

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 :

PRICE WATERHOUSE
Chartered Accountants
1102/1107, Raheja Chambers
Nariman Point
Mumbai 400 021

REGISTRAR & TRANSFER AGENT :

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg
Bhandup (West)
Mumbai 400 078
Phone : (022) 25923837
Fax : (022) 25672693

Cummins India Limited

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Website : www.cumminsindia.com

Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

Particulars	2002-03	2001-02	2000-01	1999-2000	1998-99
Total income	877.64	777.31	882.94	846.90	661.75
Raw material	511.41	453.64	518.46	518.98	388.74
Employee cost	96.62	78.98	72.31	69.90	60.58
Mfg. exps. and overheads	68.92	73.49	87.58	74.70	59.88
Adm.,selling and other exps.	50.17	31.07	31.96	26.12	19.98
Interest	3.04	1.45	1.92	3.43	3.51
Depreciation	26.58	24.67	26.18	24.60	22.12
Net profit before tax	120.92	114.01	144.54	129.17	106.94
Tax provision on income (Net of Excess/Short provision for prior years)	26.61	27.70	35.61	35.86	32.14
Net profit after tax	94.31	86.31	108.93	93.31	74.79
Effect of restatement of opening inventory on revised basis	—	—	—	8.82	—
Balance of profit	94.31	86.31	108.93	102.13	74.79
Dividend	79.20	29.70	25.74	19.80	15.84
Additional Income tax on dividend	10.15	0.00	2.63	2.83	1.74
Earnings in foreign exchange	176.21	275.55	288.82	277.50	128.84
Dividend %	200.00	75.00	65.00	50.00	40.00
Earning per share (Face value of Rs. 2)	4.76	4.36	5.50	4.71	3.78

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-Second Annual Report and the audited accounts of the Company for the year ended March 31, 2003.

FINANCIAL RESULTS:

During the year under review, net sales turnover was Rs. 8,320 million (Rs.832 crore) as against Rs. 7,409 million (Rs. 741 crore) during the corresponding previous year (12% higher). Export earnings were Rs.1,762 million (Rs. 176 crore) as against Rs. 2,756 million (Rs. 275 crore) during the corresponding previous year. Profit after tax was Rs. 943 million (Rs. 94 crore) against Rs. 863 million (Rs. 86 crore).

	2002-2003 (Rs. '000)	2001-2002 (Rs. '000)
PROFIT :		
Profit before taxation	1,209,164	1,140,120
Net Profit for the year but before tax on proposed dividend	943,073	863,093
Tax on dividend	101,475	—
Dividend	792,000	297,000
Transferred to General Reserve	133,491	266,093
Balance carried to Balance Sheet	750,000	750,000

AMALGAMATION :

As indicated in the earlier report, Power Systems India Limited (PSIL) and Cummins Power Solutions Limited (CPSL), subsidiaries of the Company, have amalgamated in Cummins India Limited on January 24, 2003 w.e.f. April 1, 2002, therefore, the above financial results include the figures of erstwhile PSIL and CPSL and hence, are not comparable with the earlier year's figures. Cummins Infotech Limited, a subsidiary of the Company amalgamated with KPIT Infosystems Limited, Pune on January 10, 2003 w.e.f. January 1, 2002.

DIVIDEND :

Your Directors have declared an interim dividend @ 200 per cent on equity share capital of Rs. 396 million of the Company for the year ended March 31, 2003, as against 75% declared for the previous year ended March 31, 2002.

It is proposed to approve the interim dividend as final dividend for the year ended March 31, 2003.

CONSOLIDATED FINANCIAL STATEMENTS :

The Company has prepared Consolidated Financial Statements of Cummins India Limited and its subsidiaries as at March 31, 2003, in accordance with Accounting Standard 21('AS21), on 'Consolidated Financial

Cummins India Limited

Statements' issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements are circulated with the Annual Report.

SUBSIDIARIES :

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

The sales and other income of Cummins Diesel Sales and Service (India) Limited (CDS&S) for the year ended March 31, 2003, was Rs. 3,905 million (Rs. 390 crore) as against Rs. 3,311 million (Rs. 331 crore) during the corresponding previous year. We are pleased to inform you that CDS&S has declared dividend of 267% during the year ended March 31, 2003 as against 15% during the previous year ended March 31, 2002. CDS&S is engaged in the business of sale of and providing after-sales-service to engines manufactured by your Company.

Cummins Auto Services Limited : (CASL)

The sales and other income of Cummins Auto Services Limited (CASL) for the year ended March 31, 2003, was Rs. 157 million (Rs. 16 crore) as against Rs. 71 million (Rs. 7 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.

JOINT VENTURE WITH NELSON :

As informed to you in the earlier reports, the Company has invested in Nelson Engine Systems India Limited (NESIL), a 50:50 Joint Venture Company between Nelson Industries Inc., U. S. A. and your Company. Nelson Industries Inc., U. S. A. has merged in Fleetguard Inc., U. S. A., effective January 2, 2002. However, Fleetguard Inc., U. S. A. will continue to support NESIL with technology.

Further, we are pleased to inform that NESIL has declared maiden dividend of 2.5 % for the year ended March 31, 2003.

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, 2003 and of the profit for the period April 1, 2002 to March 31, 2003;
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 optimization initiatives. These initiatives include :

- a. Modification of temperature controls on equipment.
- b. Energy effective lighting on Shop Floor including natural light.
- c. Heat recovery system for paint booth.

IMPACT OF THE ABOVE MEASURES :

Annual savings to the extent of 3.76 million units are estimated to be achieved due to the above energy conservation initiatives 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) Validation testing of components to approve locally developed component sources.
 - (b) Gaseous emissions and particulates measurement.
 - (c) Development of engines to meet Central Pollution Control Board 2003 Regulations.
 - (d) Performance optimization of engines for various applications.
 - (e) Value Engineering of engines through design and Finite element analysis.
 - (f) Development of new engines including diesel and alternate fuel engines.
 - (g) Development of new engines and genset electronic controls.

Cummins India Limited

2. The benefits derived as a result of above activities are :
 - (a) Reduction in product fuel consumption, Lub oil consumption and life cycle cost of engines.
 - (b) Improvement in quality, reliability and durability of engines and components.
 - (c) Environment friendly and emission regulation compliant engines.
 - (d) Increased market share and profitability.
3. Future plans :
 - (a) Development of engines for construction and industrial applications.
 - (b) Continuous upgradation of the Tech Center facilities to world class levels.
 - (c) Upgrade existing engine models to meet new emission norms.
 - (d) Undertake Joint projects with various Cummins entities in U.S.A. and U.K. for development and introduction of new type of engines, electronic controls and component design and analysis.
 - (e) Introduction of new engine models such as C series.
 - (f) Improvements to the existing engines such as the "E-cubed" on K50 engines.
 - (g) Development of new Lean Burn high horsepower, high efficiency natural gas engine.
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 :-

	2002-2003 (Rs. '000)	2001-2002 (Rs. '000)
a) Capital	23,791	20,860
b) Recurring	120,302	58,240
c) Total	144,093	79,100
d) Total R&D expenditure as a percentage of total sales turnover	1.73%	1.06%

FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 1,529 engines and achieved export earnings of Rs. 1,737 million (Rs.173.7 crore).

