

Cummins Diesel Sales and Service (India) Limited

JOINT VENTURE COMPANY:

Valvoline Cummins Limited

The total investment of your company in Valvoline Cummins Limited (VCL) as on March 31, 2002 stands at Rs.78.78 millions (Rs.7.88 crores). The demand and supply position for VCL branded oils and lubricants during the year under review increased significantly. VCL has achieved an income of Rs.1118.81 millions (Rs.111.88 crores) and posted profit after tax of Rs.17.30 millions (Rs.1.73 crores).

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

During the year under review, as a result of various energy conservation measures such as effective utilisation of power factor controller unit, addition to capacitor bank in captive load consumption and addition to electronic chokes, the Company has been able to save 115,022 units of power as compared to the corresponding period for the previous year.

DIRECTORS:

Mr Pradeep Bhargava was appointed on the Board as an Additional Director of the Company effective 12.09.2001. Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice proposing the name of Mr Pradeep Bhargava to be appointed as an Additional Director in the ensuing Annual General Meeting of the Company.

During the year, Ms Matangi Gowrishankar and Mr Jim Rugg, Directors retire by rotation and being eligible for re-election opt for re-election as Directors.

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. During the year two meetings of the Audit Committee took place.

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 and there was no material departure from the accounting standard.
- 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 2001-02 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:

Foreign exchange earnings and outgo during the year under review were as follows :

	(Rs.'000)
1. Foreign exchange earnings	2,919
2. Foreign exchange outgo	162,301

AUDITORS:

The Company's auditors M/s Arthur Andersen & Associates, Chartered Accountants, have expressed that they do not wish to seek the re- appointment as auditors of the Company.

The Board of Directors places on record its appreciation of the services provided by Arthur Andersen & Associates from time to time.

The Board of Directors recommend appointment of M/s Price Waterhouse, Chartered Accountants, as the Auditors of the Company in the place of M/s. Arthur Andersen & Associates from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

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 : July 23, 2002

FIFTY-FIRST ANNUAL REPORT - 2002

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, 2002

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	* A B Atre	53 31	B.Sc./LL.M./ACS Sr. GM, Admn. & Co. Secretary	10-07-69	2,338,335	1,622,855	Kirloskar Cummins Ltd. Manager Legal 24-Years
2	Dr. Ajoy Kumar	39 16	M.B.B.S. Chief Executive Officer & Whole time Director	19-02-01	1,673,060	1,086,606	Tata Sons Ltd. General Manager, Group HR 2-Years

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 the employees is a relative of any director of the Company.

For and on behalf of
the Board of Directors


Ravi Venkatesan
Chairman

Pune : July 23, 2002

Cummins India Limited

AUDITORS' REPORTS

To the Members of
CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED:

1. We have audited the accompanying balance sheet of CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED ('the Company') at March 31, 2002 and the statements of profit and loss and cash flows for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED at March 31, 2002 and of its profit and cash flows for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

5. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : July 23, 2002

Cummins Diesel Sales and Service (India) Limited

ANNEXURE TO AUDITORS' REPORT – MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of the assets during the year, other than certain assets lying with third parties from whom confirmations have been received. No material 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, 2002.
3. During the year, physical verification has been conducted by management at reasonable intervals in respect of stock-in-trade and service stocks, other than items lying with third parties, in respect of which physical verification has been conducted on a selective basis. Further, confirmations have been obtained from the third parties in respect of the balance stocks. In our opinion, the coverage of physical verification of stocks lying with third parties should be increased to cover all significant items of stock.
4. In our opinion, and according to the information and explanations given to us, the procedures of physical verification of stock-in-trade and service stocks followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business, except for stocks lying with third parties in respect of which the procedures for documentation should be strengthened.
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. As stated in Note 18 of Schedule 11 to the financial statements, during the year, the Company has changed the basis of valuation of inventories from the first-in-first-out basis to the weighted average basis. As a result of this change, the value of inventory as at March 31, 2002 is higher by approximately Rs 4 million and profit before tax for the year is higher by a similar amount.
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, which are prima facie prejudicial to the interest of the Company.
8. Parties to whom loans, or advances in the nature of loans have been given by the Company, are repaying the principal amounts and interest, where applicable, as stipulated or as rescheduled.
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 inventories, plant and machinery, equipment and other assets and for the sale of goods, except for internal control procedures on recording of bank receipts and payments, which need to be strengthened. Further, in our opinion, reconciliation of debtor balances should be performed on a regular basis.
10. There are no transactions for the 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.

Cummins India Limited

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.
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 activities do not generate any by-products.
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 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. According to the records of the Company, Employees' State Insurance dues and Provident Fund dues, where deducted/accrued in the books of account, have been regularly deposited during the year with the appropriate authorities.
17. According to the records of the Company, and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, 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, 2002, 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. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with the size and the nature of its business, and such system provides for a reasonable allocation of materials.
21. 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.
22. 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 paragraph 20 above. Although allocation of labour to relative jobs is not made, in our opinion, control is exercised on total labour utilised on the jobs.

In respect of trading activities:

23. 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 so determined.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : July 23, 2002

Cummins Diesel Sales and Service (India) Limited

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule Number	As at 31st March, 2002 Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SOURCES OF FUNDS :				
Shareholders' Funds :				
Share capital	1	60,000		60,000
Reserves and surplus	2	882,655		731,719
			942,655	791,719
Loan Funds :				
Unsecured loans	3	100,609		3,473
			100,609	3,473
			<u>1,043,264</u>	<u>795,192</u>
APPLICATION OF FUNDS :				
Fixed Assets :				
Gross block	4	367,438		346,751
Less: depreciation		127,089		102,289
Net block			240,349	244,462
Investments	5		201,738	179,239
Deferred tax asset	6		7,010	—
Current assets, loans and advances :				
Inventories		658,480		652,276
Sundry debtors		572,725		430,722
Cash and bank balances		138,917		90,941
Other current assets		45,453		21,942
Loans and advances		121,339		144,317
		<u>1,536,914</u>		<u>1,340,198</u>
Less: Current liabilities and provisions :				
Current liabilities	8	897,211		918,870
Provisions		45,536		49,837
		<u>942,747</u>		<u>968,707</u>
Net current assets			594,167	371,491
			<u>1,043,264</u>	<u>795,192</u>
NOTES :	11			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Arvind Sethi
Partner

Pune : July 23, 2002

Dr. Ajoy Kumar
Chief Executive Officer
& Whole time Director

S M Jagtap
Assistant Company Secretary
& Incharge Legal Cell

Pune : July 23, 2002

Ravi Venkatesan
Chairman

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	<i>Previous Year Rupees '000</i>
INCOME :			
Sales and other income (Schedule 9)		3,311,086	<i>2,923,310</i>
EXPENDITURE :			
Cost of sales and other expenses (Schedule 10)	3,026,666		<i>2,669,307</i>
Lumpsum compensation under voluntary retirement scheme	21,449		—
Depreciation	27,226		<i>21,731</i>
Interest:			
on fixed loans	54		<i>985</i>
others	17,288		<i>15,800</i>
	<u>17,342</u>		<u><i>16,785</i></u>
		<u>3,092,683</u>	<u><i>2,707,823</i></u>
PROFIT BEFORE TAX		218,403	<i>215,487</i>
PROVISION FOR TAX :			
Current tax (refer note 15, schedule 11)	65,477		<i>91,729</i>
Deferred tax	<u>(2,709)</u>		—
		<u>62,768</u>	<u><i>91,729</i></u>
NET PROFIT FOR THE YEAR		155,635	<i>123,758</i>
Balance carried forward from last balance sheet		88,007	<i>88,007</i>
APPROPRIATIONS :			
i) Proposed dividend		9,000	<i>9,000</i>
ii) Additional income tax on proposed dividend		—	<i>918</i>
iii) Transferred to general reserve		146,635	<i>113,840</i>
Balance carried to balance sheet		<u>88,007</u>	<u><i>88,007</i></u>

NOTES : Schedule 11

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Arvind Sethi
Partner

Pune : July 23, 2002

Dr. Ajoy Kumar
Chief Executive Officer
& Whole time Director

S M Jagtap
Assistant Company Secretary
& Incharge Legal Cell

Pune : July 23, 2002

Ravi Venkatesan
Chairman

Cummins Diesel Sales and Service (India) Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002**

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations (see note 21(1), Schedule 11)	57,692		275,873
Tax paid (net of refunds)	(80,053)		(88,573)
Net cash provided by operating activities		(22,361)	187,300
II. Cash flows from investing activities :			
(see note 21(2), schedule 11)			
Repayment of Intercompany deposit	17,000		—
Intercompany deposit	(10,000)		(7,000)
Fixed assets - Purchase	(26,340)		(100,074)
- Sale	2,446		2,725
Interest received	27,247		30,838
Dividend received	12,607		1,207
Investments			
Purchase	(60,003)		(92,350)
Sale/redemption	37,504		
Net cash used for investing activities		461	(164,654)
III. Cash flows from financing activities :			
Short term bank borrowings	100,000		—
Repayment of fixed deposits (net)	(2,864)		(11,952)
Interest paid	(17,342)		(16,785)
Dividend paid (including tax on dividend)	(9,918)		(990)
Net cash used for financing activities		69,876	(29,727)
IV. Net change in cash and cash equivalents (I+II+III)		47,976	(7,081)
V. Cash and cash equivalents at the beginning of the year (See note 21(3), Schedule 11)		90,941	98,022
Cash and cash equivalents at the end of the year (IV+V) (See note 21(3), Schedule 11)		138,917	90,941

Notes : Schedule 11

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Arvind Sethi
Partner

Pune : July 23, 2002

Dr. Ajoy Kumar
Chief Executive Officer
& Whole time Director

S M Jagtap
Assistant Company Secretary
& Incharge Legal Cell

Pune : July 23, 2002

Ravi Venkatesan
Chairman

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 1			
SHARE CAPITAL :			
Authorised :			
1,200,000 (previous year 1,200,000) equity shares of Rs. 100 each		120,000	120,000
Issued and Subscribed :			
600,000 (previous year 600,000) equity shares of Rs. 100 each fully paid		60,000	60,000
Of the above equity shares :			
i) 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			
ii) 599,970 (previous year 600,000) shares of Rs.100 each are held by the holding company, Cummins India Limited and its nominees. Of the balance, 10 shares each (previous year nil) are held by Cummins Infotech Limited and Cummins Power Solutions Limited which are subsidiaries of Cummins India Limited and 10 shares (previous year nil) are held by Nelson Engine Systems India Limited, a company under same management.			
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
General reserve :			
Balance as per last account	643,712		529,872
Add : Adjustment of net cumulative effect of recognition of deferred tax asset upto 31st March, 2001 (refer note 17, schedule 11)	4,301		
	648,013		
Add : transferred from profit and loss account	146,635		113,840
		794,648	643,712
Profit and loss account		88,007	88,007
		882,655	731,719
SCHEDULE NO. 3			
UNSECURED LOANS :			
Short term loan from a scheduled bank		100,000	—
Fixed deposits (including unclaimed deposits Rs.369,000; (previous year Rs 516,500); and interest accrued and due Rs.184,727; (previous year Rs.208,988))		609	3,473
		100,609	3,473

Cummins Diesel Sales and Service (India) Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 4

FIXED ASSETS : (see note 6, schedule 11)

(Rupees '000)

Particulars	<i>Gross Block (at cost) as at 31st March, 2001</i>	Additions	Deductions	Gross Block (at cost) as at 31st March, 2002	Depreciation as per schedule 4 A	Net Block as at 31st March, 2002
Land						
– Freehold	2,289	—	—	2,289	—	2,289
– Leasehold	3,014	—	—	3,014	30	2,984
Roads	831	—	—	831	476	355
Buildings	39,833	—	—	39,833	11,512	28,321
Plant and machinery	244,409	25,611	1,630	268,390	93,503	174,887
Furniture and fittings	21,735	1,722	1,073	22,384	10,975	11,409
Vehicles	27,054	6,360	2,950	30,464	10,593	19,871
	<u>339,165</u> <u>(247,677)</u>	<u>33,693</u> <u>(98,893)</u>	<u>5,653</u> <u>(7,405)</u>	<u>367,205</u> <u>(339,165)</u>	<u>127,089</u> <u>(102,289)</u>	<u>240,116</u> <u>(236,876)</u>
Capital work in progress including advance for capital expenditure				233 (7,586)		233 (7,586)
				<u>367,438</u> <u>(346,751)</u>	<u>127,089</u> <u>(102,289)</u>	<u>240,349</u> <u>(244,462)</u>

NOTES :

Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs.2,234,000 (previous year Rs.3,117,000) Figures in brackets are in respect of previous year.

SCHEDULE NO. 4 A

DEPRECIATION :

(Rupees '000)

Particulars	<i>Depreciation as on 31st March, 2001</i>	Depreciation for the year	Depreciation on deductions	Total Depreciation upto 31st March, 2002
Land - Leasehold	—	30	—	30
Roads	448	28	—	476
Buildings	10,680	832	—	11,512
Plant and machinery	71,550	22,345	394	93,501
Furniture & fittings	9,868	1,385	276	10,977
Vehicles	9,743	2,606	1,756	10,593
	<u>102,289</u> <u>(84,944)</u>	<u>27,226</u> <u>(21,731)</u>	<u>2,426</u> <u>(4,386)</u>	<u>127,089</u> <u>(102,289)</u>

Figures in brackets are in respect of previous year.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 5			
INVESTMENTS :			
LONG TERM (at cost)			
Quoted :			
Trade			
2,000 (<i>previous year 2,000</i>) equity shares of of Rs. 10 each of Kirloskar Oil Engines Limited, fully paid		29	29
Others :			
Tax free Redeemable Non Convertible bonds of Rs. 1,000 each fully paid :			
10,000 (<i>previous year 10,000</i>) 10.5% bonds of Housing & Urban Development Corporation Ltd.	10,375		10,375
10,000 (<i>previous year 10,000</i>) 10.5% bonds of Konkan Railway Corporation Limited	10,160		10,160
		20,535	20,535
Unquoted :			
Trade			
240,000 (<i>previous year 240,000</i>) equity shares of Rs. 10 each of C.G.Newage Electrical Limited, fully paid	2,400		2,400
Investment in Joint Venture			
9,310,000 (<i>previous year 9,310,000</i>) equity shares of Rs.10 each of Valvoline Cummins Limited, fully paid;	78,775		78,775
		81,175	81,175
Investments in companies under the same management			
100 (<i>Previous year nil</i>) equity shares of Rs.10 each of Cummins Power Solutions Limited fully paid;	1		—
100 (<i>previous year nil</i>) equity shares of Rs.10 each of Cummins Infotech Ltd. fully paid;	1		—
Carried forward		101,739	101,739

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

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 5 (contd.)			
Brought forward		101,739	<i>101,739</i>
100 (<i>previous year nil</i>) equity shares of Rs.10 each of Nelson Engine Systems India Limited fully paid ;	<u>1</u>	3	<u>—</u>
Investments in subsidiary companies			
Nil (<i>previous year 3,500,000</i>) equity shares of Rs. 10 each of Power Systems India Limited, fully paid	—		<i>35,000</i>
9,999,600 (<i>previous year 4,000,000</i>) equity shares of Rs. 10 each of Cummins Auto Services Limited fully paid	<u>99,996</u>		<u>40,000</u>
		99,996	<i>75,000</i>
Other :			
Nil (<i>previous year 2,500</i>) Unsecured, redeemable, floating interest rate bonds of Rs.1,000 each of State Bank of India, fully paid	<u>—</u>		<u>2,500</u>
		<u>—</u>	<u>2,500</u>
		<u>201,738</u>	<u>179,239</u>
Aggregate cost of quoted investments		20,564	<i>20,564</i>
Aggregate cost of unquoted investments		181,174	<i>158,675</i>
		<u>201,738</u>	<u>179,239</u>
Aggregate market value of quoted investments		<u>20,768</u>	<u>21,039</u>

Notes :

Investments sold during the year

	Nos.	Face value	Cost
1) Equity shares of Rs.10 each of Power Systems India Limited, fully paid	3,500,000	35,000,000	35,000,000
2) Unsecured redeemable floating interest rate bonds of Rs.1,000 each of State Bank of India	2,500	2,500,000	2,500,000

Investments purchased and sold during the year

1) Equity shares of Rs.10 each of Cummins Auto Services Limited, fully paid	400	4,000	4,000
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Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 6		
DEFERRED TAX ASSET		
Fixed assets	(32,099)	—
Sundry debtors	7,428	—
Current liabilities	24,166	—
Provisions	7,515	—
	7,010	—
	7,010	—
 SCHEDULE NO. 7		
CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES :		
(see note 18, schedule 11)		
Stock-in-trade	592,748	624,830
Goods in transit	22,305	6,349
Service stocks	43,427	21,097
	658,480	652,276
SUNDRY DEBTORS :		
(see note 16, schedule 11)		
Secured : considered good		
Over six months	4,573	3,424
Others	71,973	88,627
	76,546	92,051
Unsecured :		
Over six months		
Considered good	50,936	15,569
Considered doubtful	19,267	15,306
	70,203	30,875
Others		
Considered good	445,243	323,102
Considered doubtful	1,542	305
	516,988	354,282
Less: Provision for doubtful debts	20,809	15,611
	496,179	338,671
	496,179	338,671
	572,725	430,722
Carried forward	1,231,205	1,082,998

Cummins Diesel Sales and Service (India) Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 7 (Contd.)			
Brought forward		1,231,205	<i>1,082,998</i>
CASH AND BANK BALANCES :			
Cash on hand	460		<i>135</i>
Cheques on hand	30,599		<i>8,900</i>
Balances with scheduled banks :			
on current accounts	106,647		<i>79,695</i>
on deposit accounts	1,211		<i>2,211</i>
	<u>107,858</u>		<u><i>81,906</i></u>
		138,917	<i>90,941</i>
OTHER CURRENT ASSETS :			
Interest accrued:			
on investments	1,326		<i>593</i>
on bank deposits	272		<i>197</i>
Other receivables	43,855		<i>21,152</i>
	<u>45,453</u>		<u><i>21,942</i></u>
LOANS AND ADVANCES			
(Unsecured, considered good) :			
Advances recoverable in cash or in kind or for value to be received (see note 5, schedule 11)	67,686		<i>98,240</i>
Intercompany deposit with subsidiary	—		<i>7,000</i>
Advance income tax, net of provisions	53,653		<i>39,077</i>
	<u>121,339</u>		<u><i>144,317</i></u>
		<u>1,536,914</u>	<u><i>1,340,198</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 8			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Sundry creditors (see note 20, schedule 11)	599,987		661,980
Advances from customers	17,082		26,938
Dealers' deposits	112,471		110,937
Other liabilities	167,671		119,015
		897,211	918,870
Provisions :			
Leave encashment	19,877		19,769
Others	16,659		20,150
Proposed dividend	9,000		9,000
Income tax on proposed dividend	—		918
		45,536	49,837
		942,747	968,707

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 9			
SALES AND OTHER INCOME :			
Sales and services (see note 8, schedule 11)	3,283,760		2,946,238
Less : Commission	84,098		70,884
		3,199,662	2,875,354
Interest from customers (tax deducted at source Rs.2,577,336; previous year Rs.2,180,483)		12,634	16,272
Other interest (tax deducted at source Rs.852,034; previous year Rs.1,387,795)		13,159	12,257
Miscellaneous income (including refund from Customs Department Rs.57,697,546 previous year Rs.4,656,830)		68,512	8,313
Interest on investments (tax deducted at source Rs.32,500; previous year Rs. 71,500)		2,262	2,408
Dividend from trade investments		12,607	1,207
Provision (net) no longer required written back		2,250	7,499
		3,311,086	2,923,310

Cummins Diesel Sales and Service (India) Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	<i>Previous Year Rupees '000</i>
SCHEDULE NO. 10			
COST OF SALES AND OTHER EXPENSES :			
Cost of sales and services		2,614,877	2,338,928
Payments to and provision for employees:			
Salaries, wages and bonus	173,844		157,017
Company's contribution to provident, and other funds	15,720		14,838
Welfare expenses	17,167		15,586
		206,731	187,441
Operation and other expenses :			
Power and fuel	8,196		7,314
Rent	9,976		8,029
Repairs to buildings	7,928		9,325
Repairs to plant and machinery	1,619		1,695
Other repairs	2,466		2,146
Insurance	6,076		7,009
Rates and taxes	1,509		2,536
Communication	14,680		17,507
Travelling and conveyance	24,946		28,832
Legal & professional charges	47,467		6,381
General expenses	69,592		42,156
Discounts	9,822		9,714
Net loss on assets sold or discarded	781		294
		205,058	142,938
		<u>3,026,666</u>	<u>2,669,307</u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11

1. Statement of significant accounting policies :

a) Fixed assets and depreciation :

- (i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to acquisition and installation of fixed assets are capitalised. The cost of fixed assets includes exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets.
- (ii) Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at rates prescribed therein or based on the useful life of assets, whichever is higher. Data processing machines are depreciated over four years. Leasehold land is amortised over the period of lease.

b) Investments :

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

c) Inventories :

Inventories are stated at the lower of cost and net realisable value. The material costs are determined on weighted average basis.

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

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transaction. 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.

e) Revenue recognition :

Sale of goods are recognised on shipment to customers. Sales 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.

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.

f) 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 funds and liabilities towards superannuation are determined as at the year end, based on actuarial valuations by actuaries.

Cummins Diesel Sales and Service (India) Limited**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.****SCHEDULE NO. 11 (contd.)****g) Leave encashment entitlements :**

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

h) Income-tax :

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

2. Contingent liabilities :

	As at 31st March,2002 Rupees '000	<i>As at 31st March,2001 Rupees '000</i>
a) Claims against the Company not acknowledged as debt	500	<i>500</i>
b) Bills discounted with bankers	60,260	<i>Nil</i>
c) Taxation matters pending in appeal	568	<i>568</i>
d) Guarantees given on behalf of third parties to its bankers	5,000	<i>5,000</i>
e) 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.		

3. (a) Managerial Remuneration :

	2002 Rupees '000	<i>Previous Year Rupees '000</i>
Salary	1,491	<i>1,967</i>
Perquisites	1,444	<i>1,002</i>
Commission	—	<i>115</i>
Total	<u>2,935</u>	<u><i>3,084</i></u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

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

(c) **Computation of net profits in accordance with section 309(5) of the Companies Act, 1956**

	2002 Rupees '000	<i>Previous Year</i> <i>Rupees '000</i>
Profit before tax as per profit and loss account	218,403	<u>215,487</u>
Add :		
Directors' remuneration (including Managing Director)	2,935	3,084
Depreciation provided in books	27,226	21,731
Profit on fixed assets sold or discarded under section 350 of the Companies Act, 1956	371	166
Loss on fixed assets sold or discarded as per schedule 10	1,152	460
Wealth tax	400	380
Provision for doubtful debts	5,198	384
	<u>255,685</u>	<u>241,692</u>
Less :		
Depreciation under section 350 of Companies Act, 1956	27,226	21,731
Profit on fixed assets sold or discarded under section 350 of the Companies Act, 1956	371	166
Loss on fixed assets sold or discarded as per schedule 10	1,152	460
	<u>28,749</u>	<u>22,357</u>
Net Profit as per section 309(5) of the Companies Act, 1956	<u>226,936</u>	<u>219,335</u>
Commission payable to Managing Director restricted to	Nil	115
4. Remuneration to auditors :		
Audit fees	809	1,134
Other services	473	711
Reimbursement of out-of-pocket expenses	61	31
	<u>1,343</u>	<u>1,876</u>

Cummins Diesel Sales and Service (India) Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

5. Advances recoverable in cash or in kind include:

- i) Amount due from director/officer Rs. 285,162 (*previous year Rs.94,900*), maximum amount due during the year was Rs.324,496 (*previous year Rs.681,727*).
 - ii) Share application money paid to Cummins Auto Services Limited, a subsidiary of the company amounting to Rs. Nil (*previous year Rs. 25,000,000*).
6. (a) Out of the total land admeasuring 17,199.93 sq. meters, 4,636.93 sq. meters has been reserved by Pune Municipal Corporation.
- (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 includes assets given on operating lease as follows :

	As at March 31, 2002 Rupees '000	<i>As at March 31, 2001 Rupees '000</i>
At cost	84,254	<i>96,049</i>
Accumulated depreciation	17,702	<i>10,018</i>
Net Block	<u>66,552</u>	<u><i>86,031</i></u>
	2002 Rupees '000	<i>Previous Year Rupees '000</i>
(e) Depreciation for the year on plant and machinery given on operating lease	8,942	<i>7,458</i>

7. Related party disclosures

- (a) Name of the related party and nature of relationship where control exists

<u>Name of the related party</u>	<u>Nature of Relationship</u>
Cummins Inc.	Holding Company
Cummins India Limited	Holding Company
Cummins Auto Services Limited	Subsidiary Company
Power Systems India Limited	Subsidiary Company (Upto March 26,2002)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

(b) Transactions with related parties as per the books of account during the year ended 31st March 2002

Particulars	(Rs.'000)						
	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Enterprise with common Key Management personnel	Joint Venture	Total
Purchases of goods	1,872,837	11,751	227,971	—	942	5,397	2,118,898
Sale of goods	286	455	12,892	—	—	1	13,634
Purchase of fixed assets	154	—	—	—	—	—	154
Sale of fixed assets	336	—	188	—	—	—	524
Sale of investment	35,000	—	—	—	—	—	35,000
Rent received	—	537	891	—	—	—	1,428
Remuneration paid	—	—	—	2,935	—	—	2,935
Interest received on Intercorporate deposit	—	670	—	—	—	—	670
Rendering of services	56,201	3,913	216	—	—	6,812	67,142
Intercorporate deposit given	—	10,000	—	—	—	—	10,000
Intercorporate deposit received back	—	17,000	—	—	—	—	17,000
Equity participation	—	59,996	—	—	—	—	59,996
Paid for services	10,539	—	—	—	—	—	10,539
Leasing income/Expense	—	—	17,539	—	—	—	17,539

Cummins Diesel Sales and Service (India) Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

(c) Amounts outstanding as at 31st March, 2002

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Enterprise with common Key Management personnel	Joint Venture	Total
Sundry Debtors	—	1,445	22,281	—	—	6,378	30,104
Sundry Creditors	480,756	—	46,134	151	942	—	527,983
Loans and Advances	2,351	—	—	—	—	—	2,351

Notes :

(i) The names of the related parties under the appropriate relationship included in 7(b) & (c) above are as follows:

- | | |
|--|--|
| 1. Holding Company | i) Cummins Inc.
ii) Cummins India Limited |
| 2. Subsidiaries | i) Cummins Auto Services Limited
ii) Power Systems India Limited
(Upto March 26, 2002) |
| 3. Fellow Subsidiaries | i) Cummins Power Solutions Limited
ii) Power Systems India Limited
(With effect from March 27, 2002)
iii) Cummins Infotech Limited
iv) Cummins Diesel Sales Corporation
v) Fleetguard Inc.
vi) Fleetguard Nelson Division
vii) Holset Engineering Co. Limited |
| 4. Key Management Personnel | i) Mr. Ravi Venkatesan
ii) Dr.Ajoy Kumar |
| 5. Enterprise with common Key Management Personnel | Tata Cummins Limited |
| 6. Joint Venture | Valvoline Cummins Limited |

(ii) Reimbursement of expenses incurred by related parties for and on behalf of Company and vice versa have not been included above.

(iii) The information given above has been reckoned on the basis of information available with the Company.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

8. Turnover :

	Nos.	2002 Rupees '000	Nos.	Previous Year Rupees '000
Engines	178	197,953	3	3,843
Acoustic enclosures and heat recovery systems	111	35,438	44	14,455
Spare parts for engines		2,276,754		2,226,306
Job contracts		596,590		533,056
Rentals		27,532		73,446
Commission on engine sales		27,776		—
Gross income from services rendered		121,717		95,132
		<u>3,283,760</u>		<u>2,946,238</u>

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

	Purchases		Opening stock		Closing stock	
	Nos.	Rupees '000	Nos.	Rupees '000	Nos.	Rupees '000
Engines	202	236,278	—	—	24	35,957
	(3)	(3,781)	(—)	(—)	(—)	(—)
Acoustic enclosures & heat recovery system	111	29,628	—	—	—	—
	(44)	(12,220)	(—)	(—)	(—)	(—)
Spare parts for Engines		2,152,271		631,179		579,096
		(2,245,484)		(497,559)		(631,179)
		<u>2,418,177</u>		<u>631,179</u>		<u>615,053</u>
		<u>(2,261,485)</u>		<u>(497,559)</u>		<u>(631,179)</u>

Previous year's figures are indicated in brackets.

	2002 Rupees '000	Previous Year Rupees '000
10. Value of imports calculated on C I F basis :		
Components and spare parts	157,261	98,254
Capital goods	4,083	—
	<u>161,344</u>	<u>98,254</u>

11. Expenditure in foreign currency (subject to deduction of tax, where applicable), on accrual basis :
- Travelling, bank charges, subscriptions etc.

957	392
-----	-----

Cummins Diesel Sales and Service (India) Limited**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.****SCHEDULE NO. 11 (contd.)**

	2002 Rupees '000	<i>Previous Year</i> <i>Rupees</i> <i>'000</i>
12. Earnings in foreign exchange :		
Sales commission	—	31
Servicing & repairs	2,919	1,676
	<u>2,919</u>	<u>1,707</u>

13. The net exchange differences (gain/(losses)) arising during the year are:

- i) Appropriately recognised in profit and loss account (Rs.168,793) (*previous year Rs. 340,033*).
- ii) Adjusted to the carrying amount of fixed assets Rs.151,240 (*previous year Rs.Nil*).

14. Segmental Information

Primary Segment

The Company's operations predominantly relate to sales and services of engines and its spare parts (Engines business segment), accounting for approximately 98% of the total revenue for the year ended March 31, 2002.

Information about business segments :

(Primary segments)	Engine Business Rs.'000	Others Rs.'000	Total Rs.'000
i) Segment revenue	3,220,790	62,970	3,283,760
ii) Segment result	211,617	24,128	235,745
Interest			17,342
Profit before tax			218,403
Provision for tax			
Current tax			65,477
Deferred tax			(2,709)
Net profit for the year			155,635
<u>Other information</u>			
Segment assets	1,838,682	86,666	1,925,348
Unallocated corporate assets			60,663
Segment liabilities	919,868	22,879	942,747
Unallocated corporate liabilities			100,609
Capital expenditure	26,340		26,340
Depreciation	18,284	8,942	27,226

Geographical Segment

The company's operations are conducted only in India and have similar risks and returns. Hence, no separate segmental disclosure on geographical segments has been made.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

15. Current taxation provision is net of excess provision of earlier years Rs.17,842,677; (previous year Rs. 770,555).
16. Sundry Debtors, include Rs. 1,445,079 (previous year Rs. 1,130,391) due from Cummins Auto Services Limited, a subsidiary of the company.
17. In accordance with Accounting Standard 22 ("AS-22"), 'Accounting for taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax with effect from the current year. The net cumulative effect of recognition of deferred tax asset upto March 31, 2001 amounting to Rs. 4,301,247 has been adjusted against the General Reserve as at April 1, 2001. Consequent to the change in accounting policy , the net profit for the year is higher by Rs. 2,708,994 and the reserves as at March 31, 2002 are higher by Rs. 7,010,241.
18. The Company has during the year changed the basis of valuation of inventories from first in first out basis to weighted average basis. As a result of this change, the value of inventory as at March 31, 2002 is higher by Rs. 3,686,394 and profit before tax for the year is higher by a similar amount.
19. Lease Income from operating lease :

The company has provided equipment under operating lease arrangements at stipulated rentals for a period of five years. The future minimum lease payment under these lease as of March 31, 2002 is as follows :

	Due within 12 months	Due between 12 - 60 months	(Rs.'000)
	Rupees	Rupees	Total amount due Rupees
Minimum Lease Payments	16,541 (17,539)	41,352 (43,848)	57,893 (61,387)
		As at March 31, 2002	As at March 31, 2001
		Rupees '000	Rupees '000

20. Sundry creditors include amounts due to small scale industrial undertakings
- | | | | |
|--|-------|--|-------|
| | 3,937 | | 3,429 |
|--|-------|--|-------|

Cummins Diesel Sales and Service (India) Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

The small scale industrial undertakings to whom the Company owes sums which are outstanding for more than 30 days at year end are as follows:

Neels Enterprises	Metal Craft
Poona Radiators and Oil Coolers	Rajashree Packing
Swastik Engineers	Vyankatesh Packing
Vyankatesh Enterprises	Waterloo
Shree Metal Products	Bhamburda Head Repairing Works
Cougar Paints	Fixity Packing
Jaipal Printing Press	Suchi Enterprises
Peripheral Services	Creative Tools And Components
Millenium India	Shri Traders And Manufacturers
S.P.Enterprises	Sign Wave
UPM Industries	Yog Electro Process
Box-Pack Paper Company.	