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

	2002-2003 (Rs. '000)	2001-2002 (Rs. '000)
(a) Earnings	1,762,121	2,755,520
(b) Outgo —		
— Raw Materials/ components	1,385,813	1,489,617
— Capital equipment	61,293	24,072
— Others	<u>284,453</u>	<u>255,560</u>
	1,731,559	1,769,249
Earnings as percentage of outgo on account of import of materials / components.	127%	185%

DIRECTORS :

The Board of Directors in their meeting held on April 25, 2003, co-opted Mr. Anant Talaulicar as an Additional Director effective April 25, 2003. Mr. Anant Talaulicar 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. Anant Talaulicar as Whole-time Director and his terms of appointment are being placed in the ensuing Annual General Meeting.

Mr. Pradeep Bhargava resigned as an Alternate Director to Mr. Jack Edwards w.e.f. April 26, 2003 and Mr. Jack Edwards resigned as a Director of the Company effective April 30, 2003. The Board of Directors place on record their appreciation for the contribution made by Mr. Bhargava and Mr. Edwards.

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


AUDITORS :

The Auditors, Price Waterhouse, Chartered Accountants, retire and are eligible for reappointment.

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

Mumbai : June 7, 2003

Cummins India Limited

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

1. Industry Structure and Developments.

1.1 Economic Trends and Implications

- Industrial and economic growth forecasted at approx. 6% with stronger capital investment outlook.
- Growth sectors such as Telecom and Construction expected to continue to show growth in 2003-04, driven by higher consumer spending and NHDP program.
- Industrial growth and capital investment levels have improved and this will drive the growth. We expect to see a positive impact of the same during the remainder of the year.
- Increasing prices of diesel has resulted in lower equipment utilization and sales of diesel engines/ diesel engine-powered equipment. Removal of CENVAT credit on LDO and alternate fuels will further increase cost of generation of power.
- Shortfall in power supply remains high resulting in a 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.
- Impetus given in Rail and Finance Union Budget 2003-04 for infrastructure and core industry growth is expected to increase capacity utilisation of mineral producers of coal, cement, ironore and likely to increase demand for construction and mining equipment.
- Increasing domestic demand for steel and likely surge in demand from China due to Beijing Olympics in 2008 is resulting in major expansion plans by steel majors in the next 5 years.

1.2 Power Generation :

- During the previous year, India is estimated to have created additional capacity of around 4,300 MW.
- Electricity demand is forecast to continue to grow at 6-7% and considering outages and power quality, the company forecasts a continued demand for captive generation.
- Demand from commercial infrastructure segments such as Telecommunication and Realty is expected to reduce in the current year. This will have a negative impact on the Power Generation business.
- Fuel prices (especially Diesel) has increased by 26% since the dismantling of the Administered Pricing Mechanism. This has resulted in higher cost of generation on liquid fuels and is likely to affect the Company's product and spares sales in the current year.
- With increase in fuel prices, many customers are focused on demand-side management and reduction in power intensity. This will reduce the overall demand for power generation products.
- The implementation of Noise and exhaust emission norms from July 1, 2003 is presently unclear. However, in expectation of the same the Company has already completed development of emission-compliant products for the entire range of 15-200 KVA and the same are currently under certification. The Company is confident of its ability to meet the norms.

- However, improved distribution performance in areas such as Delhi by private sector T & D ventures will see a reduction in load-shedding and improved power supply.
- The implementation of the Electricity Bill is likely to have a strong short term and long term impact on the industry. The provisions of the Bill will provide a fillip to captive generation, distributed generation and rural electrification.

1.3 Industrial :

- In mining sector, new projects in coal/steel will be operational by 2004-05 and will result in increased demand for earthmoving and mining equipment.
- Government's continued focus on building road infrastructure such as North - South, West-East corridors, Ports Connectivity, Four Laning of major highways will help growth in construction equipment market.
- Indian Railway's focus on Track Maintenance Machines, Safety Equipments and the special applications like Diesel Electric Multiple Units, Power Cars etc, will help further growth of Cummins business in Rail sector. However railway budget allocation will determine the pace.

1.4 Automotive :

- The roll-out of Euro 2 emission norms across various cities in 2003 is likely to be delayed. Freight patterns are moving towards Multi Axle Vehicles (and higher HP engines). This has resulted in a change in the product mix and higher demand for vehicles/engines of 150 HP+.
- 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 (NCR). Currently, CNG is likely to be implemented in 11 cities other than NCR and the availability of gas is likely to further extend the demand for CNG.

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.
- The new Electricity Bill opens up avenues for distributed generation and rural electrification.
- 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. Customers are increasingly seeking one-stop solutions spanning the process from design to guaranteed life-cycle support.

Cummins India Limited

- Significant opportunities exist in exports of generator sets to Cummins Power Generation and component exports to other Cummins entities.
- Demand of construction equipment from various dam projects and road projects like four laning, expressways, rural roads will increase.
- The Government's efforts to restructure existing airports to make them world class entities and encourage private sector participation in the development of airports is likely to fuel demand for products and solutions.
- Key OEMs tapping export markets.
- Likely decision of Central Government to allow state public sector undertakings to take up coal mining outside their state boundaries and sell it in the open market.

Key **Threats** include :

- Fuel price increase continue to drive the migration from Prime power to Standby applications in PowerGen, which will affect new equipment and spare parts demand.
- Relaxation in Import tariffs is likely to result in increased imports and competition from global players.
- One of our major rivals in Engine and DG set business is consolidating presence in India by acquiring 100% stake in their engine manufacturing plant and strengthening their distribution network. This is likely to result in increased competition and pressure on margins.
- Major construction equipment manufacturers are bringing globally available construction equipment (from parent / joint venture companies abroad) into India.
- Product/market extensions by other engine manufacturers into power generation and industrial applications is likely to result in increased competition.
- Potential entrants of used equipment from international markets.

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 15-25 KVA and 100-125 KVA range. The products have met positive customer response and have helped consolidate our position in the market.
- 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). These products have helped us deliver higher feature sets and improved performance in key parameters such as emissions, fuel consumption, etc. for customers.

- The Company's initiatives to focus on key accounts/segments, customer relationship management, Out-Of-Fold customers, stronger channel integration and quality improvement resulted in a strong growth in power generation sales.
- The recently established ventures in low horsepower (<100 KW), solutions and rentals continued to show strong growth and grew to over 35% of total power generation sales.

3.2 Industrial :

- During the past year, the Company improved its performance significantly in Industrial Business due to growth in sectors like Compressors and Mining.
- In Rail Segment, new applications like LHP Power Cars and MGDEMU were developed.
- In the growing construction sector, prototype development of new applications were pursued which will result in enhancing our presence in construction sector in coming years.

3.3 Exports and Others :

Export of engines dropped by around Rs. 1,000 million, hit by global downturn in the power generation business. The drop was almost 80% in the HHP engines (QSK60 and KTA/GTA 38/50). This dwarfed the marginal 20% increase in the heavy duty engine segment. The following initiatives were launched to improve engine exports :

- Shipment of complete engines (V/s base engines earlier) directly to customer, thus capturing greater value at CIL, while saving freight and inventory costs for the customer as also reducing the lead time.
- Diversifying the product portfolio / applications (NT Marine) as also the market (added China, Korea, Mexico).
- Export of LHP engines / gensets - CIL is now the global center of excellence for small gensets (upto 125 KVA).
- Component exports was identified by your Company as a major thrust area to make our export performance less vulnerable.
- Business development activities have commenced and we have targetted Cummins / partner plants in China, Mexico, Japan, US and UK.
- Export of certain components such as lub pumps, crank shafts, PRVs etc. have already begun and we expect sales to exceed the plan of Rs. 60 million from this new business in 2003-04
- CIL has been identified by Cummins as the worldwide supplier for fuel systems. The component export thrust will also have a positive impact on process capability and product quality, thus benefiting the engine business.