The small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

21. Notes to Cash flow statement

	Rupees '000	2002 Rupees '000	<i>Previous Year</i> <i>Rupees</i> <i>'000</i>
(1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		218,403	<i>215,487</i>
Adjustment for :			
a) Non cash item/items required to be disclosed separately :			
Depreciation	27,226		<i>21,731</i>
Interest expense	17,342		<i>16,785</i>
Interest income (gross)	(28,055)		<i>(30,937)</i>
Dividend earned (gross)	(12,607)		<i>(1,207)</i>
Loss/(gain) on assets sold, discarded etc.	781		<i>294</i>
Bad debts written off	2,703		<i>1,694</i>
Provision for doubtful debts	5,198		<i>384</i>
		<u>12,588</u>	<u><i>8,744</i></u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 11 (contd.)

	Rupees '000	2002 Rupees '000	<i>Previous Year</i> <i>Rupees</i> <i>'000</i>
b) Changes in working capital and other provisions			
Sundry debtors	(149,905)		59,133
Inventories	(6,204)		(142,682)
Loans and advances	30,554		(44,131)
Other current assets	(22,703)		(2,626)
Current liabilities	(21,658)		168,664
Provisions	(3,383)		13,284
		(173,299)	51,642
Total adjustments (a+b)		(160,711)	60,386
Cash generated from operations		57,692	275,873

(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.

	Rupees' 000	As at March 31, 2002 Rupees' 000	<i>As at March</i> <i>31, 2001</i> <i>Rupees' 000</i>
(3) Cash and cash equivalents comprise			
Cash on hand		460	135
Cheques on hand		30,599	8,900
Balances with scheduled banks			
on current account	106,647		79,695
on deposit account	1,211		2,211
		107,858	81,906
Total		138,917	90,941

(4) Figures in brackets represent outflow of cash and cash equivalents.

22. Previous year's figures have been regrouped/recast wherever necessary.

Signatories to Schedule 1 to 11 :

Ravi Venkatesan
Chairman

Dr. Ajoy Kumar
Chief Executive officer and
Whole time Director

S.M. Jagtap
Assistant Company Secretary
and Incharge Legal Cell

Pune : July 23, 2002

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, 2002

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2002 :

Rupees '000

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2002 :

Rupees '000

Total Liabilities	1,043,264
Total Assets	1,043,264
Sources of Funds-	
Paid - up capital	60,000
Reserve & surplus	882,655
Secured loans	—
Unsecured loans	100,609
Total :	1,043,264
Application of funds -	
Net fixed assets	240,349
Investments	201,738
Deferred tax	7,010
Net current assets	594,167
Total :	1,043,264

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2002 :

i) Turnover (sale of products and other income)	3,311,086
ii) Total Expenditure	3,092,683
iii) Profit before tax	218,403
iv) Profit after tax	155,635
v) Earnings per share (in Rs.); (See note 3) (face value of Rs. 100)	259.39
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, 2002, 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.882.66 million.
3. Earning per share is arrived at by dividing the profit after tax for the current year by the weighted average number of shares outstanding during the year (i.e. 600,000 shares).

Cummins Diesel Sales and Service (India) Limited

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

Name of the Subsidiary	Cummins Auto Services Limited
1 The Financial year of the subsidiary company ended on	March 31, 2002
2 Holding Company's Interest	
(a) The number of Equity shares held	9,999,600 equity shares of Rs.10/- each fully paid are held by Cummins Diesel Sales and Service (India) Limited and its Nominees. 400 Equity Shares of Rs.10/- each fully paid are held by Cummins Group of Companies
(b) Extent of interest in the capital of Subsidiary	99.99%
3 The net aggregate amount so far as it concerns the members of the Holding Company and is not dealt with in the Company's accounts of the subsidiary's profits/(loss).	(Rs.'000)
i) for the financial year of the subsidiary as aforesaid	(4,323)
ii) for the financial year of the Subsidiary since it became Holding Company's subsidiary.	(10,812)
4. Net aggregate amounts of the profits/(loss) of the subsidiary dealt with in the Company's account.	(Rs.'000)
i) for the financial year of the subsidiary	NIL
ii) for the financial years of the subsidiary since it became the holding Company's subsidiary.	NIL

Ravi Venkatesan
Chairman

Dr. Ajoy Kumar
Chief Executive officer and
Whole time Director

S.M.Jagtap
Assistant Company Secretary
and Incharge Legal Cell

Pune : July 23, 2002

**Second Annual Report
for the period ended March 31, 2002 of
Cummins Auto Services Limited**

BOARD OF DIRECTORS :

Mr. J. M. Rugg (Chairman)
Mr. Ravi Venkatesan
Mr. Samidh Mukhopadhyay
Dr. Ajoy Kumar
Mr. S. M. Chapman
Mr. Peter McDowell

BANKERS :

HDFC Bank Ltd.
ICICI Bank Ltd.

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune 411 006
India

REGISTERED OFFICE :

'Vardhaman' 1st Floor
321/A/3, Shankar Sheth Road
Mahatma Phule Peth
Pune 411 042
PHONE : (020) 4029292, 4008102, 4008103
FAX : (91) 020-4029393
WEBSITE : www.CumminsAuto.com

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CUMMINS AUTO SERVICES LIMITED

REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2002

1. Your Directors present the Second Annual Report with the audited accounts for the year ended 31st March, 2002 with the following financial results

	Rupees in million	
	2001-2002	*2000-2001
Income	70.96	43.89
Profit/ (Loss) for the year	(43.23)	(6.49)
Profit/ (Loss) carried to Balance Sheet	(49.72)	(6.49)

* The Company was incorporated on 16.05.2000

2. DIVIDEND :

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

3. OPERATIONS :

Your Company plans to set up 23 service stations ('Suraksha stops') in the first phase covering the golden quadrangle to provide 24/7 service support for commercial vehicles under 'Suraksha' brand. Out of this, 5 service stations have commenced operations during the fourth quarter of the year under review.

Your Company is also further setting up a nation wide network of retailers and has launched "GAP" brand for commercial vehicle parts and accessories. During the year, your Company tied up with major OEMs for procurement of parts and accessories under the GAP brand.

Your directors are pleased to inform that your Company has entered into a strategic alliance with IBP Co. Ltd. to establish Multi Utility Stations across the Suraksha network. These Multi Utility Stations will offer comprehensive service solutions including fuel and other ancillary products.

4. DIRECTORS :

During the year under review Mr. Ravi Venkatesan, Mr. Steven Chapman and Mr. Peter McDowell were appointed on the Board of your Company as Additional Directors.

Mr. S. S. Phadke and Mr. A. B. Atre resigned from their office as directors. The Board places on record its appreciation for the valuable services rendered by both Mr. Phadke and Mr. Atre during their tenure.

Mr. J. M. Rugg, Chairman, retires by rotation and being eligible, offers himself for reappointment.

Cummins India Limited

5. AUDIT COMMITTEE :

Pursuant to the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee known as Finance & Audit Committee comprising of Mr. J. M. Rugg, Mr. Ravi Venkatesan and Dr. Ajoy Kumar, Directors.

6. MANAGER :

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

7. AUDITORS :

The Auditors Arthur Andersen & Associates, Chartered Accountants, have expressed that they do not wish to seek the reappointment as Auditors of the Company. The Board of Directors place on record its gratitude and appreciation for the services rendered by Arthur Andersen & Associates to the Company.

The Board of Directors recommend the appointment of Price Waterhouse, Chartered Accountants as the Auditors of the Company in the place of Arthur Andersen & Associates from the conclusion of ensuing Annual General Meeting till the conclusion of next Annual General Meeting of the Company.

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 year under review, no foreign exchange was 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 year under review.

10. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- i. In the preparation of Annual accounts, the applicable accounting standards had been followed and there was no material departure from the accounting standards.

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CUMMINS AUTO SERVICES LIMITED

- ii. Your Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2001-02 and of loss of the Company for that period.
- iii. Your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. Your Directors had prepared the annual accounts for the year under review on a going concern basis.

For and on behalf of the Board



Ravi Venkatesan
Director

Thane : 10th June, 2002.

Cummins India Limited

AUDITORS' REPORT

To the Members of
CUMMINS AUTO SERVICES LIMITED :

1. We have audited the accompanying balance sheet of CUMMINS AUTO SERVICES LIMITED ('the Company') at March 31, 2002 and the statements of profit and loss for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of CUMMINS AUTO SERVICES LIMITED at March 31, 2002 and of its loss for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

5. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

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CUMMINS AUTO SERVICES LIMITED

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of most of the assets during the year and no material 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, 2002.
3. Physical verification has been conducted by management during the year 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 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. The discrepancies noticed on physical verification of stock-in-trade as compared to book records 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. As stated in Note 12 of Schedule 11 to the financial statements, the Company has changed the basis of valuation of inventories from the first-in-first-out basis to the weighted average basis during the year. The impact on the value of the closing inventory and loss for the year as a result of this change is not material.
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, which are prima facie prejudicial to the interests of the Company.
8. Parties to whom loans, or advances in the nature of loans have been given by the Company, 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, the internal control procedures of the Company relating to purchase of stock-in-trade, equipment and other assets and for the sale of goods are adequate and commensurate with the size of the Company and 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. 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. 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.

Cummins India Limited

13. We are informed that the Company's operations do not generate any realisable 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. We are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.
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 been regularly deposited during the year with the appropriate authorities.
17. According to the records of the Company, and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at March 31, 2002, 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, 2002, 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.

In respect of service activities of the Company:

21. We are informed that the nature of the Company's service activity does not involve the consumption of materials and stores.
22. Considering the present level of service activities, the system for allocating manhours utilised to relative jobs is commensurate with the size of the Company and the nature of its business.
23. 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 labour to jobs.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

SECOND ANNUAL REPORT - 2002
CUMMINS AUTO SERVICES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule Number	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SOURCES OF FUNDS:				
Shareholders' funds				
Share capital	1		100,000	40,000
Share application money pending allotment			—	25,000
			<u>100,000</u>	<u>65,000</u>
Loan funds				
Secured loans	2	13,933		—
Unsecured loans	3	<u>43,561</u>		—
			57,494	—
Lease rentals payable			1,493	—
			<u>158,987</u>	<u>65,000</u>
APPLICATION OF FUNDS:				
Fixed assets:				
Gross block	4	90,911		3,820
Less: depreciation		<u>3,512</u>		<u>316</u>
Net block			87,399	<u>3,504</u>
Investments	5		16,504	—
Current assets, loans and advances				
Inventories	6	19,264		17,047
Sundry debtors		16,696		27,011
Cash and bank balances		6,202		50,631
Other current assets		—		151
Loans and advances		<u>21,983</u>		<u>9,696</u>
		64,145		<u>104,536</u>
Less: Current liabilities and provisions				
Current liabilities	7	59,192		50,288
Provisions		<u>187</u>		—
		59,379		<u>50,288</u>
Net current assets			4,766	<u>54,248</u>
Miscellaneous expenditure (to the extent not written off or adjusted)	8		596	759
Profit and loss account			<u>49,722</u>	<u>6,489</u>
			<u>158,987</u>	<u>65,000</u>
Notes :	11			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

For and on behalf of the Board of Directors

Ravi Venkatesan
Director

Alok Singh
Chief Executive Officer

Thane : June 10, 2002

Dr. Ajoy Kumar
Director

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

	Schedule Number	Rupees '000	For the year ended March 31, 2002 Rupees '000	<i>For the period ended March 31, 2001 Rupees '000</i>
INCOME				
Sales and other income	9		70,955	43,899
EXPENDITURE				
Cost of sales and other expenses	10		109,351	50,072
Depreciation	4A		3,256	316
Interest				
on fixed loans		1,262		—
others		319		—
			1,581	—
Total expenditure			114,188	50,388
NET LOSS FOR THE YEAR / PERIOD			(43,233)	(6,489)
Profit and loss account, beginning of year/ period			(6,489)	—
Profit and loss account, end of year/ period			<u>(49,722)</u>	<u>(6,489)</u>
Notes:	11			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

Arvind Sethi
Partner

Thane : June 10, 2002

For and on behalf of the Board of Directors

Ravi Venkatesan
Director

Dr. Ajoy Kumar
Director

Alok Singh
Chief Executive Officer

Thane : June 10, 2002

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CUMMINS AUTO SERVICES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL:		
Authorised: 10,000,000 (<i>previous period 10,000,000</i>) equity shares of Rs. 10 each.	100,000	<i>100,000</i>
Issued and subscribed: 10,000,000 (<i>previous period 4,000,000</i>) equity shares of Rs. 10 each, fully paid	100,000	<i>40,000</i>
	<u>100,000</u>	<u><i>40,000</i></u>
Of the above equity shares, 9,999,500 (<i>previous period 4,000,000</i>) shares are held by the holding company, Cummins Diesel Sales and Service (India) Limited, Pune and its nominees. Of the balance, 100 equity shares each (<i>previous period Nil</i>) are held by Cummins India Limited and its subsidiaries, Cummins Infotech Limited, Cummins Power Solutions Limited and Power Systems India Limited.		
SCHEDULE NO. 2		
SECURED LOANS:		
From banks- Cash credit (secured by first charge on Company's inventories and book debts)	13,933	—
	<u>13,933</u>	<u>—</u>
SCHEDULE NO. 3		
UNSECURED LOANS:		
Short term loans (from other than banks) Inter-corporate deposits	40,000	—
Term loans (from other than banks) Other loans	3,561	—
	<u>43,561</u>	<u>—</u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 4

FIXED ASSETS:

(Rupees '000)

Particulars	<i>Gross block (at cost) as on March 31, 2001</i>	Additions	Deductions	Gross block (at cost) as on March 31, 2002	Depreciation for the year as per schedule 4A	Net block as on March 31, 2002
Land - Free hold *	—	14,079	—	14,079	—	14,079
Buildings	—	13,394	—	13,394	83	13,311
Plant and machinery	3,399	30,385	120	33,664	2,528	31,136
Furniture and fittings	421	5,143	88	5,476	578	4,898
Vehicles **	—	7,954	422	7,532	323	7,209
	<u>3,820</u>	<u>70,955</u>	<u>630</u>	<u>74,145</u>	<u>3,512</u>	<u>70,633</u>
	<u>—</u>	<u>(3,820)</u>	<u>—</u>	<u>(3,820)</u>	<u>(316)</u>	<u>(3,504)</u>
Capital Work-in-progress				6,528		6,528
				(—)		(—)
Expenditure pending allocation ***				10,238		10,238
				(—)		(—)
				<u>90,911</u>		<u>87,399</u>

SCHEDULE NO. 4A

DEPRECIATION

Particulars	<i>Depreciation up to March 31, 2001</i>	Depreciation for the year	Depreciation on deductions	Total depreciation up to March 31, 2002
Buildings	—	83	—	83
Plant and machinery	304	2,230	6	2,528
Furniture and fittings	12	570	4	578
Vehicles	—	373	50	323
	<u>316</u>	<u>3,256</u>	<u>60</u>	<u>3,512</u>
	<u>—</u>	<u>(316)</u>	<u>—</u>	<u>(316)</u>

Estimated amount of contracts remaining to be executed on capital account and not provided for at year end was Rs. 850,000 (*previous period Nil*)

* The Company has purchased land at Village Shijra, Taluka & District Gurgaon for which the Company is in the process of transferring the title deeds in its own name.

** Includes vehicles costing Rs. 2,066,187 (*previous period Nil*), acquired under finance leases, net book value Rs. 1,877,714 (*previous period Nil*)

*** 'Expenditure pending allocation' represents pre-operative expenditure incurred to establish service stations, not commercially operational till year end.

Figures in brackets are in respect of the previous period.

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CUMMINS AUTO SERVICES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2002	As at 31st March, 2001
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 5				
INVESTMENTS:				
Number	Face value per unit Rupees			
LONGTERM INVESTMENTS AT COST				
TRADE INVESTMENTS				
Fully paid equity shares				
100	10	Cummins Infotech Limited #	1	—
100	10	Nelson Engine Systems Limited #	1	—
100	10	Power Systems India Limited #	1	—
100	10	Cummins Power Solutions Limited #	1	—
			4	—
INVESTMENTS IN JOINT VENTURE COMPANIES				
750,000	10	Fourstroke Automotive Private Limited	7,500	—
900,000	10	MRC Auto Solutions Private Limited	9,000	—
			16,500	—
			16,504	—

companies under the same management

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 6			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories			
(see schedule 11, note 12)			
Stock-in-trade	17,080		15,754
Goods in transit	2,184		1,293
		19,264	17,047
Sundry debtors			
(see schedule 11, note 9)			
Secured : considered good			
Over six months	2,193		—
Others	4,221		10,377
	6,414		10,377
Unsecured :			
Over six months			—
Considered good	800		—
Considered doubtful	1,091		—
	1,891		—
Others			
Considered good	9,482		16,634
Considered doubtful	682		—
	10,164		16,634
Less : Provision for doubtful debts	1,773		—
		16,696	27,011
Cash and bank balances			
Cash in hand	168		8
Balances with scheduled banks:			
in current accounts	6,034		22,149
in deposit accounts	—		28,474
		6,202	50,631
Other current assets			
Interest accrued		—	151
			151
Loans and advances			
Unsecured considered good :			
Advances recoverable in cash or in kind or for value to be received (see schedule 11, note 10)	21,012		9,536
Advance income-tax	971		160
	21,983	21,983	9,696
		64,145	104,536

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CUMMINS AUTO SERVICES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 7			
CURRENT LIABILITIES AND PROVISIONS:			
Current liabilities:			
Sundry creditors (see schedule 11, note 8)	40,985		32,737
Trade deposits	14,415		16,150
Interest accrued but not due on loans	391		—
Other liabilities	3,401		1,401
		59,192	50,288
Provisions			
Leave encashment		187	—
		59,379	50,288
SCHEDULE NO. 8			
MISCELLANEOUS EXPENDITURE:			
(to the extent not written off or adjusted)			
Preliminary expenditure			
Opening Balance		759	—
Additions during the year		—	813
Total		759	813
Less: Amortisation		163	54
Closing balance		596	759

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE NO. 9

	For the year ended March 31, 2002 Rupees '000	<i>For the period ended March 31, 2001 Rupees '000</i>
SALES AND OTHER INCOME		
Sales	61,731	41,253
Income from services rendered	1,507	—
Commission	5,219	1,685
Interest on loans and deposits (tax deducted at source Rs. 265,614 ; previous period Rs. 159,617)	1,696	781
Miscellaneous income	802	180
	70,955	43,899

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	For the year ended March 31, 2002 Rupees '000	<i>For the period ended March 31, 2001 Rupees '000</i>
SCHEDULE NO. 10			
COST OF SALES AND OTHER EXPENSES			
Purchase of goods for resale		60,049	<i>53,119</i>
Employee cost			
Salaries wages and bonus	17,862		<i>3,019</i>
Contribution to provident and gratuity funds	1,103		<i>174</i>
Welfare expenses	1,790		<i>264</i>
		20,755	<i>3,457</i>
Operating expenses			
Consumables	21		—
Tools and gauges	2,227		—
Repairs to building	285		—
Other repairs	1,441		—
Power and fuel	967		—
Rent	3,729		<i>487</i>
Insurance	218		—
Travel and conveyance	10,357		<i>2,831</i>
Advertisement	4,230		<i>1,158</i>
Software consultancy and purchase	2,714		<i>1,054</i>
Communication	3,858		<i>1,042</i>
Office expenses	1,044		—
Legal and professional expenses (see schedule 11, note 5)	7,814		<i>1,097</i>
Transportation and other services	5,036		<i>733</i>
Net loss on fixed assets sold or discarded	4		—
Miscellaneous expenditure written off	163		<i>54</i>
Provision for doubtful debts	1,773		—
Miscellaneous expenses	3,446		<i>794</i>
		49,327	<i>9,250</i>
Increase in inventories of traded goods			
Opening inventories	15,754		—
Less: closing inventories	17,080		<i>15,754</i>
		(1,326)	<i>(15,754)</i>
		128,805	<i>50,072</i>
Less : Expenses capitalised		(9,216)	—
Less : Expenses transferred to 'Expenses pending allocation'		(10,238)	—
		<u>109,351</u>	<u><i>50,072</i></u>

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CUMMINS AUTO SERVICES LIMITED

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

SCHEDULE 11

1. The Company is currently in the process of implementing the following two projects:
- Parts retailing – procuring and marketing spare parts and accessories;
 - Highway solutions – establishing service centres on national and state highways and providing maintenance for commercial vehicles.

The parts retailing project has commenced operations during the prior year and the highway solutions project is under implementation, in a phased manner. Out of the total of 23 service centres within the first phase of the highway solutions project, 5 service centres have commenced operations during the fourth quarter of the current year.

2. **Statement of significant accounting policies**

a) Fixed assets and depreciation

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

b) Investments

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

c) Inventories

Inventories are stated at lower of cost and net realisable value. The material cost are determined on weighted average basis and includes all ascertainable 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.

Income under job contracts is recognised upon completion of the service. Profits from service contracts are recognised proportionately over the period of contract based on contracted revenues and estimated cost to completion.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

e) Retirement benefits

Retirement benefits to employees comprise of payments to gratuity and provident funds as per approved schemes of the company. Liability for gratuity has been determined as at the year-end based on an actuarial valuation by an independent actuary.

f) Leave encashment entitlement

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

g) Lease charges under operating leases

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

h) Taxation

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

i) 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.

3. Lease commitments

a) Finance Lease:

The Company leases vehicles under finance lease arrangements of up to five years. The future minimum lease payments under these leases as of March 31, 2002 are as follows:

	Due within 12 months Rupees '000s	Due between 12-60 months Rupees '000s	Total amount due Rupees '000s
Minimum lease payments	644	1,799	2,443
	(—)	(—)	(—)
Less amount representing interest	267	683	950
	(—)	(—)	(—)
Present value of minimum lease payments	377	1,116	1,493
	(—)	(—)	(—)

Figures in brackets are for the previous period.

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CUMMINS AUTO SERVICES LIMITED

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

- b) Operating lease:
 The Company has hired premises under operating lease arrangements at stipulated rentals. The future minimum lease payments under this lease as of March 31, 2002 are as follows:

	Due within 12 months Rupees '000	Due between 12-60 months Rupees '000	Due beyond 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	9,351 (—)	28,423 (—)	30,565 (—)	68,339 (—)

Figures in brackets are for the previous period.

4. Managerial remuneration:

- a) Managerial remuneration is Rs. 1,113,464 (previous period nil): includes Salary Rs. 999,440 (previous period nil); perquisites Rs. 114,024 (previous period nil).
- 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 officers is not ascertainable and is therefore not included above.

5. Remuneration to auditors

	Rupees '000	Previous period Rupees '000
Audit fees	360	344
Tax audit fees	150	145
Reimbursement of out of pocket expenses	28	—
	538	488

6. Purchase of goods for resale

	Nos.	Rupees '000	Previous period Nos.	Rupees '000
Filters	174,744	20,328	38,520	4,481
Engines	7	1,087	19	1,101
Spare parts and components		38,634		47,537
		60,049		53,119

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

7. Turnover, opening and closing stock

	Opening Stock		Sale		Closing Stock	
	Nos	Rupees '000	Nos	Rupees '000	Nos	Rupees '000
Filters	11,172	1,302	181,116	23,235	4,800	569
	(—)	(—)	(27,348)	(1,965)	(11,172)	(1,302)
Engines	10	440	6	1,169	11	711
	(—)	(—)	(9)	(562)	(10)	(440)
Spare parts and Components		15,305		37,327		17,984
		(—)		(38,726)		(15,305)
Total		17,047		61,731		19,264
		(—)		(41,253)		(17,047)

Figures in brackets are for the previous period.

8. Sundry creditors include an amount due to small-scale industrial undertakings of Rs. 409,619 (previous period Rs. 228,938).

There are no small-scale industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days.

For the information given above, the small-scale industrial undertaking status has been determined on the basis of information available with the Company.

9. Sundry debtors includes an amount of Rs. 2,054,625 (previous period 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.
10. Advances recoverable in cash or in kind include Rs. 21,552 due from officer of the company (previous period Rs. 5,000), maximum amount due any time during the year was Rs. 2,28,934 (previous period Rs. 99,779)
11. Rent includes rentals paid for operating leases of Rs.3,174,080 (previous period Nil)
12. The Company has changed the basis of valuation of inventories from the first-in-first-out basis to the weighted average basis during the current year. The impact on the value of the closing inventory and loss for the year as a result of this change is not material.
13. Figures for the period ended March 31, 2001 are for the period from May 16, 2000 (the date of incorporation) to March 31, 2001 and hence, are not comparable to the current year's figures.
14. Previous period's figures have been reclassified/ restated wherever necessary.

Signatories to Schedules 1 to 11.

Ravi Venkatesan
Director

Dr. Ajoy Kumar
Director

Alok Singh
Chief Executive Officer

Thane : June 10, 2002

SECOND ANNUAL REPORT - 2002

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	:	11
Balance sheet date	:	March 31, 2002
		Rs. '000
II. CAPITAL RAISED DURING THE YEAR ENDED MARCH 31, 2002		
Public issue :		—
Right issue :		—
Bonus issue :		—
Private placement :		60,000
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT MARCH 31, 2002		
Total liabilities		158,987
Total assets		158,987
Sources of funds -		
Paid up capital		100,000
Reserves and surplus		—
Secured loans		13,933
Unsecured loans		43,561
Lease Rentals Payable		1,493
Total		158,987
Application of funds -		
Net fixed assets		87,399
Investments		16,504
Net current assets		4,766
Miscellaneous expenditure		596
Accumulated losses		49,722
Total		158,987
		Rs. '000
IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 ST MARCH, 2002		
i) Turnover (sale of products and other income)		70,955
ii) Total expenditure		114,188
iii) Profit / (Loss) before tax		(43,233)
iv) Profit / (Loss) after tax		(43,233)
v) Earning per share in Rupees (face value of Rs. 10)		(5.32)
vi) Dividend rate (%)		N.A.
Interim		N.A.
Final		N.A.
V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)		
Item No. (ITC Code)	Product description	
8409.99	Component parts for diesel engines for motor vehicles	
N.A.	Servicing of automotive diesel engines	

- Note : 1. The above particulars should be read alongwith the balance sheet as at March 31, 2002 and the profit and loss account for the year as on that date and the schedules forming part thereof.
2. Earnings per share is arrived at by dividing the profit/ (loss) for the current year by the total weighted average number of shares issued and subscribed (i.e. 8,125,000 nos.).

Third Annual Report
for the year ended March 31,2002 of
Power Systems India Limited

BOARD OF DIRECTORS :

Mr. Pradeep Bhargava
Mr. S. G. Sarpotdar
Dr. Ajoy Kumar

BANKERS :

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

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune 411 006
India

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 : 0260- 261837, 260123
FAX : 0260- 262618

THIRD ANNUAL REPORT - 2002

Power Systems India Limited

DIRECTORS' REPORT

The Directors of Power Systems India Limited have pleasure in presenting the Third Annual Report and the audited accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS:

During the year under review, sales turnover was Rs. 816 million (Rs. 81.6 crore) as against Rs. 488 million (Rs.48.8 crore) during the previous year ended March 31, 2001 (67% growth). Your Company has earned a profit after tax of Rs. 37 million (Rs. 3.7 crore) during the year under review as against profit of Rs. 33 million (Rs. 3.3 crore) in the previous year (12% growth).

AMALGAMATION WITH CUMMINS INDIA LIMITED:

The Board of Directors of your Company have approved the Scheme of Amalgamation of your Company with Cummins India Limited, the Holding Company of your Company, effective April 1, 2002.

OPERATIONS:

During the year under review, your Company shipped 4,150 engines for Automotive (CNG), Powergen and Industrial applications. Your Company has continued to focus on the Power Generation segment and launched new range of gensets in the range of 15-25 KVA and 100-125 KVA engines.

The engines for Marine application launched in the year under review were well received in the market and the Company is confident of generating good orders for Marine application engines. The Compressed Natural Gas (CNG) passenger bus engines manufactured by the Company were also well received in the market and the Company is expectant of continued performance in this product segment.

During the year under review, your Company has made efforts to improve its visibility and brand development through marketing initiatives such as road shows, advertisements and other media under "Cummins Power" brand. The response to these initiatives has been positive and these are likely to generate good orders in the coming months. In continuance of the same, further activities are planned across the country in the current year.

During the year, your Company has commenced exports of engines for power generation applications to markets in Singapore and Australia. Your Company is trying to consolidate its position in the export markets of Asia Pacific region to ensure steady volume of orders.

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, 2002 and of the profit for the period April 1, 2001 to March 31, 2002;

Cummins India Limited

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.

DIVIDEND :

Although the Company has earned profit of Rs. 37 million (Rs. 3.7 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 at the plant 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 approximately 7,500 Kwh units.

During the year under review, the Company has reviewed manufacturing technologies for generator sets and CNG engines at plants of Cummins Inc. in other locations. Consequent to the same, improvements have been instituted in our manufacturing and quality processes.

Foreign Exchange earnings and outgo during the year under review were as follows: -

	(Rs. '000)
(a) Earnings	8,818
(b) Outgo – Raw material	105,007

DIRECTORS :

During the year under review, Dr. Ajoy Kumar and Mr. Shrikant Sarpotdar were co-opted by the Board as additional Directors of the Company effective December 14, 2001.

Mr. V.K. Jayaswal resigned as Director of the Company effective December 10, 2001. M/s. Jim Rugg and Madan M. Godse, resigned as Directors of the Company effective December 14, 2001. The Board placed on record their appreciation for the valuable contribution made by the above Directors to the growth of the Company.

Resolutions for obtaining shareholders' approval for the appointment of Dr. Ajoy Kumar and Mr. Shrikant Sarpotdar 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. Pradeep Bhargava, Director of the Company, retires by rotation and is eligible for re-appointment.

AUDITORS :

Arthur Andersen & Associates, Chartered Accountants, the Auditors of the Company, have conveyed that they do not wish to seek re-appointment as Auditors of the Company at the ensuing Annual General Meeting. The Board placed on record their appreciation of the valuable services rendered by Arthur Andersen & Associates, Chartered Accountants, to the Company.

THIRD ANNUAL REPORT - 2002
Power Systems India Limited

The Board of Directors recommend the appointment of M/s Price Waterhouse, Chartered Accountants as the Auditors of the Company in the place of Arthur Andersen & Associates, from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

PARTICULARS OF EMPLOYEES :

As required by 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

Pune : June 6, 2002

Pradeep Bhargava
 Chairman

Annexure to the Directors' Report

Information as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2002

Sr. No.	Name of Employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Received		Particulars of last employment held Organisation, Designation and Experience Years
							Gross Rs.	Net Rs.	
1	Sumantra Sen	39	B.E. (Met.), MBA (Mktg.)	16	Chief Executive Officer	18.7.2000	1,626,218	1,043,635	Lazard India Ltd. Vice President (Corporate Finance) 8 months

Note:

Designation of the employee indicates the nature of his duties.
 The employee is not relative of any Director of the Company.