Cummins India Limited

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

- The Company perceives a dip in demand for water well rig equipment and construction equipment in the near term. However, we remain confident that demand will bounce back before the end of the year.
- The Company has made significant investments in emissionizing its entire product line of power gen equipment from 15-2000 KVA. The efforts will continue during the course of the coming year and includes upgrading several current products and introduction of new products. The Company expects the full benefit of these programs to be received in future years.
- During 2002-03 the Company initiated several programs to extend its position in power generation. The Company shall continue to focus on these initiatives, including the drive towards solutions, product line expansion, exports and customer relationship management.
- The Company is committed to continue cost reduction efforts and process improvement. During the year under review, the Company continued to extend its efforts in Six Sigma and launched a new program – Turbo Kaizen which is focused on cost reduction through process efficiencies and material cost improvements. 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 :

- Further increase in fuel prices will increase cost of generation significantly. This will have a very negative impact on operating hours and replacement demand for the Company's power generation products.
- 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. The Company continues to focus on new export initiatives such as component exports and export of generator sets to offset the low demand for high horsepower products.
- The Union Coal Ministry's notification which may decentralise marketing and purchasing decision making of Coal India subsidiaries is likely to delay finalisation of 2002-03 requirements.

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.

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.

7.A Results of operations :

Power Systems India Limited (PSIL) and Cummins Power Solutions Limited (CPSL), the erstwhile wholly owned subsidiaries of the Company were merged in Cummins India Limited on January 24, 2003 with retrospective effect from April 1, 2002. Therefore, the financial performance for the year ended March 31, 2003 is not comparable with those of the previous year.

7.A.1 Income :

Sales increased by 12% during the year ended March 31, 2003 to Rs. 8,320 Mn. as against Rs.7,409 Mn. in the previous year inspite of decline in exports. The improvement in the sales is also due to the merged subsidiaries contributing to Rs. 1,336 Mn. The sales include the domestic sales of Rs. 6,639 Mn. (previous year Rs. 4,624 Mn.) and export of Rs. 1,743 Mn. (previous year 2,741 Mn.). The important achievement of the current year's performance is growth in the domestic sales. The Company through a strong domestic performance was able to offset a sharp decline of 36% in exports. The exports are lower mainly due to continued slow down in the overseas power generation markets. The Company believes that the drop in its exports is a temporary trend and the Company is optimistic of its exports prospects over a longer period in view of the Company's cost advantage and new initiatives being taken on diversification into components and genset exports.

Other Income increased to Rs. 457 Mn. during the year ended March 31, 2003 against Rs. 364 Mn. in the previous year. The income from investments and gain on sale / redemption of investments decreased to Rs. 181 Mn. against Rs. 268 Mn. in the previous year due to lower average yields earned on investments. The continuance of surplus liquidity in the system that flow in the debt market and the softer interest rate regime during the major part of the year led to lower yields on the investments.

Interest from customers, Income Tax refund and deposits etc. increased to Rs. 43 Mn. as against 9 Mn. during the previous year. The export benefit due to duty drawback was marginally increased to Rs. 21 Mn. as against Rs. 18 Mn. in the previous year. Miscellaneous income reduced from Rs. 68 Mn. in the previous year to Rs. 42 Mn. mainly due to the lower income from testing charges etc.

Cummins India Limited

7.A.2 Expenses and margins :

The Company has initiated cost cutting initiatives driven through process called 'Turbo Kaizen' executed through Kaizen and Six Sigma have started yielding good results. These initiatives coupled with supplier consolidation, outsourcing and indigenization are helping to reduce the cost of operations in a phased manner.

There was increase in employee cost mainly due to full year impact of wage settlements and contribution of Rs. 55 Mn. and provision of Rs. 47 Mn. towards superannuation benefits to its managers and associates respectively.

Depreciation charge increased to Rs. 266 Mn. against Rs. 247 Mn. due to additions to the fixed assets.

Interest expenses increased to Rs. 30 Mn. as against Rs. 15 Mn. in the previous year mainly due to interest demanded by the Sales Tax authorities based on the completed sales tax assessment.

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

Profit before tax (PBT) increased to Rs. 1,209 Mn. against Rs. 1,140 Mn. during the previous year. PBT is increased by 6% mainly due to cost reduction initiatives and profits contributed by merged subsidiaries as against increase in payroll costs and certain expenses etc.

Product mix has again increased 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. The Company has given effect to the deferred income tax. 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.

7.A.5 Net Profit for the year :

Net Profit for the year increased by 9% to Rs. 943 Mn. as against Rs. 863 Mn. during the previous year. Earning per share, (EPS) is Rs. 4.76 as against Rs. 4.36 in the previous year for a face value of an equity share of Rs. 2 each.

The interim dividend confirmed by the Board of Directors as final proposal was at 200% and is higher than the previous year at 75%. It constitutes a payout of Rs. 893 Mn. including tax on dividend of Rs. 101 Mn. (previous year Rs. Nil) as against Rs. 297 Mn. 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. 134 Mn. to Rs. 5,922 Mn. as a result of profit appropriation of Rs. 134 Mn. during the year.

7.B.3 Loan funds :

Loan funds reduced to Rs. 88 Mn. as at March 31, 2003 against Rs. 105 Mn. as at March 31, 2002. There was a moderate increase at the end of the year in the cash credit loan borrowings by Rs. 33 Mn. required for operations. Unsecured fixed deposits of Rs. 50 Mn. were repaid during the year. The debt equity ratio as at March 31, 2003 is 0.014 as against 0.017 as at March 31, 2002.

7.B.4 Fixed Assets :

Additions to Fixed Assets block during the year ended March, 2003 were Rs. 294 Mn. (Rs. 228 Mn. in the previous year) and additions of Rs. 120 Mn. are on account of amalgamation of two subsidiary companies. The additions of Rs. 294 Mn. consist mainly of Plant and Machinery Rs. 276 Mn. for augmenting various manufacturing facilities, furniture and fittings Rs. 10 Mn. and vehicles Rs. 8 Mn. The depreciation block as at March 31, 2003 is Rs. 2,764 Mn. as against Rs. 2,559 Mn. as at March 31, 2002. Consequently, the net fixed assets block increased to Rs. 1,763 Mn. as at March 31, 2003 against Rs. 1,674 Mn. as at March 31, 2002.

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2003 was Rs. 129 Mn. and the Company believes that it will be able to fund them from investments in liquid assets.

7.B.5 Investments :

Investments net of permanent diminution in value provision of Rs. 26 Mn. increased to Rs. 3,490 Mn. as at March 31, 2003 as against Rs. 2,358 Mn. as at March 31, 2002. The increase was due to investments made in the equity of associated companies and additional investment in units of mutual funds, Government of India bonds, etc.

During the year, the Company got allotted 3,59,040 Nos. equity shares in KPIT Cummins Infosystems Limited in lieu of the Company's investments in the equity of erstwhile Cummins Infotech Limited as a result of its merger w.e.f. 1st January 2002 with the said Company.

Cummins India Limited

7.B.6 Current Assets, Loans and Advances :

i. Inventories :

Inventories increased to Rs. 1,534 Mn. as at March 31, 2003 against Rs. 1,130 Mn. as at March 31, 2002. The inventories in terms of days consumption based on certain assumptions increased to 75 days as at March 31, 2003 as against 73 days as at March 31, 2002.

ii. Sundry Debtors :

Sundry debtors net of provision for doubtful debts decreased to Rs. 2,028 Mn. as at March 31, 2003 as against Rs. 2,405 Mn. as at March 31, 2002. These are considered good and realisable. The Sundry Debtors in terms of days of sales based on certain assumptions reduced to 72 days as at March 31, 2003 as against 87 days as at March 31, 2002.

The need for cumulative provision for doubtful debts as at March 31, 2003 of Rs. 43 Mn. (previous year Rs. 28 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. 151 Mn. as at March 31, 2003 as against Rs. 143 Mn. as at March 31, 2002. They represent the year end cash and bank balances with scheduled banks in current and deposit accounts.

iv. Other Current Assets :

Other current assets increased to Rs. 84 Mn. as at March 31, 2003 against Rs. 60 Mn. as at March 31, 2002. Other current assets include interest accrued on investments, duty drawback receivables, etc.

v. Loans and Advances :

Loans and Advances increased marginally to Rs. 294 Mn. as at March 31, 2003 against Rs. 276 Mn. as at March 31, 2002. The loans and advances were primarily towards amounts paid in advance for value, material and services to be received in future, various deposits kept towards rent, telephone, electricity, insurance, lease rent receivables etc.

7.B.7 Current Liabilities and Provisions :

i. Current Liabilities :

Acceptances represent bills of exchange drawn for a period by the suppliers and accepted by the Company. They increased to Rs. 318 Mn. as at March 31, 2003 as against Rs. 268 Mn. as

at March 31, 2002. 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 sundry creditors increased to Rs. 1,200 Mn. as at March 31, 2003 from Rs. 761 Mn. as at March 31, 2002. The total current liabilities increased to Rs. 1,567 Mn. as at March 31, 2003 against Rs. 1,043 Mn. as at March 31, 2002. The acceptances and sundry creditors increase includes additions as at March 31, 2003 on account of merger of erstwhile two subsidiaries of the Company.

ii. **Provisions :**

The total provisions increased to Rs. 1,236 Mn. as at March 31, 2003 as against Rs. 549 Mn. as at March 31, 2002 due to the reasons given below :

- Interim dividend of Rs. 792 Mn. represents the dividend recommended to the shareholders by the Board of Directors, to be approved as final dividend for the year 2002-2003. As per the Income tax rules, the tax on dividend at Rs. 101 Mn. was provided for in the books of account.
- Taxation represent the tax liability net of advance payments and was reduced marginally by March 31, 2003 compared to the previous year.
- Pension and leave encashment represent accrued liability towards pension of some ex-employees and leave encashment entitlement as per independent actuarial valuation.
- Other provisions at Rs. 241 Mn. (*previous year Rs. 158 Mn.*) consist of provision for accrued liability for warranty and new engine performance inspection fees etc.

7.C. Consolidated Financial Statements :

The Company has prepared consolidated Financial Statements of Cummins India Limited and its subsidiaries and its share in Joint Ventures and Associate Companies for the year ended and as at March 31, 2003 in accordance with Accounting Standard 21 ('AS 21), on 'Consolidated Financial Statements' issued by Institute of Chartered Accountants of India.

This being the first year of adoption of Accounting Standard ('AS 23) on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard ('AS 27) on 'Financial Reporting of Interests in Joint Ventures', the figures of the consolidated results of the previous year are not comparable to those of the current year.

The audited financial statements are circulated with the Annual Report.

Cummins India Limited

8. Human Resources and Industrial Relations

Human Resource Initiatives :

Organization structure and processes :

The Company simplified the structure to provide greater focus on specific operations. We were organized into eight manufacturing business units and three broad business performance cells, supported by common functions like Finance/HR/IT and Maintenance. This has helped us to improve productivity, speed of operations and decision making.

Performance Management and recognition :

With the learnings from the previous year, greater emphasis was placed on strengthening the Performance Management system through the involvement of managers at all levels. The leadership team supported the process more rigorously. This has helped people gain more confidence in the system.

Market led Compensation Philosophy :

To ensure that the Company retain and attract the best talent, we benchmarked our compensation with a basket of companies in the Engineering and Services sectors. This has enabled us to have a more market based revision of compensation for our managers. We continue to focus on differentiating levels of compensation for our highest performers. Through this approach we have ensured that our talent within the organization are paid closer to the market.

Focus on Technical Resources :

As we build more modern product platforms, we find the need to induct more modern and qualified technical expertise. During the year, we have been able to attract high quality skills from India and abroad. We have also set the platform for collaborations with premier institutions in the country like IIT, Mumbai to develop knowledge transfer as well as fundamental research.

Capability Development :

This continues to be a key focus area for the organization. Over the year we not only expanded our coverage for the Leadership Development Programmes but also focused on providing inputs on key business skills and knowledge like finance, negotiation, consulting, selling, and materials management.

Industrial Relations :

Industrial relations continued to be harmonious, with the Union actively participating in all improvement programmes like Six Sigma, Turbo Kaizen and Kaizen. The resultant productivity improvements are visible on the shop floor operations.

Corporate Citizen :

In our consistent endeavour to help the social cause, this year, we have extended support to “ANANADWAN” (Leprosy Rehabilitation Camp) and the Pune Blind School by donating Uniforms and other articles used in the daily life.

To a small school in a village adjoining Pune city, which recently got the permission to start classes for Standards IX and X, Cummins has extended monetary support to procure Laboratory equipments and other study material.

On the environment front programmes such as tree plantations, vermi-culture projects, nature trails are undertaken.

Family Development Circles :

As a Responsible Corporate Citizen, Social Responsibility is one of our Core Values. Initiated in 1991, Family Development Circle is one of the key initiatives towards improving the life style of all employees and their family members. As on today, more than 1000 women members are part of Cummins Family Development Circle. In these classes, the women members are taught making of crafts and gift articles, workshops are conducted on making Ayurvedic medicines, plastic moulding, account book writing etc. This year's special initiatives include Computer Training to spouses of employees.

Local Diversity Council :

India's ancient culture represents its physical, religious and racial variety and is as immense as its linguistic diversity. Modern India presents a picture of unity in diversity to which history provides no parallel.

At Cummins India Limited, Pune, festivals pertaining to various religions have been celebrated like Gudhi Padwa (Hindu New Year), Durgapuja, Diwali, Ramzan, Christmas and not only religious festivals, but Women's day recognizing Women (March 08) was also celebrated. These festivals have helped in bringing together the employees, creating awareness and respect for other religions.

Sports Activities :

Cummins India Limited (CIL) is conscious about the health of employees and their family members. Therefore to encourage good health, CIL organizes various Sports Activities. This includes Intra Cummins Sports competitions for Carom, Chess and Badminton and Sinhagad climbing. This year's Special highlight is Cummins Cup Cricket Tournament. The event took place on three Sundays. More than 500 associates were involved in the tournament to make it a grand success. We also sponsored Industrial Sports Association's Volleyball Tournament.

Cummins India Limited

The employees of the Company excelled in some of the sports and cultural events organised by various associations. They have outperformed and won prizes in the following events:

- First prize in men's double event in the Tennis tournament organised by Pune District Inter Office Sports Association.
- National Yoga Championship Award in the National Yoga Competition organised by Indian Yoga Federation.
- Runner Up Trophy both in Open Single and Veteran Single league in the Industrial Badminton Competition organised by Industrial Sports Association.

Health Awareness Programs :

Cummins Health service believes that prevention is better than cure. To fulfill this motto our Health Services carried out different health awareness programmes. A lecture series on following topics was arranged for all employees: Heart Related Disease, Addiction related to Cancer, Hand Injuries and Plastic Surgery, Art of Living. Diabetics Detection Camp for all employees deserves the special mention.