On behalf of Board of Directors

Pune : June 6, 2002

Pradeep Bhargava
 Chairman

Cummins India Limited

AUDITORS' REPORT

To the Members of
POWER SYSTEMS INDIA LIMITED :

1. We have audited the accompanying balance sheet of POWER SYSTEMS INDIA LIMITED ('the Company') at March 31, 2002 and the statements of profit and loss and cash flows for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of POWER SYSTEMS INDIA LIMITED at March 31, 2002 and of its profit and cash flows for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.
5. As more fully discussed in Note 13 of Schedule 10 to the financial statements, the Board of Directors of the Company has approved a Scheme of Amalgamation with Cummins India Limited, the holding company, with effect from April 1, 2002. Pending appropriate approvals, the accompanying financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis.
6. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Power Systems India Limited

ANNEXURE TO AUDITORS' REPORT – MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of most of the assets during the year and no material 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, 2002.
3. Physical verification has been conducted by management during the year in respect of stocks of finished goods, stores, spare parts and raw materials, other than certain items lying with third parties in respect of which confirmations have been received from most parties. 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 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 a basis consistent with the preceding year.
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, which are prima facie prejudicial to the interest of the Company.
8. Parties to whom loans, or advances in the nature of loans have been given by the Company, 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, 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. As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by management and where required, adequate provision has been made in the books of account for the loss arising on the items so determined.

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 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. 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 prescribed 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. 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. According to the records of the Company, Provident Fund dues, where deducted/accrued in the books of account, have been regularly deposited during the year 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, 2002.
17. According to the records of the Company, and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, 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, 2002, 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

Arvind Sethi
Partner

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Power Systems India Limited

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule Number	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS :				
Share capital	1	40,000		40,000
Reserves and surplus	2	69,079		31,716
			109,079	71,716
LOAN FUNDS :				
Unsecured loans	3		25,039	9,749
			134,118	81,465
APPLICATION OF FUNDS :				
FIXED ASSETS :				
Gross block	4	33,022		27,049
Less: Depreciation		6,489		3,440
Net block			26,533	23,609
Investments	5		4	—
CURRENT ASSETS, LOANS AND ADVANCES :				
Inventories	6	160,569		56,170
Sundry debtors		125,278		241,331
Cash and bank balances		12,000		25,960
Loans and advances		5,413		9,081
		303,260		332,542
Less : CURRENT LIABILITIES AND PROVISIONS :				
Current liabilities	7	158,539		255,565
Provisions		37,140		19,121
		195,679		274,686
Net current assets			107,581	57,856
			134,118	81,465
Notes :		10		

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : June 6, 2002

PRADEEP BHARGAVA
Director

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
INCOME :			
Sale of products and other income (Schedule 8)		816,703	<i>488,430</i>
EXPENDITURE :			
Manufacturing and other expenses (Schedule 9)	770,606		<i>444,172</i>
Depreciation	3,052		<i>3,391</i>
INTEREST :			
on fixed loans	581		<i>1,243</i>
		774,239	<i>448,806</i>
PROFIT BEFORE TAXATION		42,464	<i>39,624</i>
Tax provision for the year		5,101	<i>6,405</i>
Net profit for the year		37,363	<i>33,219</i>
Balance carried forward from last balance sheet		31,716	<i>(1,503)</i>
Balance carried to balance sheet		69,079	<i>31,716</i>

Notes : Schedule 10

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : June 6, 2002

PRADEEP BHARGAVA
Director

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Power Systems India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
I. Cash flows from operating activities:			
Cash generated from operations (see note 12(1), Schedule 10)	(10,356)		11,545
Tax paid	(12,385)		—
	<hr/>		<hr/>
Net cash used for operating activities		(22,741)	11,545
II. Cash flows from Investing activities:			
Fixed assets (see note 12(2), Schedule 10)			
Purchase	(6,087)		(24,408)
Sale	114		—
Investment			
Purchase	(4)		—
	<hr/>		<hr/>
Net cash used for investing activities		(5,977)	(24,408)
III. Cash flows from financing activities:			
Issue of shares	—		30,000
Borrowing	25,039		7,249
Repayment of borrowings	(9,749)		—
Interest paid	(532)		(1,243)
	<hr/>		<hr/>
Net cash provided by financing activities		14,758	36,006
IV. Net change in cash and cash equivalents (I+II+III)		(13,960)	23,143
V. Cash and cash equivalent at the beginning of the year (See note 12 (3), Schedule 10)		25,960	2,817
Cash and cash equivalent at the end of the year (IV+V) (See note 12 (3), Schedule 10)		12,000	25,960

For ARTHUR ANDERSEN & ASSOCIATES,
Chartered Accountants

ARVIND SETHI
Partner

Pune : June 6, 2002

PRADEEP BHARGAVA
Director

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2002

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
5,000,000 equity shares of Rs. 10 each <i>(previous year 5,000,000 equity shares of Rs. 10 each)</i>	50,000 <hr style="border-top: 3px double black;"/>	50,000 <hr style="border-top: 3px double blue;"/>
Issued and subscribed :		
4,000,000 equity shares of Rs. 10 each <i>(previous year 4,000,000 equity shares of Rs. 10 each)</i>	40,000 <hr style="border-top: 3px double black;"/>	40,000 <hr style="border-top: 3px double blue;"/>
Of the above equity shares; 3,999,600 shares of Rs.10 each <i>(previous year 500,000 shares of Rs.10 each)</i> are held by the holding company, Cummins India Limited and its nominees. Of the balance, 100 shares each <i>(previous year -nil)</i> are held by Cummins Infotech Limited, Cummins Power Solutions Limited and Cummins Auto Services Limited, which are subsidiaries of Cummins India Limited. During the year 3,499,600 shares of the Company which were held by Cummins Diesel Sales and Service (India) Limited, were transferred to Cummins India Limited.		
 SCHEDULE NO. 2		
RESERVES AND SURPLUS :		
Profit and loss account	69,079 <hr style="border-top: 3px double black;"/>	31,716 <hr style="border-top: 3px double blue;"/>
 SCHEDULE NO. 3		
UNSECURED LOAN :		
Short term loan (from other than banks) :		
Inter-corporate deposit (including interest accrued and due Rs. 39, <i>previous year Rs. 249</i>)	25,039 <hr style="border-top: 3px double black;"/>	9,749 <hr style="border-top: 3px double blue;"/>
	25,039 <hr style="border-top: 3px double black;"/>	9,749 <hr style="border-top: 3px double blue;"/>

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Power Systems India Limited

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT
 31ST MARCH, 2002**

SCHEDULE NO. 4

FIXED ASSETS :

Rupees '000

Particulars	<i>Gross block (at cost) as on 31st March, 2001</i>	Additions	Deletions	Gross block (at cost) as on 31st March, 2002	Depreciation as per Schedule 4A	Net block as on 31st March, 2002
Land	5,284	434	—	5,718	—	5,718
Building	5,369	678	—	6,047	231	5,816
Plant and machinery	12,723	3,936	114	16,545	4,863	11,682
Furniture & Fittings	786	748	—	1,534	1,095	439
Motor vehicle	891	2,287	—	3,178	300	2,878
	25,053 (2,272)	8,083 (22,781)	114 —	33,022 (25,053)	6,489 (3,440)	26,533 (21,613)
Capital work-in- progress and capital advances				— (1,996)		— (1,996)
				33,022 (27,049)		26,533 (23,609)

Notes : Figures in brackets are in respect of the previous year

SCHEDULE NO. 4A

DEPRECIATION :

Rupees '000

Particulars	<i>Depreciation upto 31st March, 2001</i>	Depreciation for the year	Depreciation on deductions	Total Depreciation up to 31st March, 2002
Land	—	—	—	—
Building	36	195	—	231
Plant and machinery	2,954	1,912	3	4,863
Furniture & Fittings	421	674	—	1,095
Motor vehicle	29	271	—	300
	3,440 (49)	3,052 (3,391)	3 —	6,489 (3,440)

Notes : Figures in brackets are in respect of the previous year

SCHEDULE NO. 5

INVESTMENTS:

LONG TERM INVESTMENTS, UNQUOTED AT COST

Trade investments

100 shares of Rs 10 each (*Previous year nil*) of
 Nelson Engine Systems India Limited, fully paid up

As at 31st
March, 2002
Rupees '000

1

*As at 31st
March, 2001
Rupees '000*

—

100 shares of Rs 10 each (*Previous year nil*) of
 Cummins Power Solutions Limited, fully paid up

1

—

100 shares of Rs 10 each (*Previous year nil*) of
 Cummins Auto Services Limited, fully paid up

1

—

100 shares of Rs 10 each (*Previous year nil*) of
 Cummins Infotech Limited, fully paid up

1

—

4

—

All the above companies are companies under the same management.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2002

	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SCHEDULE NO. 6		
CURRENT ASSETS, LOANS AND ADVANCES :		
Inventories		
Raw materials and components	71,018	44,462
Work-in-progress	22,868	11,708
Materials in transit	66,683	—
	160,569	56,170
Sundry debtors : Unsecured (See note 4(a), Schedule 10)		
Considered good :		
Debts outstanding for a period exceeding six months	6,732	—
Other debts	118,546	241,331
	125,278	241,331
Cash and bank balances :		
Cash on hand	24	39
Balances with scheduled banks :		
on current account	11,961	25,906
on deposit account (under lien)	15	15
	12,000	25,960
Loans and advances : Unsecured		
Considered good		
Advances recoverable in cash or in kind or for value to be received	4,340	8,624
Balance with Excise department	206	457
Taxation (net of provisions)	867	—
	5,413	9,081
	303,260	332,542

Power Systems India Limited**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2002**

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 7			
CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities :			
Sundry creditors (see notes 4(b) Schedule 10)		158,539	<i>255,565</i>
Provisions :			
- Warranty	36,894		<i>12,677</i>
- Income tax	—		<i>6,388</i>
- Leave encashment	246		<i>56</i>
		<u>37,140</u>	<u><i>19,121</i></u>
		<u>195,679</u>	<u><i>274,686</i></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 8		
SALE OF PRODUCTS AND OTHER INCOME :		
Sales	816,540	<i>488,290</i>
Interest on bank deposits	—	<i>5</i>
Miscellaneous income	163	<i>135</i>
	<u>816,703</u>	<u><i>488,430</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 9			
MANUFACTURING AND OTHER EXPENSES :			
Raw materials and components consumed		696,930	415,227
Purchase of goods for resale		4,114	—
Payments to and provision for employees:			
Salaries, wages and bonus	9,727		4,286
Company's contribution to provident and other funds	517		169
Welfare expenses	1,908		276
		12,152	4,731
Operation and other expenses			
Warranty expenses	28,816		12,094
Freight, transportation and packing	13,763		6,024
Travelling expenses	5,535		3,219
Sales promotion	4,210		—
Communication charges	2,243		1,146
Rent	1,761		1,678
Stores, spares and other consumables	1,396		587
Repairs to plant and machinery	1,337		231
Auditor's remuneration	1,029		600
Insurance	1,018		612
Professional fees	713		—
Other repairs	629		493
Power and fuel	491		382
Repairs to building	458		499
Rates & Taxes	52		—
Other expenses	5,119		4,843
		68,570	32,408
Increase in inventories :			
Opening Stock of Work-in-progress	11,708		3,514
Closing Stock of Work-in-progress	(22,868)		(11,708)
		(11,160)	(8,194)
		770,606	444,172

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Power Systems India Limited

SCHEDULE NO. 10

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 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) 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.

b) Investments

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

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.

e) Revenue Recognition

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

f) 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 fund are determined on the basis of actuarial valuation by actuary at year-end.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

g) Leave encashment entitlement

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

h) 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 'warranty cost' for accrual for warranties.
- ii) New Engine Performance Inspection fee is included under 'warranty expenses'.

i) Income tax

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

2. Remuneration to auditors

	Rupees '000	<i>Previous Year</i> <i>Rupees '000</i>
Audit Fees	637	<i>600</i>
Other Services	360	—
Reimbursement of out of pocket expenses	32	—
	1029	<i>600</i>

3. Contingent liabilities

- (a) Pursuant to an order of the Honorable Supreme Court, restraining the State Government from recovering sales tax, one of the Company's supplier has not charged sales tax of Rs 18,503,152 on supplies made by it from October 2000 to March 2002. In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Company will need to reimburse the above sales tax to the supplier.

Power Systems India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

- (b) The Administration of Diu and Daman has issued a notification with regard to sales tax exemption scheme, whereunder exemption would not be available in certain circumstances. The Company contends that this notification is not applicable to products manufactured by it, on the basis of legal advice obtained. In the event that the Company's contention is not accepted, the Company would be liable to pay an estimated amount of sales tax of Rs 33 million upto March 31, 2002, in addition to consequential interest and penalties arising on the same, if any.
4. (a) Sundry debtors include the following amounts, which are due from companies under the same management; Rs 12,956 (*previous year Rs 182,110*) due from Cummins Power Solutions Limited and Rs 3,777,917 (*previous year Rs 1,413,899*) due from Cummins Diesel Sales and Service (India) Limited.
- (b) Sundry creditors include Rs 9,074,999 (*Previous year Rs 6,586,231*) due to small scale industrial undertakings

The small scale industrial undertakings to whom the Company owes sums which are outstanding for more than 30 days are as follows:

Deevee Electrosystems Private Limited	Enginemates Heat Transfer Private Limited
Electral Devices	Industrial Products
Flow Control Equipments	Jupiter Industrial Works
Deshmukh Engineering Company	Meghdoot Rubber Industries
IAI Industries Limited	Polybond India Private Limited
Kwality Precision Products	Poona Couplings Private Limited
Creston Impex	Precision Rubber Company (India) Limited
Nitin Enterprises	Polycrafts
Pramod Metal Works	Ramps Engineers
Precision Products	Ranflex India Private Limited
Prestek	Samarth Engineering
Ravian Industries	Surya Engineers
Ravikiran Engineering Works	Suneet Engineering
RICO	Snape Enterprises
Sharp Engravers	Talab Engineering Company
Shree Ganesh Engineering	UNPA Engineering
Suyash Electricals	Bhor Engineering Private Limited
Twintech Control Systems Private Limited	Dynamic Enterprises
United Engineers	Shree J Printers
Varunsack	Shantala Ductile Foundry Private Limited
AKP Foundries Private Limited	Spectrum

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

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

	Licensed Capacity Nos.	Installed capacity (See Note i) Nos.	Production (See Note ii) Nos.
Internal combustion engines other than for motor vehicles, motor cycles and aircrafts	5,000 (5,000)	3,800 (3,800)	2,584 (1,625)
Internal combustion piston engines and other parts and accessories for heavy motor vehicles	10,000 (1,200)	5,000 (—)	1,713 (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)	41 (43)
Electricity distribution and control equipment including voltage stabilizers.	1,500 (1,500)	— (—)	— (—)
Parts and accessories for locomotives	10,000 (10,000)	— (—)	— (—)

- i) The installed capacity has been certified by the management and relied on by the auditors.
- ii) Production includes engines captively consumed 41nos. (previous year 41 nos.)
- iii) Previous year's figures are indicated in brackets

Power Systems India Limited**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE****(b) Turnover, opening and closing stocks**

Particulars	Sale		Stocks			
	Qty. Nos.	Value Rs.'000	Opening Nos.	Value '000	Closing Nos.	Value '000
Internal Combustion Engines other than for motor vehicles, motor cycles and aircrafts	2,520 (1,582)	333,160 (250,030)	— (—)	— (—)	— (—)	— (—)
Internal Combustion Piston Engines and other parts and accessories for Heavy Motor Vehicles	1,630 (741)	463,126 (226,566)	— (—)	— (—)	— (—)	— (—)
Generating Sets	41 (43)	8,434 (11,694)	— (—)	— (—)	— (—)	— (—)
Spares		11,820 (—)	— (—)	— (—)	— (—)	1,859 (—)
		816,540 (488,290)		— (—)		1,859 (—)

Note : Previous year figures are indicated in brackets.