Along with these initiatives, 'Global Anti-Drugs Day' was observed with an intention to create awareness amongst employees. A poem, poster and slogan competition was organized for all employees and their families. Tremendous response to this event was a reflection of awareness / enthusiasm for this noble theme.

9. Cautionary Statement :

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with 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, 2003, consisted of 14 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. Mr. Pradeep Bhargava was Alternate Director to Mr. J.K.Edwards. During the financial year, meetings of the Board of Directors were held on June 10, 2002, July 27, 2002, September 13, 2002, October 29, 2002, January 7, 2003, January 14, 2003 and January 30, 2003. 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. Vinod Dasari	Executive	June 10, 2002
		3.	Mr.J.M.Barrowman	Non-Executive	June 21, 2000
		4.	Mr.S.M.Chapman	Non-Executive	July 8, 1992
		5.	Mr.J.K.Edwards	Non-Executive	June 21, 2000
		6.	Mr.S.D.Hires	Non-Executive	November 10, 1992
		7.	Mr.M.A.Levett	Non-Executive	February 28, 1991
		8.	Mr.Peter McDowell	Non-Executive	October 30, 2001
		9.	Mr. J.M.Rugg	Executive	July 27,2000
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

Notes:

- As on March 31, 2003, 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.

Cummins India Limited

2. Mr. Jack Edwards stepped down as Director w.e.f. April 30, 2003 and that Mr. Pradeep Bhargava resigned as alternate to Mr. Jack Edwards w.e.f. April 26, 2003.
3. Mr. Anant Talaulicar (Promoter Director) was co-opted as Additional Director on April 25, 2003. Mr. Talaulicar being in the employment of the Company is deemed to be a Whole-time Director. Appointment of Mr. Talaulicar as Whole-time Director is subject to approval of shareholders and the Central Government.

Attendance of each Director at the Board meetings and the last Annual General Meeting (AGM) held on September 13, 2002 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, 2003 (Refer Note 1 below)	No. of Memberships in other Board Committees as on March 31, 2003 (Refer Note 2 below)
Mr.Ravi Venkatesan	7	6	Present	8	2
Mr. Vinod Dasari (appointed w.e.f. June 10, 2002)	7	6	Present	3	1
Mr.J.M.Barrowman	7	2	Present	3	—
Mr.S.M.Chapman	7	—	Absent	9	—
Mr.J.K.Edwards	7	—	Absent	4	2
Mr.S.D. Hires	7	2	Present	—	—
Mr.M.A.Levett	7	2	Present	2	—
Mr. Peter McDowell	7	3	Present	5	—
Mr. J.M.Rugg	7	4	Present	6	—
Mr.Rajeev Bakshi	7	4	Absent	2	1
Mr.P.S.Dasgupta	7	6	Present	21	8
Mr. Nasser Munjee	7	6	Present	15	12
Mr. B.H.Reporter	7	7	Present	6	2
Mr. Venu Srinivasan	7	2	Absent	15	6
Mr. Pradeep Bhargava (Alternate Director)	7	6	Present	1	—

Note 1: Directorships in Foreign Companies, Private Limited Companies and Companies under section 25 of the Companies Act, 1956, are also included in the above table.

Note 2: Mr. Ravi Venkatesan is Chairman of 1 other Board and 1 other Board Committee, Mr. Vinod Dasari is Chairman of 1 other Board Committee, Mr. S.M.Chapman is Chairman of 4 other Boards, Mr. Peter McDowell is Chairman of 1 other Board, Mr. P. S. Dasgupta is Chairman of 1 other Board Committee, Mr. Nasser Munjee is Chairman of 1 other Board Committee, Mr. B.H. Reporter is Chairman of 1 other Board and Mr. Venu Srinivasan is Chairman of 4 other Boards and 3 other Board Committees. The number of memberships in other Board Committees include memberships of all other committees in addition to the committees specified under Clause 49 of the Listing Agreement with the Stock Exchanges.

Details of Board Meetings held during the year April 1, 2002 to March 31, 2003.

Sr. No.	Date	Board Strength	No. of Directors present
1	June 10, 2002	14	8
2	July 27, 2002	14	6
3	September 13, 2002	14	11
4	October 29, 2002	14	8
5	January 7, 2003	14	6
6	January 14 , 2003	14	6
7	January 30, 2003	14	11

3. COMMITTEES OF THE BOARD :

FINANCE AND AUDIT COMMITTEE :

During the year, meetings of the Finance and Audit Committee were held on June 10, 2002, June 25, 2002, July 27, 2002, October 29, 2002, January 7, 2003, January 14, 2003 and January 29, 2003. The Committee, during the year, reviewed the audited financial results for the year ended March 31, 2002 and quarterly results for the quarters ended June 30, 2002, September 30, 2002 and December 31, 2002. The Committee reviewed investment policy for Treasury Management and Foreign Currency Exposure Management policy of the Company. The Committee also at their meetings reviewed the reports of Internal Auditor and interacted with the Auditors of the Company. 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, 2002 to March 31, 2003.

	Name of Director	No. of Meetings held	No. of Meetings attended
1.	Mr. Nasser Munjee (Chairman)	7	7
2.	Mr. Rajeev Bakshi (Member)	7	5
3.	Mr. P.S.Dasgupta (Member)	7	6
4.	Mr. B.H.Reporter (Member)	7	6
5.	Mr. Ravi Venkatesan (Member)	7	6

Cummins India Limited

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.
 - ♦ 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 10, 2002 and January 29, 2003. The composition, names of Directors, Remuneration Policy of the

Company 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, 2002 to March 31, 2003.

	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

Note : On June 7, 2003, the Board of Directors of the Company have appointed Mr.B.H.Reporter as Member of Compensation and Management Development Committee effective June 7, 2003.

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, 2002 to March 31, 2003:

							(in Rs.)
Name of the Director	Siting fees	Salary	Commission	House rent allowance	Gas/Elect. Club fees	Medical	Total
Rajeev Bakshi	55,000	—	250,000	—	—	—	305,000
P.S.Dasgupta	80,000	—	250,000	—	—	—	330,000
Nasser Munjee	65,000	—	250,000	—	—	—	315,000
B.H.Reporter	85,000	—	250,000	—	—	—	335,000
Venu Srinivasan	15,000	—	250,000	—	—	—	265,000
J.M. Rugg	—	12,012	—	1,200,000	473,519	15,370	1,700,901
Pradeep Bhargava	—	2,053,921	—	540,000	557,310	58,531	3,209,762
Vinod Dasari	—	5,045,617	—	727,500	510,651	4,569	6,288,337
Total	300,000	7,111,550	1,250,000	2,467,500	1,541,480	78,470	12,749,000

Cummins India Limited

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, Mr. Pradeep Bhargava and Mr. Vinod Dasari are appointed for a period of 5 years effective July 27, 2000, October 20, 2000 and June 10, 2002 respectively. Mr. Pardeep Bhargava has resigned as Director of the Company effective April 26, 2003.
3. The Central Government has approved payment of commission to non Whole-time Directors vide its approval dated April 25, 2003.

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

During the year, meetings of the Shareholders/Investors Grievance Committee were held on June 10, 2002, July 27, 2002, October 29, 2002 and January 7, 2003. 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, 2002 to March 31, 2003.

	Name of Director	No. of Meetings held	No. of Meetings attended
1.	Mr.B.H.Reporter (Chairman)	4	4
2.	Mr.P.S.Dasgupta (Member)	4	4
3.	Mr.J.M.Rugg (Member)	4	1

Broad terms of Reference to Shareholders / Investors Grievance Committee:

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

Compliance Officers:

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

Number of shareholders complaints received during the period April 1, 2002 to March 31, 2003:

Total 18 complaints were received. These complaints were mainly relating to non-receipt of (a) dividend warrants (b) annual report (c) credit of dematerialised shares and (d) rejected share certificates for demat purposes etc. All complaints were solved to the satisfaction of the shareholders.

Number of complaints pending with the Company:

Nil

Number of pending share transfers:

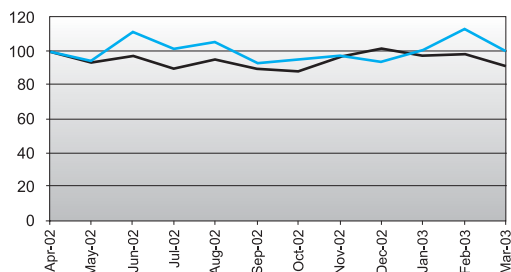
Nil

General Shareholder information:

Registered Office	Kothrud, Pune 411 038. Phone No.: 5385435, 5381105, 5380240 Fax No. : 5380125 Website : www.cumminsindia.com		
Annual General Meeting	Date and Time : July 29, 2003 at 11.00 a.m. Venue : Cummins Diesel Sales and Service (India) Limited 35A/1/2, Erandawana Pune 411 038		
Financial calendar (Tentative)	<ul style="list-style-type: none"> • Results for quarter ending June 30, 2003 -Last week of July 2003. • Results for quarter and half year ending September 30, 2003 - Last week of October 2003. • Results for quarter and nine months ending December 31, 2003 - Last week of January 2004. • Results for the year ending March 31, 2004 – June 15, 2004. 		
Date of book closure	July 22, 2003 to July 26, 2003 (both days inclusive)		
Interim Dividend Payment date	June 6, 2003.		
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 2002	55.90	49.95
	May 2002	55.80	48.50
	June 2002	61.90	45.00
	July 2002	64.00	48.40
	August 2002	57.30	50.75
	September 2002	55.10	47.50
	October 2002	51.40	44.80
	November 2002	51.50	48.30
	December 2002	51.50	46.75
	January 2003	52.80	46.00
	February 2003	59.70	51.90
	March 2003	58.90	48.10
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, 2003.		

Cummins India Limited

Chart A : Cummins India Limited versus BSE Sensex, 2002-2003



Closing quotes at the end of each month
Both series indexed to 100 on April 30, 2002

— BSE Sensex — CIL

Registrar and Transfer agent	<p>The Company has appointed Intime Spectrum Registry Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are being 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 C-13, Pannalal Silk Mills Compound, L. B. S Marg, Bhandup (West), Mumbai : 400 078 Phone Nos. (022) 2592 3837 Fax No. (022) 2567 2693 Contact Person : Ms. Swati Uchil Timings : 10.00 to 16.00 (Monday to Friday excluding Public Holidays)</p>		
Share Transfer System	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.		
Distribution of shareholding as on March 31, 2003.	Category	No. of shares of Rs. 2 each	% of shareholding
	Promoters	114,880,488	58.02
	Mutual Funds	14,851,088	7.50
	Banks/Financial Institutions/Insurance Companies	15,134,696	7.64
	Foreign Institutional Investors	25,115,716	12.69
	Corporate Bodies	1,599,247	0.81
	Individuals	26,418,765	13.34
	TOTAL :	198,000,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2003)	44.68 % shares are in demat form.
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 C-13, Pannalal Silk Mills Compound, L. B. S Marg, Bhandup (West), Mumbai : 400 078

ANNUAL GENERAL MEETINGS:

Particulars	FY 1999-2000	FY 2000-2001	FY 2001-2002
Date and Time	27.7.2000 at 10.00 a.m.	26.7.2001 at 11.00 a.m.	13.9.2002 at 10.00 a.m.
Venue	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038

Postal Ballot:

No resolution was passed through Postal Ballot during the year 2002-2003.

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.

Cummins India Limited

- 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 quarterly / half-yearly unaudited financial results were published in Economic Times and in regional newspapers viz. Maharashtra Times and Loksatta.
- The quarterly / half yearly unaudited financial results were displayed on Company's website www.cumminsindia.com.
- The quarterly shareholding pattern was posted on SEBI website www.sebi.gov.in as well as on the Company website www.cumminsindia.com.
- Presentation made to analysts on October 29, 2002 was displayed on Company's website www.cumminsindia.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, 2003

To the members of
Cummins India Limited

We have examined the compliance of the conditions of Corporate Governance by Cummins India Limited for the year ended 31st March 2003 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For Price Waterhouse
Chartered Accountants

Mumbai : June 7, 2003

Vasant Gujarathi
Partner

Cummins India Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2003.