(c) Details of raw materials and components consumed :

Particulars	Value Rs. '000	Previous year Rs. '000
Long block (1,713 nos; previous year 746 nos)	240,399	112,064
Engines (2,581 nos; previous year 1,645 nos)	248,019	171,073
Components	208,512	132,090
	696,930	415,227

Note : 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 TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(d) **Details of purchase of goods for resale**

Particulars	Rs. '000	<i>Previous Year</i> Rs. '000
Components	4,114	—

(e) **Value of imported and indigenous raw materials and components consumed**

Particulars			<i>Previous Year</i>	
	Rs. '000	%	<i>Rs. '000</i>	<i>%</i>
Imported	81,759	11.73	<i>6,690</i>	<i>1.62</i>
Indigenously procured	615,171	88.27	<i>408,537</i>	<i>98.38</i>
	<u>696,930</u>	<u>100.00</u>	<u><i>415,227</i></u>	<u><i>100.00</i></u>

6. **Value of imports on CIF basis**

	Rs. '000	<i>Previous Year</i> Rs. '000
Raw materials	105,007	<i>10,399</i>

7. **Earnings in foreign exchange**

	Rs. '000	<i>Previous Year</i> Rs. '000
Export of goods on FOB basis	8,818	—

8. (a) Consequent to the change in the basis of determination of the Company's year-end accrued liability towards leave encashment to the actuarial method of valuation, the current year's profit before tax is higher and provisions are lower by Rs 36,275.

(b) Consequent to the change in the basis of determination of the Company's year-end accrued liability towards gratuity to the actuarial method of valuation, the current year's profit before tax is higher and provisions are lower by Rs 33,446.

9. The manufacturing operations of the Company are located entirely in the Union Territory of Daman, due to which the Company is entitled to a deduction under section 80IB of the Income-tax Act 1961, in computing its assessable income. Accordingly, there is no deferred tax asset/liability as at March 31, 2002.

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Power Systems India Limited

**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

10. Segmental disclosures

Business segments:

The Company operates in the Engine business and Generating-sets segments. The Engine business segment manufactures and sells engines and parts for various applications such as power generation, construction, marine, automotive etc. The Engine business is the pre-dominant business of the Company. The activity under other segment namely Generating sets is marginal and has been classified as others.

Geographical segments:

Two secondary segments have been identified based on the geographical locations of customers: domestic and export.

Information about business segments

<u>(Primary segments)</u>	<u>Engine Business</u>	<u>Others</u>	<u>Total</u>
i) Segment revenue	808,106	8,434	816,540
ii) Segment result	45,620	477	46,097
Depreciation (See notes below)			(3,052)
Interest			(581)
Profit before tax			42,464
Provision for tax			
Current tax			(5,101)
Deferred tax			—
Net profit for the year			<u>37,363</u>
iii) Segment assets (See note 1 below)			328,930
Common assets			867
Enterprise assets			329,797
iv) Segment liabilities (See note 1 below)			195,679
Common liabilities			25,039
Enterprise liabilities			220,718
v) Capital expenditure (See note 1 and 2 below)			6,087
Information about business segments			
<u>(Secondary segments)</u>	<u>Domestic</u>	<u>Export</u>	<u>Total</u>
vi) Segment revenue	807,722	8,818	816,540

Notes:

- 1) In view of the insignificant nature of 'Others' in the total operations of the Company, no allocation of segment assets, segment liabilities, capital expenditure and depreciation has been made.
- 2) The Company's tangible assets are located entirely in India.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

11. Related party disclosures

(a) Name of the related party and nature of relationship where control exists

<u>Name of the related party</u>	<u>Nature of relationship</u>
Cummins Diesel Sales and Service (India) Limited ('CDSS')	Holding Company (upto March 26, 2002)
Cummins India Limited ('CIL')	Holding Company of CDSS
Cummins Inc.	Holding Company of CIL

(b) Transactions with related parties as per the books of account during the year ended 31st March, 2002

<u>Type of transaction</u>	<u>Fellow Subsidiaries</u>	<u>Holding Companies</u>	<u>Rs'000 Total</u>
Purchase of goods	53,962	32,365	86,327
Sale of goods	8,781	13,925	22,706
Service charges incurred	—	4,543	4,543
Interest charged	—	540	540
Inter-corporate deposits received	—	25,000	25,000
Repayment of loan	—	9,500	9,500

(c) Amounts outstanding as per the books of account as at 31st March, 2002

<u>Description</u>	<u>Fellow Subsidiaries</u>	<u>Holding Companies</u>	<u>Rs'000 Total</u>
Sundry creditors	22,673	30,529	53,202
Sundry debtors	19,628	2,562	22,190
Unsecured loans	—	25,039	25,039

Notes:

1. The names of the related parties under the appropriate relationship are as follows:
 - a) Holding Companies**
 Cummins Inc.
 Cummins India Limited
 Cummins Diesel Sales and Service (India) Limited (upto March 26, 2002)
 - b) Fellow Subsidiaries**
 Cummins Diesel Sales and Service (India) Limited (with effect from March 27, 2002)
 Cummins Engine Company, Daventry
 Cummins Power Solutions Limited
 Nelson Engine Systems India Limited
2. Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice-versa have not been included above.
3. For the information given above, the related parties have been reckoned on the basis of information available with the Company.

Power Systems India Limited**NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE****12. Note to cash flow statement**

	Rupees '000	Rupees '000	Previous year Rupees '000
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		42,464	39,624
Adjustments for -			
a) Non cash item/ items required to be disclosed separately:-			
Depreciation	3,052		3,391
Unpaid warranty provision	24,243		12,487
Interest expense	581		1,243
		27,876	17,121
b) Changes in working capital and other provisions			
Sundry Debtors	116,053		(217,082)
Inventories	(104,399)		(37,733)
Loans and advances	4,535		(6,780)
Other Current Assets	—		9
Current Liabilities and provisions	(96,885)		216,386
		(80,696)	(45,200)
Total adjustments		(52,820)	(28,079)
Cash generated from operations		(10,356)	11,545
2) Purchase of fixed assets includes payments for items in capital work in progress and advances for purchase of fixed assets.			
3) Cash and cash equivalents comprise :			
	Rupees '000	Rupees '000	Rupees '000
	2001-02	2000-2001	1999-2000
Cash in hand	24	39	1
Balances with bank on current account :	11,961	25,906	1,801
Balances with bank on deposit account (under lien)	15	15	1,015
Total	12,000	25,960	2,817
4) Figures in brackets represent outflows of cash and cash equivalents.			

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

13. The Board of Directors of the Company has approved a Scheme of Amalgamation with Cummins India Limited, the holding company, with effect from April 1, 2002, subject to appropriate approvals. In accordance with the scheme, Cummins India Limited shall take over all the assets and liabilities of the Company at book value, on a going concern basis. Accordingly, the financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis.
14. Previous year's figures have been regrouped/recast wherever necessary.

Signatories to Schedules 1 to 10

PRADEEP BHARGAVA
Director

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

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Power Systems 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		25-13231
State code		11
Balance sheet date		31st, March 2002
II CAPITAL RAISED DURING THE PERIOD ENDED 31st, MARCH 2002 :		Rupees '000
Public issue		—
Right issue		—
Bonus issue		—
Private placement		—
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st, MARCH 2002 :		
Total liabilities (See Note 2)		134,118
Total assets		134,118
Sources of funds		
Paid - up capital		40,000
Reserves & surplus		69,079
Unsecured loans		25,039
	Total	134,118
Application of funds		
Net fixed assets		26,533
Investments		4
Net current assets		107,581
	Total	134,118
IV PERFORMANCE OF THE COMPANY FOR THE PERIOD ENDED 31st, MARCH 2002 :		
i) Turnover (Sales of products and other income)		816,703
ii) Total expenditure		774,239
iii) Profit before tax		42,464
iv) Profit after tax		37,363
v) Basic and diluted earning per share (Face value Rs.10 per share) (See note 3 below)		Rs. 9.34

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
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 31st, March 2002 the profit and loss account for the period ended on that date and the schedules forming part thereof.
- Total liabilities include share capital Rs. 40 million and reserves and surplus Rs. 69.07 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total weighted average number of shares (4,000,000 nos.) issued and subscribed at the year end.

Second Annual Report for the year ended March 31, 2002 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
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune 411 006
India

REGISTERED OFFICE :

35A/1/2, Erandawana,
Pune 411 038
PHONE : (020) 4027525
FAX : (020) - 4028090
WEBSITE : www.cumminspowersolutions.com

SECOND ANNUAL REPORT - 2002

Cummins Power Solutions Limited

DIRECTORS' REPORT

The Directors of Cummins Power Solutions Limited have pleasure in presenting the Second Annual Report and the audited accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS:

	April 1, 2001 to March 31, 2002 Rupees '000	July 19, 2000 to March 31, 2001 Rupees '000
Revenue	188,029	84,324
Profit after tax	9,697	6,784

AMALGAMATION WITH CUMMINS INDIA LIMITED:

The Board of Directors of your Company have approved the Scheme of Amalgamation of your Company with Cummins India Limited, the Holding Company of your Company, effective April 1, 2002.

OPERATIONS:

During the period under review, the Company has obtained the status of a Public Limited Company. The Company has registered 11% growth in revenue on an annualized basis.

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. Pradeep Bhargava.

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 true and fair view of the state of affairs of the Company as on March 31, 2002 and of the profit for the period April 1, 2001 to March 31, 2002.
- c. 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; and
- d. The Directors had prepared the annual accounts on a going concern basis.

Cummins India Limited

DIVIDEND:

Your Company has earned a net profit of Rs. 9.70 million (Rs. 0.97 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 AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The operations of the company are service oriented and not energy intensive. Awareness is being inculcated among employees to reduce wastage of energy. Awareness in being inculcated among employees to reduce wastage of energy. One of the offerings of the company is to provide consultancy to help customers save and conserve energy by providing tools / equipment to monitor, measure and save power consumption.

During the period under review there was a foreign exchange outflow of Rs. 185,449.

DIRECTORS:

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

AUDITORS:

Arthur Andersen & Associates, Chartered Accountants, the Auditors of the Company, have conveyed that they do not wish to seek re-appointment as Auditors of the Company at the ensuing Annual General Meeting. The Board placed on record their appreciation of the valuable services rendered by Arthur Andersen & Associates, Chartered Accountants to the Company.

The Board of Directors recommend the appointment of Price Waterhouse, Chartered Accountants as the Auditors of the Company in the place of Arthur Andersen & Associates, from the conclusion of ensuing Annual General Meeting till the conclusion of the next 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.

For and on behalf of the
Board of Directors



Ravi Venkatesan
Chairman

Pune : June 6, 2002

SECOND ANNUAL REPORT - 2002

Cummins Power Solutions Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2002.

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.	Pradeep Bhargava	51 30	B.Sc., B.E., M.B.A Managing Director	01/10/2000	1,870,225	1,415,215	General Electric (GE) India, Business Development, 5months
2.	* Sundar Parthasarathy	38 17	B.E (Mech) Chief Operating Officer	05/04/2001	1,678,881	1,211,322	blQ Technologies Pvt. Ltd., G.M. Business Development, 1.5 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.
- The appointment is 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.
- Net remuneration is arrived at by deducting from gross remuneration income-tax, Company's contribution to provident fund and superannuation fund.
- 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.
- Other terms and conditions are as per rules of the Company.

On behalf of Board of Directors



Ravi Venkatesan
Chairman

Pune : June 6, 2002

Cummins India Limited

AUDITORS' REPORT

To the Members of CUMMINS POWER SOLUTIONS LIMITED:

1. We have audited the accompanying balance sheet of CUMMINS POWER SOLUTIONS LIMITED ('the Company') at March 31, 2002 and the statements of profit and loss for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of CUMMINS POWER SOLUTIONS LIMITED at March 31, 2002 and of its profit for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

5. As more fully discussed in Note 16 of Schedule 12 to the financial statements, the Board of Directors of the Company has approved a Scheme of Amalgamation with Cummins India Limited, the holding company, with effect from April 1, 2002. Pending appropriate approvals, the accompanying financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis.
6. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : June 6, 2002

SECOND ANNUAL REPORT - 2002
Cummins Power Solutions Limited

ANNEXURE TO AUDITORS' REPORT – MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of the assets during the year, other than certain assets lying with third parties, and no material 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, 2002.
3. Physical verification has been conducted by management during the year in respect of stocks of finished goods, stores and spare parts. 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 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 a basis consistent with the preceding year.
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, which are prima facie prejudicial to the interest of the Company.
8. Parties to whom loans, or advances in the nature of loans have been given by the Company, 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 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, 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. 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 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. As the Company did not have any inventories at March 31, 2002, 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.
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 Company's operations do not generate any realisable by-products or scrap.

Cummins India Limited

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 are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.
16. According to the records of the Company, Provident Fund dues, where deducted/accrued in the books of account, have been regularly deposited during the year 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, 2002.
17. According to the records of the Company, and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, 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, 2002, 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, 2002, the clause relating to the determination of damaged traded goods is not applicable to the Company.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : June 6, 2002

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Cummins Power Solutions Limited

BALANCE SHEET AS AT MARCH 31, 2002

	Schedule Number	Rupees '000	As at March 31, 2002 Rupees '000	As at March 31, 2001 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds				
Share capital	1	69,901		45,001
Share application money pending allotment		—		24,900
Reserves and surplus	2	14,814		6,784
			84,715	76,685
Loan funds				
Unsecured loan	3		15,000	—
Lease rentals payable				
			3,454	2,150
Deferred tax liability				
	4		3,820	—
			106,989	78,835
APPLICATION OF FUNDS :				
Fixed assets				
Gross block	5	101,518		65,265
Less : depreciation		9,505		1,685
Net block			92,013	63,580
Investments				
	6		5	—
Lease rentals receivable				
	7		42,703	23,516
Current assets, loans and advances				
Sundry debtors	8	39,457		30,304
Cash and bank balances		5,460		2,441
Loans and advances		14,354		4,799
		59,271		37,544
Less : Current liabilities and provisions				
Current liabilities	9	74,722		40,383
Provisions		12,281		5,422
		87,003		45,805
Net current liabilities			(27,732)	(8,261)
			106,989	78,835
Notes :	12			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

ARVIND SETHI
Partner

RAVI VENKATESAN
Chairman

PRADEEP BHARGAVA
Managing Director

Pune : June 6, 2002

Pune : June 6, 2002

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

	Rupees '000	Rupees '000	Year ended March 31, 2002 Rupees '000	Period ended March 31, 2001 Rupees '000
INCOME :				
Sales and other income (Schedule 10)			188,029	84,324
EXPENDITURE :				
Cost of sales and other expenses (Schedule 11)	163,648			73,738
Depreciation	7,916			1,685
		171,564		75,423
INTEREST :				
on fixed loans	919			—
others	446			17
		1,365		17
			172,929	75,440
Profit before taxation			15,100	8,884
Provision for income tax				
Current tax		3,250		2,100
Deferred tax		2,153		—
		5,403		2,100
Net profit for the year/ period			9,697	6,784
Balance carried forward from last balance sheet		6,784		—
<i>Less : Cumulative net deferred tax liability in respect of earlier years (see note 3, schedule 12)</i>		1,667		—
			5,117	—
Balance carried to balance sheet			14,814	6,784

Notes : Schedule 12

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

ARVIND SETHI
Partner

RAVI VENKATESAN
Chairman

PRADEEP BHARGAVA
Managing Director

Pune : June 6, 2002

Pune : June 6, 2002

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Cummins Power Solutions Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2002 Rupees '000	As at March 31, 2001 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised : 7,500,000 (previous period 7,500,000) equity shares of Rs.10 each	<u>75,000</u>	<u>75,000</u>
Issued and subscribed : 6,990,100 (previous period 4,500,100) equity shares of Rs.10 each	<u>69,901</u>	<u>45,001</u>
Of the above 6,989,600 (previous period 4,500,100) equity shares are held by Cummins India Limited, the Holding Company and its nominees. Of the balance, 100 (previous period Nil) equity shares each are held by Cummins Infotech Limited, Power Systems India Limited, Cummins Diesel Sales & Service (India) Limited, and Cummins Auto Services Limited, which are subsidiaries of Cummins India Limited.		
SCHEDULE NO. 2		
RESERVES AND SURPLUS :		
Profit and loss account	14,814	6,784
	<u>14,814</u>	<u>6,784</u>
SCHEDULE NO. 3		
UNSECURED LOAN :		
Short term loans (from other than banks) :		
Intercorporate deposits	15,000	—
	<u>15,000</u>	<u>—</u>
SCHEDULE NO. 4		
DEFERRED TAX LIABILITY (NET) :		
(see note 3, schedule 12)		
Lease rentals payable	307	—
Fixed assets	4,629	—
Lease rentals receivable	2,718	—
Sundry debtors	(1,092)	—
Provision for leave encashment	(147)	—
Provision for maintenance and overhaul of power generating equipment	(2,489)	—
Preliminary expenditure	(106)	—
	<u>3,820</u>	<u>—</u>