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	* Chaubal C M	55	B.E.(Mech)	33	V.P. Manufacturing	03/08/70	2,409,579	1,619,371	—
2	* Dasari Vinod	37	Bachelor of Science (Electrical Engg.), Master of Engg. Mgt., M.B.A.	15	Executive Director & President	01/05/02	7,084,367	5,120,692	The Timken Company, Canton, Ohio, Corporate Vice President - Manufacturing Transformation, 10 Yrs.
3	Gowrishankar Matangi (Ms.)	45	B.A. (Sociology), PGD IR & PM	24	Vice President HR & Organisation Effectiveness	01/10/99	2,876,610	1,860,241	International Computers India Limited, Vice President Human Resources, 6 months
4	* Pathak A K	57	B.E.,M.E.(Mech)	34	GM Information Systems & Technology	18/12/78	443,094	398,278	A.F.Fergusson & Co , Pune, System Consultant - 1 Year, 6 Months
5	Abhyankar D T	50	D.M.E.	26	Sr. Manager Material Handling	03/05/76	708,259	677,830	—
6	Adkar S N	57	4th Std.	31	Forklift Operator	01/08/71	276,550	276,382	—
7	Aher R B	50	S.S.C.	30	Turner	08/07/72	463,545	463,049	—
8	Amle K G	55	3rd Std.	35	Fitter	01/12/66	466,090	465,922	—
9	Apte G P	57	S.S.C.	39	Jig-Borer	07/10/63	77,113	76,935	—
10	Athawale M G	46	B.E.(Mech)	22	Manager Tech Center Administration	01/08/80	500,830	500,660	—
11	Avadhut R N	56	4th Std.	28	Fitter	10/07/74	346,569	345,061	—
12	Bagade V S	57	S.S.C.	37	Pump Operator	01/11/75	207,175	206,842	P.M.C. Pune, Attendant, 5 Years
13	Balike M T	57	S.S.C., I.T.I.	31	Fitter	01/01/74	272,623	272,045	Sangam Elc. & Mech. Works, Pune, Fitter 3 Years
14	Barate B V	56	S.S.C.	33	Driver	01/01/71	357,849	355,785	Modern Service Station, Pune, 2 Years
15	Bendre D R	55	B.Com.	28	Sr.Clerk	22/03/74	439,292	437,022	The Ram Agency, Pune, Sales Assistant, 2 Years
16	Bhadavale V S	56	7th Std.	33	Unskilled Worker	01/06/70	362,146	361,980	S.K.F. Chinchwad, Grinder, 1 Year
17	Bharaswadkar A S	56	S.S.C., I.T.I.	29	Electrician	03/08/73	388,274	388,106	Paranjape Metal Shapers Pvt.Ltd., Pune, Wireman, 2 Months
18	Bhate M S	50	M.B.B.S.	26	Medical Officer	15/06/81	834,609	762,021	Private Practice - 5 Years
19	Bhawe P N	56	S.S.C., I.T.I.	34	Sr.Draughtsman	20/05/68	412,246	408,592	—
20	Bhawe A C	53	B.Sc.	30	Dy. General Manager Imports	07/02/72	758,006	711,097	—
21	Bhide R V	53	D.M.E.	31	Manager Special Project	14/10/70	431,433	431,295	—
22	Bhosale B L	56	S.S.C.	33	Fitter	06/05/69	328,825	328,537	—
23	Bhuvad M P	56	S.S.C.	32	Packer	01/01/70	372,408	372,240	—
24	Bidkar S A	54	B.Sc.	33	Sr. Inspector	01/07/69	492,427	490,765	—
25	Bilgi S N	56	S.S.C., I.T.I.	36	Assembler	03/10/76	341,219	340,967	Rajabhadur Mills, Pune, Wireman, 1 Year
26	Bodhe M H	57	S.S.C.	36	Turner	01/03/66	181,456	181,227	—
27	Budgude A G	57	1st Std.	35	Helper	01/01/67	167,642	167,478	—
28	Chaudhari U S	52	B.A., M.P.M., M.S.W.	32	Jr. Assistant	08/04/74	479,669	475,577	Bijlee Products Pvt.Ltd., Time-Keeper, 4 Years
29	Chawan P M	56	S.S.C., I.T.I.	29	Miller	22/11/72	332,664	332,499	—
30	Chitnis H P	39	B.E.(Mech), I.C.W.A.	15	Chief Internal Auditor	30/10/86	395,696	395,526	—
31	Chorge N B	56	3rd Std.	31	Packer	01/12/70	337,557	337,391	—
32	Dam P K	50	B.E.(Mech)	25	Gm Marketing Construction, Mining & R&R	25/06/77	1,057,927	907,211	—
33	Damle A P	55	Inter Science, I.T.I.	33	Senior Draughtsman	01/10/69	480,692	476,542	—
34	Datar D B	54	B.A.,LL.B.	34	Sr. Manager Marketing Co-ordination	01/09/75	252,655	250,161	Cooper Engineering Co Ltd, Pune, Sales Clerk, 2 Yrs.
35	Deo S V	46	D.M.E.,B.E.(Mech)	21	Executive Tool Room	01/08/81	595,273	592,515	—
36	Desai S D	56	S.S.C.	31	Jr. Assistant	03/11/72	398,567	396,117	G.K.Gokhale College, Kolhapur, Clerk, 2 Years
37	Deshpande S S	51	B.Sc.,D.B.M.,M.M.S.	29	Manager M.Q.A.	22/06/73	609,502	604,348	—
38	Dhole G T	57	9th Std.	35	Fork-Lift Operator	17/04/74	245,087	243,409	David-Brown Greaves Ltd. Pune Driver 7 Years
39	Dhumal R N	54	7th Std.	35	Driller	01/07/67	471,546	470,330	—
40	Dixit J P	53	S.S.C.	34	Jr. Assistant	02/10/68	517,384	514,800	—

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

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.	
41	Donde P S	54	S.S.C.	33	Clerk	01/05/69	512,611	510,365	—
42	Gaikwad D M	57	3rd Std.	31	Unskilled	01/07/71	103,195	103,033	—
43	Gaikwad P R	56	S.S.C.	38	Assembler	18/01/74	335,652	335,488	I.N.S.Shivaji, 10 Years
44	Gaikwad A S	51	B.E.(Mech)	29	Executive Tools Planning	01/08/73	718,329	682,255	—
45	Gajwani S D	53	B.E.(Mech)	29	General Manager Marketing (Power Equipment)	02/04/73	1,154,021	969,900	—
46	Gandhale S B	56	S.S.C., I.T.I.	33	Fitter	01/08/69	386,258	386,040	—
47	Gaudgaonkar A S	48	D.M.E.	26	Manager Foundry (Fettleing)	03/05/76	587,532	585,972	—
48	Ghatge D S	56	S.S.C., I.T.I.	33	Turner	01/01/69	390,558	390,384	—
49	Girase J N	52	D.M.E.	30	Executive Flywheel	22/05/72	727,704	692,115	—
50	Gogawale D P	56	B.Com.	33	Jr. Assistant	10/04/69	403,510	400,894	—
51	Gosavi V V	51	B.Com.	33	Manager Sales Accounting.	05/06/69	683,576	659,852	—
52	Hemmady V D	52	B.Sc.	26	Sr. Inspector	03/10/76	432,674	430,226	—
53	Jade A N	55	B.A., LL.B.	35	Jr. Assistant	01/12/66	514,281	511,759	—
54	Jadhav S S	56	7th Std.	37	Fitter	15/12/64	376,257	376,007	—
55	Jagtap R K	57	S.S.C.	32	Sr. Computer Operator	01/07/75	214,716	212,356	Bajaj Elec.Ltd., Pune, Instrument Mechanic, 4 Years
56	Joshi A G	56	S.S.C.	35	Skilled Worker	01/05/67	375,121	372,989	—
57	Joshi J V	54	B.Com.	29	Manager Project Engine Planning	08/12/72	327,371	327,217	—
58	Joshi P S	51	S.S.C., I.T.I.	27	Miller	01/03/75	427,960	426,806	—
59	Joshi V D	56	B.Com.	33	Sr. Clerk	21/12/70	377,635	375,287	Pratibha Advt., Pune, Accounts Clerk, 2 Years
60	Joshi S P	57	S.S.C.	37	Typist-Clerk	13/06/70	225,446	222,567	Govt. Polytechnic, Pune, Lab.Assistant, 4 Years
61	Joshi R S	50	S.S.C.	26	Office Boy	02/08/76	403,434	400,036	—
62	Joshi R S	51	B.SC.,B.E.(Mech) Engineering	26	Executive Product Development	01/09/76	726,976	690,603	—
63	Kambale B S	56	S.S.C., I.T.I.	31	Driller	01/11/70	382,553	380,965	—
64	Kankekar P N	57	S.S.C., I.T.I.	34	Jig Borer	20/05/68	274,932	274,754	—
65	Kesari S D	57	S.S.C.	36	Jr. Assistant	26/04/66	308,538	306,192	—
66	Khairnar S S	57	I.T.I.	34	Machinist	20/06/68	186,756	186,586	—
67	Khandkar A G	47	B.E.(Mech)	24	Executive Genset Applications	01/08/78	757,164	710,342	—
68	Kirloskar S R	35	D.M.E.	12	Manager Tool Crib	01/09/90	223,760	223,618	—
69	Kudale S S	53	S.S.C.	27	Unskilled	01/02/75	424,594	423,150	—
70	Kulkarni V P	51	B.A., LL.B	34	Manager Secretarial Support	06/09/68	705,000	674,732	—
71	Kulkarni P L	52	S.S.C.	30	Manager Communications	01/08/72	518,099	516,708	—
72	Kulkarni S M	55	S.S.C.	37	Jr. Assistant	10/05/65	489,717	487,371	—
73	Kulkarni V R	53	B.E.(Mech)	29	Sr. Manager Machine Shop	01/11/72	728,472	691,931	—
74	Kulkarni C M	37	B.E.(Met)	11	Manager Foundry (Q.C.)	02/09/91	241,722	240,480	—
75	Kulkarni S K	57	B.Sc.	30	Sr. Inspector	01/03/72	155,934	153,630	—
76	Kulkarni C S	57	S.S.C., I.T.I.	34	Semi Clerk	05/06/69	319,591	316,791	Mather Greaves Ltd., Pune, Fitter, 1 Year
77	Kulkarni N C	55	S.S.C.	37	Machinist	11/04/67	404,351	404,179	Bajaj Electricals Ltd., Pune, Operator, 2 Years
78	Lawand W K	57	9th Std.	32	Fitter	01/07/70	180,100	179,932	—
79	Limaye M R	53	M.COM.,I.C.W.A.	31	Sr. Manager Accounts	14/06/71	627,530	621,296	—
80	Limaye S S	52	B.Com.	29	Manager Software Development	01/11/72	592,746	592,506	—
81	Mahadik D B	51	7th Std.	28	Unskilled	01/11/73	441,538	440,342	—
82	Mahajan R N	57	B.A.	37	Sr. Stenographer	10/05/65	182,584	180,136	—
83	Mahajan A D	57	S.S.C., I.T.I.	33	Miller	24/04/69	108,369	108,201	—
84	Makawan L S	57	4th Std.	37	Grinder	06/09/65	320,899	318,745	—
85	Marane C J	57	S.S.C.	29	Unskilled	01/08/73	293,211	293,045	—
86	More N B	57	I.T.I.	36	Welder	15/04/66	243,532	241,147	—
87	Nafday M M	50	B.E.(Elec)	26	Sr. Manager Electrical Maintenance	01/09/76	608,452	603,937	—
88	Nagare S B	57	S.S.C., I.T.I.	35	Machinist	22/11/66	296,285	296,117	—
89	Namjoshi P Y	55	4th Std.	34	Machinist	01/11/67	465,557	464,631	—
90	Nande S P	48	B.E.(Mech)	25	Executive Cyl Head	01/09/77	711,683	680,695	—
91	Narvane A B	51	I.T.I.	33	Manager Inspection	01/02/88	270,329	270,185	Retainer - 3 Years
92	Oak G D	54	S.S.C., I.T.I.	33	Sr.Draughtsman	01/10/69	513,207	510,777	—