Cummins India Limited

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	<i>Gross block (at cost) as at March 31, 2001</i>	Additions	Deductions	Gross block (at cost) as at March 31, 2002	Depreciation as per schedule 5A	Net Block as at March 31, 2002
Plant and machinery*	50,316	30,390	1,395	79,311	8,666	70,645
Furniture, Fittings and Other equipment	1,593	1,275	37	2,831	348	2,483
Vehicles **	3,478	1,119	—	4,597	491	4,106
	55,387	32,784	1,432	86,739	9,505	77,234
	—	(55,387)	—	(55,387)	(1,685)	(53,702)
Capital work-in-progress				14,779	—	14,779
				(9,878)	—	(9,878)
				101,518	9,505	92,013
				(65,265)	(1,685)	(63,580)

Figures in brackets are in respect of the previous period

SCHEDULE NO. 5A

ACCUMULATED DEPRECIATION :

Rupees '000

Particulars	<i>Depreciation as on March 31, 2001</i>	Depreciation for the year	Depreciation on deductions	Total Depreciation Upto March 31, 2002
Plant and machinery *	1,607	7,154	95	8,666
Furniture, Fittings and Other equipment	20	329	1	348
Vehicles **	58	433	—	491
	1,685	7,916	96	9,505
	(—)	(1,685)	(—)	(1,685)

Figures in brackets are in respect of the previous period

Notes :

* includes power generating equipment costing Rs.72,177,290 (net block Rs.64,943,901) given under operating lease arrangements and office equipment costing Rs. 890,443 (net block Rs. 828,640), acquired under finance leases

** includes vehicles costing Rs. 3,761,782 (net block Rs. 3,390,074), acquired under finance leases

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Cummins Power Solutions Limited

SCHEDULES FORMING PART OF BALANCE SHEET

			As at March 31, 2002 Rupees '000	As at March 31, 2001 Rupees '000
SCHEDULE NO. 6				
INVESTMENTS :				
	Face value per unit			
Number	Rupees			
LONG TERM INVESTMENTS AT COST, UNQUOTED				
Trade Investments :				
Fully paid ordinary/ equity shares				
100	10	Power Systems India Limited	1	—
100	10	Cummins Diesel Sales & Service (India) Limited	1	—
100	10	Nelson Engine Systems Limited	1	—
100	10	Cummins Infotech Limited	1	—
100	10	Cummins Auto Services Limited	1	—
			5	—
			5	—

All the above companies are companies under the same management

SCHEDULE NO. 7				
LEASE RENTALS RECEIVABLE :				
(Secured, considered good)				
Over six months			—	—
Others		42,703		23,516
			42,703	23,516
			42,703	23,516

Cummins India Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	Rupees '000	Rupees '000	As at March 31, 2002 Rupees '000	As at March 31, 2001 Rupees '000
SCHEDULE NO. 8				
CURRENT ASSETS, LOANS AND ADVANCES :				
Sundry Debtors :				
(see note 5 (a), schedule 12)				
Secured : considered good				
Over six months	1,645			—
Others	—			—
	<u> </u>	1,645		<u> </u>
Unsecured :				
Over six months				
Considered good	420			—
Considered doubtful	2,599			—
	<u> </u>			<u> </u>
		3,019		—
Others				
Considered good	37,392			30,304
Considered doubtful	460			—
	<u> </u>			<u> </u>
		40,871		30,304
Less : Provision for doubtful debts	3,059			—
	<u> </u>			<u> </u>
		<u> </u>		<u> </u>
		37,812		30,304
			39,457	30,304
Cash and bank balances :				
Cash on hand		16		3
Cheques on hand		399		906
Balance with scheduled bank :				
on current account	5,045			—
on deposit account	—			1,532
	<u> </u>			<u> </u>
		<u> </u>		<u> </u>
		5,045		1,532
			5,460	2,441
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)			14,354	4,799
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
			59,271	37,544

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Cummins Power Solutions Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	Rupees '000	As at March 31, 2002 Rupees '000	<i>As at March 31, 2001 Rupees '000</i>
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities :			
Sundry creditors (see note 4 (a) and (b), schedule 12)	65,226		34,671
Advances from customers	9,496		4,372
Credit balance of bank - represents book overdraft	—		1,340
		74,722	40,383
Provisions :			
Taxation (net of advance)	1,553		988
Leave entitlement	333		—
Provision for maintenance and overhaul of power generating equipment	10,395		4,434
		12,281	5,422
		87,003	45,805

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rupees '000	Year ended March 31, 2002 Rupees '000	<i>Period ended March 31, 2001 Rupees '000</i>
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
Sales and service income (see note 6, schedule 12)		182,089	82,604
Interest income :			
on leases	5,036		1,688
others (tax deducted at source Rs. 16,928, previous period Rs. Nil)	112		32
		5,148	1,720
Miscellaneous income		792	—
		188,029	84,324

Cummins India Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Year ended March 31, 2002 Rupees '000	<i>Period ended March 31, 2001 Rupees '000</i>
SCHEDULE NO. 11		
COST OF SALES AND OTHER EXPENSES :		
Purchase of goods for resale (see note 7, schedule 12)	38,781	<i>34,368</i>
Payments to and provisions for employees :		
Salaries and bonus	12,751	<i>3,579</i>
Company's contribution to Provident and other funds	1,379	<i>242</i>
Welfare expenses	614	<i>249</i>
	14,744	<i>4,070</i>
Operation and other expenses :		
Lease rentals on power generating equipment	42,041	<i>11,183</i>
Installation and maintenance of power generating equipment	31,025	<i>8,278</i>
Dealer commission	5,707	<i>2,295</i>
Travelling and conveyance	7,297	<i>3,596</i>
Insurance	3,799	<i>600</i>
Freight and forwarding charges	3,205	<i>633</i>
Communication	3,479	<i>1,008</i>
Provision for doubtful debts	3,059	<i>—</i>
Repairs - machinery	1,834	<i>76</i>
Repairs - others	110	<i>6</i>
Rent	1,525	<i>834</i>
Rates and taxes	423	<i>1,769</i>
Loss on sale of assets (net)	300	<i>—</i>
Bad debts written off	—	<i>637</i>
Preliminary expenses written off	—	<i>496</i>
Miscellaneous expenses	6,319	<i>3,889</i>
	110,123	<i>35,300</i>
	163,648	<i>73,738</i>

Cummins Power Solutions Limited

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE NO. 12

1. Significant accounting policies

a) 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. The cost of fixed assets includes exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.
- 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 useful life of assets, whichever is higher. Power generating equipment is depreciated over nine years. Data processing machines are depreciated over four years.

b) Investments

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

c) Inventories

Inventories are stated at lower of cost and net realisable value. The material costs are determined on weighted average basis.

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

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of the 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.

e) 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 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 :

Cummins India Limited

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

- 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 services is recognised on completion of services as per the terms of specific contracts.
- f) 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 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.
- g) Leave encashment entitlement**
- Liability for leave encashment has been determined as at the year end, based on an actuarial valuation by an independent actuary.
- h) Provision for overhaul**
- Cost of planned major overhaul of equipment is provided for by estimating the future cost of the overhaul and accruing the same, based on actual hours incurred till date.
- i) Lease charges under operating leases**
- Lease charges under operating leases are recognised as an expense on straight line basis over the lease term.
- j) Income tax**
- Provision for current income-tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising from unabsorbed depreciation or carry forward of losses under tax laws are recognised only to the extent that there is virtual certainty of realisation. Other deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty of realisation.

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Cummins Power Solutions Limited

**NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

2. Capital commitments

Rupees '000 *Previous period*
Rupees '000

Capital commitments	85	—
---------------------	----	---

3. In accordance with Accounting Standard 22 ('AS-22'), 'Accounting for taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax with effect from the current year. The net cumulative effect of recognition of deferred tax liability upto March 31, 2001 amounting to Rs. 1,666,631 has been adjusted to Profit and loss account as on April 1, 2001. Consequent to this change, the net profit for the year is lower by Rs. 2,153,613 and the reserves as at March 31, 2002 are lower by Rs. 3,820,244.

4. a) Sundry creditors include Rs. 65,170 (*previous period Rs. Nil*) due to small scale industrial undertaking.

b) The small scale industrial undertakings to whom the Company owes any sum for more than thirty days, are as follows :

Flow Tech Air (P) Ltd
Staco Steel (India) Pvt. Ltd.
Steelflex
Suprik Engineers

The small scale industrial undertaking status has been reckoned on the basis of information available with the Company.

5. a) Sundry debtors include Rs. 768,740 (*previous period Rs. Nil*) due from companies under the same management.

b) Advances recoverable in cash or in kind or for value to be received include Rs. 77,341 (*previous period Rs. Nil*) due from Cummins Auto Services Limited, a company under the same management.

6. Sales and service income

	Qty. Nos.	Value Rupees '000
Lease rentals from equipment		130,526 (44,786)
Goods for resale :		
Equipment (including 26 nos. (<i>previous period 7 nos.</i>) under finance lease arrangements)	37 (9)	35,963 (32,822)
Others	— —	4,188 (1,701)
Gross income from services rendered		11,412 (3,295)
		182,089 (82,604)

Figures in brackets are in respect of the previous period

Cummins India Limited

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

7. Details of purchase of goods for resale

	Qty. Nos.	Value Rupees '000	Previous period Qty. Nos.	Value Rupees'000
Equipment (including 26 nos. (previous period 7 nos.) under finance lease arrangements)	37	34,515	9	32,667
Others	—	4,266	—	1,701
		38,781		34,368

8. Lease income

- i) The Company provides equipment under finance lease arrangements for periods up to five years. The minimum lease payments receivable in respect of these arrangements are as follows :

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	17,234 (6,250)	36,524 (25,787)	53,758 (32,037)
Less : Unearned finance income	5,254 (3,095)	5,801 (5,426)	11,055 (8,521)
Present value of minimum lease payments receivable	11,980 (3,155)	30,723 (20,361)	42,703 (23,516)

Figures in brackets are in respect of the previous period

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. 3,139,777 (previous period Rs. 2,089,756).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sub lease arrangements, due within 12 months, aggregate Rs. 4,745,880 (previous period Rs. 4,502,039)
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. 98,454,088 (previous period Rs. 35,105,352).

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Cummins Power Solutions Limited

**NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

9. Lease commitments

i) Finance lease :

The Company acquires vehicles and office equipment under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2002 are as follows :

	Due within 12 months	Due between 12 – 60 months	Total amount due
	Rupees '000	Rupees '000	Rupees '000
Minimum lease payments	1,074 (618)	3,458 (2,414)	4,532 (3,032)
Less : Amount representing interest	422 (302)	656 (580)	1,078 (882)
Present value of minimum lease payments	652 (316)	2,802 (1,834)	3,454 (2,150)

Figures in brackets are in respect of the previous period

ii) Operating lease :

The Company has acquired equipment under operating lease arrangements at stipulated rentals for a period of five years. The future minimum lease payments under these leases as of March 31, 2002 are as follows :

	Due within 12 months	Due between 12 – 60 months	Total amount due
	Rupees '000	Rupees '000	Rupees '000
Minimum lease payments	17,127 (18,074)	43,006 (63,260)	60,133 (81,334)

Figures in brackets are in respect of the previous period

10. Remuneration to auditors

	Rupees '000	<i>Previous period Rupees '000</i>
Audit fees	617	450
Other services	310	50
Reimbursement of out of pocket expenses	4	—
	931	500

Cummins India Limited

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

11. Managerial remuneration

	Rupees '000	<i>Previous period</i> Rupees '000
Salary	900	511
Perquisites in cash or in kind	724	201
	1,624	712

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 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.

12. Earnings in foreign currency

	Rupees '000	<i>Previous period</i> Rupees '000
Consultancy charges	—	775
	—	775

13. Expenditure in foreign currency

	Rupees '000	<i>Previous period</i> Rupees '000
Travel	185	—
	185	—

14. The net exchange difference (gains/(losses)) appropriately recognised in the profit and loss account – Rs. (6,110) (*previous period* Rs. (20,138)).
15. Consequent to the change in the basis of determination of the Company's year-end accrued liability towards leave encashment to the actuarial method of valuation, the current year's profit before tax is higher by Rs. 78,580 and provisions are lower by Rs. 78,580.
16. The Board of Directors of the Company has subject to appropriate approvals, approved a Scheme of Amalgamation with Cummins India Limited, the holding company, with effect from April 1, 2002. In accordance with the Scheme, Cummins India Limited shall take over all the assets and liabilities of the Company at book value, on a going concern basis. Accordingly, the financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis.
17. Amounts for the period ended March 31, 2001 are for the period from July 19, 2000 (date of incorporation) to March 31, 2001 and hence not comparable to the current year's amounts.
18. Prior period amounts have been reclassified, wherever necessary, to conform to the current year's presentation.

Signatories to Schedules 1 to 12

RAVI VENKATESAN
Chairman

PRADEEP BHARGAVA
Managing Director

Pune : June 6, 2002

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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, 2002
		Rupees '000
II. CAPITAL RAISED DURING THE PERIOD ENDED MARCH 31, 2002 :		
Public issue		NIL
Right issue		NIL
Bonus issue		NIL
Private placement		24,900
III. POSITION OF MOBILISATION OF FUNDS AND DEPLOYMENT OF FUNDS :		
Total liabilities		106,989
		<hr/>
Total assets		106,989
		<hr/>
Sources of funds -		
Paid up capital		69,901
Reserves and surplus		14,814
Unsecured loan		15,000
Lease rentals payable		3,454
Deferred tax liability		3,820
	Total	106,989
		<hr/>
Application of funds -		
Net fixed assets		92,013
Investments		5
Lease rentals receivable		42,703
Net current liabilities		(27,732)
	Total	106,989
		<hr/>
		Rupees '000
IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2002 :		
i)	Turnover (Sale of goods and other income as per audited profit and loss account)	188,029
ii)	Total expenditure	172,929
iii)	Profit before tax	15,100
iv)	Profit after tax	9,697
v)	Basic and diluted earnings per share (See note 3 below) (face value of Rs.10)	Rs. 1.57
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 lease arrangements	
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, 2002 and the profit and loss account for the year ended on that date.
- Total liabilities include share capital Rs. 69.90 million, and Reserves and surplus Rs. 14.81 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by the weighted average number of equity shares (6,160,100 equity shares) outstanding during the year.

**Third Annual Report
for the year ended March 31,2002 of
Cummins Infotech Limited**

BOARD OF DIRECTORS :

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

BANKERS :

HDFC Bank Ltd.

AUDITORS :

ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants
4th Floor, Office # 2
Great Eastern Plaza
Airport / Nagar Road Junction
Pune 411 006
India

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

THIRD ANNUAL REPORT - 2002

Cummins Infotech Limited

DIRECTORS' REPORT

The Directors of Cummins Infotech Limited have pleasure in presenting the Third Annual Report and the audited accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS :

	April 1, 2001 to March 31, 2002 Rupees '000	April 1, 2000 to March 31, 2001 Rupees '000
Revenue	66,128	9,444
Profit / (Loss) after tax	(723)	(10,436)

AMALGAMATION :

The Board of Directors of your Company have approved the Scheme of Amalgamation of your Company with KPIT Infosystems Limited effective January 1, 2002.

OPERATIONS :

During the period under review, the Company made significant improvements in the volume of business from Rs.9.4 Million to Rs.66 Million. The revenues and operational returns have consistently shown a positive trend since the last 9 months. The Company has established 3 distinct areas of services in Web technologies, Oracle based applications and Lotus Notes based applications and has been approved by Cummins Inc. as a Global preferred Vendor for these services in these areas. Infrastructure, Software Development and Quality systems put in place over the year have showed results and the Company received the highest quality and customer satisfaction rating among preferred vendors of Cummins by January 2002. The Company is currently operating at a healthy rate of revenue growth and is poised to reap the benefits of investments made over the past two years.

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.

During the year under review, your Company earned foreign exchange to the tune of Rs. 51,942,000 and the foreign exchange outflow was to the tune of Rs. 12,705,000.

DIRECTORS :

The Board of Directors in their meeting held on April 17, 2002 have co-opted Mr. S. G. Sarpotdar as additional Director. Mr. J. M. Crowther has tendered his resignation as a Director of the Company with effect from April 17, 2002. The Board has placed on record its appreciation for the valuable contribution made by Mr. J. M. Crowther.

Cummins India Limited

AUDITORS :

Arthur Andersen & Associates, Chartered Accountants, the Auditors of the Company, have conveyed that they do not wish to seek re-appointment as Auditors of the Company at the ensuing Annual General Meeting. The Board placed on record their appreciation of the valuable services rendered to the Company by Arthur Andersen & Associates, Chartered Accountants. The Board of Directors recommend the appointment of Price Waterhouse, Chartered Accountants, as the Auditors of the Company in the place of Arthur Andersen & Associates, from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

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 :

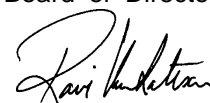
In pursuance of the provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company have constituted an audit committee consisting of the following members, Mr. Ravi Venkatesan, Mr. J. M. Rugg and Mr. A. S. Bhagwat.

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 standards.
- 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 true and fair view of the state of affairs of the Company as on March 31, 2002 and of the profit for the period April 1, 2001 to March 31, 2002.
- c. 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; and
- d. The 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, 2002

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2002

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	36	B.Sc. PGDPM & IR	14	Chief Executive Officer	01/03/2000	2,598,782	1,876,200	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 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 the 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, 2002

Cummins India Limited

AUDITORS' REPORT

To the Members of
CUMMINS INFOTECH LIMITED :

1. We have audited the accompanying balance sheet of CUMMINS INFOTECH LIMITED ('the Company') at March 31, 2002 and the statement of profit and loss for the year then ended, prepared in conformity with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements.
 - a. give the information required by the Indian Companies Act, 1956 ('the Act'), in the manner so required; and
 - b. give a true and fair view of the state of affairs of CUMMINS INFOTECH LIMITED at March 31, 2002 and of its loss for the year then ended, in conformity with the accounting principles generally accepted in India.

Further, the balance sheet and the statement of profit and loss comply with the accounting standards referred to in section 211(3C) of the Act and are in agreement with the books of account. In our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

5. As more fully discussed in Note 9 to Schedule 8 to the financial statements, the Board of Directors of the Company has approved a Scheme of Amalgamation with KPIT Infosystems Limited with effect from January 1, 2002. Pending appropriate approvals, the accompanying financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis and do not include any adjustments to effect the proposed merger. We are informed by management that the assets and liabilities of the Company as at December 31, 2001 are being identified for the purposes of the above scheme of Amalgamation.
6. On the basis of information and explanations given to us, and representations obtained by the Company and taken on record by the Board of Directors, as on March 31, 2002 none of the directors are disqualified from being appointed as directors in terms of section 274(1)(g) of the Act.
7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4A) of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

ANNEXURE TO AUDITORS' REPORT - MARCH 31, 2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company conducted a physical verification of most of the assets during the year and no material 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, 2002.
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, which are prima facie prejudicial to the interest of the company.
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 or as rescheduled.
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 from the public 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 the size of the Company and the nature of its business.
11. We are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act 1956.
12. According to the records of the Company, Provident fund dues, where deducted/ accrued in the books of account, have been regularly deposited during the year with the appropriate authorities. As explained to us, the provisions of the Employee's State Insurance Act, 1948 are not applicable to the Company for the year ended March 31, 2002.

Cummins India Limited

13. According to the records of the Company and according to the information and explanations given to us, there were no undisputed amounts outstanding at March 31, 2002, 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.
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 the profit and loss account for the year ended March 31, 2002, 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. We are informed that the nature of the Company's service activity does not involve the consumption of materials and stores.
17. The Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size 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, on allocation of labour to jobs.

Arthur Andersen & Associates
Chartered Accountants

Arvind Sethi
Partner

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

BALANCE SHEET AS AT MARCH 31, 2002

	Schedule Number	Rupees '000	As at 31st March, 2002 Rupees '000	As at 31st March, 2001 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1		77,500	77,500
Lease Rentals Payable			831	1,021
			<u>78,331</u>	<u>78,521</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	2	30,905		27,331
Less : depreciation		7,994		1,664
Net block			22,911	25,667
Investments	3		5	—
Current assets, loans and advances :				
Sundry debtors	4	26,460		4,450
Cash and bank balances		27,781		39,685
Unbilled Revenue		570		—
Other Current Assets		1,491		46
Loans and advances		3,411		4,528
		59,713		48,709
Less : Current liabilities and provisions :				
Current liabilities	5	15,788		6,234
Provisions		439		194
		16,227		6,428
Net current assets			43,486	42,281
Profit and Loss Account			11,929	10,573
			<u>78,331</u>	<u>78,521</u>
Notes :	8			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

ARVIND SETHI
Partner

Pune : June 6, 2002

RAVI VENKATESAN
Chairman

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

Cummins India Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

	Schedule Number	Rupees '000	Rupees '000	Previous year Rupees '000
INCOME :				
Sales and other income	6		68,370	10,566
EXPENDITURE :				
Cost of sales and other expenses	7	62,659		19,270
Depreciation		6,330		1,663
INTEREST :				
on fixed loans		104		69
			69,093	21,002
LOSS				
			(723)	(10,436)
Provision for current tax			633	—
NET LOSS				
			(1,356)	(10,436)
Profit and loss account, beginning of the year / period			(10,573)	(137)
Profit and loss account, end of the year			(11,929)	(10,573)
Notes :				
	8			

For ARTHUR ANDERSEN & ASSOCIATES
Chartered Accountants

ARVIND SETHI
Partner

Pune : June 6, 2002

RAVI VENKATESAN
Chairman

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
8,000,000 equity shares of Rs. 10 each <i>(previous year 8,000,000 equity shares of Rs. 10 each)</i>	80,000	<i>80,000</i>
Issued and subscribed :		
7,750,000 equity shares of Rs. 10 each <i>(previous year 7,750,000 equity shares of Rs. 10 each)</i>	77,500	<i>77,500</i>

Of the above equity shares; 3,781,620 shares of Rs. 10 each *(previous year 3,781,620 shares of Rs. 10 each)* are held by Cummins Inc., USA and 3,967,880 shares of Rs. 10 each *(previous year 3,968,380 shares of Rs. 10 each)* are held by Cummins India Limited, the holding company, which is a 51 percent subsidiary of Cummins Inc., USA. Of the balance, 100 shares each *(previous year nil)* are held by Cummins Power Solutions Limited, Cummins Auto Services Ltd, Cummins Diesel Sales and Service and Power Systems India Limited, which are subsidiaries of Cummins India Limited

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

SCHEDULE NO. 2

FIXED ASSETS :

Rupees '000

Particulars	<i>Gross block (at cost) as at 31st March, 2001</i>	Additions	Deductions	Gross block (at cost) as at 31st March, 2002	Depreciation as per schedule 2A	Net block as at 31st March, 2002
Data Processing Equipment	9,649	5	—	9,654	3,168	6,486
Leasehold Improvements	2,285	45	—	2,330	848	1,482
Office Equipment	9,680	521	—	10,201	3,251	6,950
Furniture and fittings	4,439	3,003	—	7,442	546	6,895
Vehicles on Finance Lease	1,273	—	—	1,273	181	1,092
	27,326	3,574	—	30,900	7,994	22,905
	(173)	(27,153)	—	(27,326)	(1,664)	(25,662)
Capital work-in-progress				5	—	5
				(5)	—	(5)
				30,905	7,994	22,910
				(27,331)	(1,664)	(25,667)

Notes - Estimated amount of contracts remaining to be executed on capital account and not provided for was Rs. ('000s) 15 (previous year Rs. ('000s) 2,578). Figures in brackets are in respect of the previous year.

SCHEDULE NO. 2A

DEPRECIATION

Rupees '000

Particulars	<i>Depreciation upto 31st March, 2001</i>	Depreciation for the year	Total depreciation upto 31st March, 2002
Data Processing Equipment	755	2,413	3,168
Leasehold Improvements	74	774	848
Office Equipment	676	2,575	3,251
Furniture and fittings	99	447	546
Vehicles on Finance Lease	60	121	181
	1,664	6,330	7,994
	(1)	(1,663)	(1,664)

Figures in brackets are in respect of the previous year.

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

			As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 3				
INVESTMENTS:				
Face value per unit	Number	Rupees		
LONG TERM TRADE INVESTMENTS UNQUOTED AT COST				
Fully paid equity shares				
10	100	Cummins Diesel Sales and Service (India) Limited #	1	—
100	10	Nelson Engine Systems India Ltd #	1	—
100	10	Cummins Power Solutions Limited #	1	—
100	10	Power Systems India Limited #	1	—
100	10	Cummins Auto Services Limited #	1	—
			<u>5</u>	<u>—</u>
# Company under the same management				

SCHEDULE NO. 4

CURRENT ASSETS, LOANS AND ADVANCES:

Sundry debtors : Unsecured

Considered good :

Debts outstanding for a
period exceeding six months :

678

Other debts :

25,782

26,460

—

4,450

4,450

Cash and bank balances :

Cash on hand

5

Balances with scheduled banks :

on current account

3,226

on deposit account

24,550

27,781

39,685

Unbilled revenue

570

Other current assets :

Interest accrued on deposits

1,491

46

Loans and advances : Unsecured

Advances recoverable in cash
or in kind or for value to be
received

2,963

4,528

Taxation (net of provision)

448

3,411

59,713

48,709

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

	Rupees '000	As at 31st March, 2002 Rupees '000	<i>As at 31st March, 2001 Rupees '000</i>
SCHEDULE NO. 5			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Sundry creditors (Refer Schedule 8, Note 3)	14,007		<i>5,886</i>
Advances from customers	1,781		<i>348</i>
		15,788	<i>6,234</i>
Provisions :			
Pension and leave entitlement (Refer Schedule 8, Note 8)	254		<i>109</i>
Others	185		<i>85</i>
		439	<i>194</i>
		<u>16,227</u>	<u><i>6,428</i></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

SCHEDULE NO. 6

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SALES AND OTHER INCOME :			
Sales		66,128	<i>9,444</i>
Interest on deposits (tax deducted at source : Rs. 645,241, <i>previous year Rs. 246,821</i>)		2,161	<i>1,112</i>
Miscellaneous income		81	<i>10</i>
		<u>68,370</u>	<u><i>10,566</i></u>

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Cummins Infotech Limited

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED MARCH 31, 2002**

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 7			
COST OF SALES AND OTHER EXPENSES :			
Payments to and provision for employees :			
Salaries,wages,bonus,commission,etc.	25,431		8,191
Company's contribution to provident and other funds	839		216
Welfare expenses	787		358
		27,057	8,765
Other expenses :			
Repairs to machinery	26		151
Other repairs	54		3
Power and fuel	1,197		102
Rent	3,527		951
Rates and Taxes	123		501
Insurance	297		39
Travelling and conveyance	17,129		4,262
Communication	2,054		839
Legal and professional	7,836		940
Computer expenses	2,014		738
Other expenses	1,345		1,979
		35,602	10,505
		62,659	19,270

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE NO. 8

1. Statement of significant accounting policies

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

(b) Investments

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

(c) 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.

(d) Revenue recognition

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

(e) Retirement benefits

Retirement benefits to employees comprise of gratuity and provident fund under the approved schemes of the Company. Liability for gratuity has been determined as at the year end based on an actuarial valuation by an independent actuary.

(f) Leave encashment entitlement

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

(g) Income Tax

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in the tax rates is recognised using the tax rates and tax laws that have been

THIRD ANNUAL REPORT - 2002
Cummins Infotech Limited

**NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

enacted or substantively enacted by the balance sheet date. Deferred tax assets arising from unabsorbed depreciation or carry forward of losses under tax laws are recognised only to the extent that there is virtual certainty of realisation. Other deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty of realisation.

2. Finance lease obligation

The Company acquires vehicles under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2002 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 (293)	708 (1000)	1,001 (1,293)
Less amount representing interest	81 (103)	89 (169)	170 (272)
Present value of minimum lease payments	212 (190)	619 (831)	831 (1,021)

Figures in brackets are in respect of the previous year.

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

	Rs '000	<i>Previous year</i> Rs '000
4. Payments to auditors		
Audit fees	275	252
Tax audit	87	—
Out of pocket expenses	18	—
	<u>380</u>	<u>252</u>
5. Value of imports on CIF basis		
Capital goods	179	3,124
6. Expenditure in foreign currency		
Travel expenses	12,526	1,296
7. Earnings in foreign currency		
Income from software development	51,942	5,022

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT MARCH 31, 2002 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

8. (a) Consequent to the change in the basis of determination of the Company's year-end accrued liability towards leave encashment to the actuarial method of valuation, the current year's profit before tax is higher and provisions are lower by Rs 54,000.
- (b) Consequent to the change in the basis of determination of the Company's year-end accrued liability towards gratuity to the actuarial method of valuation, the current year's profit before tax is higher and provisions are lower by Rs 215,000.
9. The Board of Directors of the Company subject to appropriate approvals, approved a Scheme of Amalgamation ('Scheme') with KPIT Infosystems Limited, Pune ('KPIT'). In accordance with the scheme, KPIT shall take over all the assets and liabilities of the Company on a going concern basis.

In consideration of the amalgamation of the Company with KPIT, it is proposed that the shareholders of the Company be issued and allotted 704,000 equity shares of Rs. 10 each credited as fully paid. In addition, shareholders of CIT shall also be entitled to 1,933,000 options convertible into equity shares of Rs. 10 each, credited as fully paid up on fulfillment of certain terms and conditions mentioned in the Scheme.

Upon approval of the Scheme, the Company would be deemed to have carried the business and hold the property and all profits or losses arising therefrom with effect from January 1, 2002, in trust for and on behalf of KPIT. However, pending appropriate approvals, the financial statements as at and for the year ended March 31, 2002, have been prepared on a going concern basis and do not include any adjustments to effect the proposed merger.

10. Previous year's figures have been regrouped / recast wherever necessary.

Signatories to Schedules 1 to 8.

RAVI VENKATESAN
Chairman

SHRIKANT SARPOTDAR
Director

Pune : June 6, 2002

THIRD ANNUAL REPORT - 2002

Cummins Infotech 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 Number		25-14014
State Code		11
Balance Sheet Date		March 31, 2002
		<u>Rupees '000</u>
II. CAPITAL RAISED DURING THE YEAR ENDED MARCH 31, 2002		
Public Issue		—
Right Issue		—
Bonus Issue		—
Private Placement		—
		<u>—</u>
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT MARCH 31, 2002.		
Total Liabilities		78,331
		<u>—</u>
Total Assets		78,331
		<u>—</u>
Sources of Funds -		
Paid up Capital		77,500
Reserves & Surplus		—
Secured Loans		—
Unsecured Loans		—
Lease rentals payable		831
		<u>—</u>
	Total	78,331
		<u>—</u>
Application of Funds -		
Net Fixed Assets		22,911
Investments		5
Net Current Assets		43,486
Miscellaneous Expenditure		—
Accumulated Losses		11,929
		<u>—</u>
	Total	78,331
		<u>—</u>
IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2002.		
i) Turnover		68,370
ii) Total Expenditure		69,093
iii) (Loss) / Profit before tax		(723)
iv) (Loss) / Profit after tax		(1,356)
v) Earnings per share in Rs.		(0.15)
vi) Dividend Rate %age		—
		<u>—</u>
V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY :		
Software development and related activities.		

Notes:

The above particulars should be read alongwith the balance sheet as at March 31, 2002, the profit and loss account for the year then ended and the schedules forming part thereof.

Earning per share is arrived at by dividing the (loss)/profit after tax for the current year by the total weighted average number of shares issued and subscribed (i.e. 7,750,000 nos.).