Cummins India Limited

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

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.	
93	Oke A B	51	B.E.(Mech)	29	Executive Marketing (Power Products)	20/08/73	731,679	693,154	—
94	Palsule S R	48	B.E.(Mech)	26	Exe. Casting Purchase	01/09/76	729,642	694,389	—
95	Panchal A H	55	S.S.C., I.T.I.	32	Turner	21/10/69	466,524	466,356	—
96	Pandit S K	56	S.S.C., I.T.I.	35	Fitter	18/12/73	358,046	357,882	Malwadkar Works, Pune. Helper, 7 Years
97	Pathak A A	55	S.S.C.	29	Induction Hardening M/C Optr	12/05/73	451,123	450,959	—
98	Patil B G	57	8th Std.	39	Turret Operator	18/03/64	95,630	95,393	New Bemco Engineering, Belguam, Driller, 1 Year
99	Patil O D	54	S.S.C.	32	Fitter	22/03/72	467,317	467,153	Vanaz Industries, Pune, Operator, 2 Years
100	Pawar R B	52	4th Std.	27	Unskilled	02/05/75	418,889	418,728	—
101	Pethe S S	53	S.S.C.	26	Punch Operator	03/10/76	400,811	398,589	—
102	Pethe N R	43	B.Com.,LL.B.,A.C.S.	19	Deputy Company Secretary	10/02/86	581,837	573,422	Swan Mills Ltd. Bombay, Secretarial Executive, 3 Years
103	Pol B G	51	4th Std.	31	Unskilled	01/01/71	475,067	474,905	—
104	Purohit S V	49	B.Sc.	28	Sr.Manager Product Conformance	29/06/74	636,643	626,369	—
105	Ramdasi K R	56	B.A., LL.B.	36	Jr. Assistant	28/01/66	358,186	355,738	—
106	Randive R S	57	S.S.C., I.T.I.	31	Fitter	17/12/70	196,779	196,613	—
107	Sabnis S T	57	S.S.C.	34	Sr. Stenographer	12/09/68	255,427	252,979	—
108	Sahasrabudhe D M	56	S.S.C., I.T.I.	35	Grinder	09/03/67	339,701	339,531	—
109	Sanas G L	56	6th Std.	31	Unskilled	01/04/71	363,708	362,142	—
110	Sasane V G	51	S.S.C.	30	Inspector	21/03/72	452,054	450,279	—
111	Sasane R V	51	S.S.C.	27	Unskilled	01/07/75	416,721	416,557	—
112	Savargaonkar K V	48	B.COM.,LL.B.,C.S. (Inter),D.C.L.	27	Sr. Manager Personnel Administration	01/09/75	644,572	630,790	—
113	Shinde M R	57	S.S.C.	38	Machinist	01/12/66	203,204	202,966	Southern Machine Industries, Pune, Driller, 3 Years
114	Shinde C R	56	7th Std.	31	Furnace Operator	01/04/71	378,760	378,594	—
115	Shinde M M	57	S.S.C., I.T.I.	32	Driller	13/10/69	182,294	182,124	—
116	Soman V M	54	S.S.C.	32	Jr.Steno	20/09/74	460,666	457,933	Tom & Bay Advt., Pune, Steno Typist, 6 Months
117	Talegaonkar R B	52	S.S.C.	30	Manager Steel Procurement	03/07/72	621,066	616,733	—
118	Tamboli A D	55	S.S.C., I.T.I.	35	Miller	01/05/69	388,044	387,876	Bradma India Ltd. Pune, Miller, 1 Year
119	Tangade B T	55	2nd Std.	35	Helper	01/01/67	481,570	479,982	—
120	Taware V N	57	S.S.C.	37	Fitter	22/04/65	307,125	306,815	—
121	Tulpule A S	45	B.E.(Mech), M.S.(Mech)	18	Sr.Manager Cad Systems	01/08/84	424,284	424,121	—
122	Vaidya M B	49	B.Sc.	24	Sr.Inspector	01/04/78	409,959	407,613	—
123	Vaidyajogi B M	55	4th Std.	27	Semi Skilled	01/07/75	423,096	422,930	—
124	Vartak S D	55	S.S.C.	36	Hobber	17/05/66	463,256	463,088	—
125	Vibhandik S B	52	S.S.C., I.T.I.	32	Turner	17/10/69	507,242	507,052	—
126	Vinode D K	57	S.S.C., I.T.I.	34	Machinist	13/11/67	233,150	232,982	—
127	Wachkal B B	57	S.S.C., I.T.I.	27	Driller	01/11/74	232,983	232,241	—
128	Wani M T	57	S.S.C., I.T.I.	33	Turner	18/08/69	262,599	262,431	—
129	Warghade R S	55	S.S.C.	32	Turner	07/02/72	406,403	406,235	Atul Engg.Works, Pune, Turner, 2 Years

Notes :-

- * Against a name indicates that the employee was in service only for a part of the year.
- Employees from Sr. No. 5 to 129 were in service only for a part of the year, who have availed Voluntary Retirement Scheme (VRS) and their Gross Remuneration includes VRS compensation.
- 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, 1961 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
Ravi Venkatesan
Chairman

Mumbai : June 7, 2003

AUDITORS' REPORT

TO THE MEMBERS OF CUMMINS INDIA LIMITED

1. We have audited the attached Balance Sheet of Cummins India Limited as at March 31, 2003, the related Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The accounts of the Company for the year ended March 31, 2002 were audited and reported by another firm of Chartered Accountants vide their unqualified opinion dated June 10, 2002. The balances as at March 31, 2002 as per the audited accounts, regrouped/reclassified where necessary, have been considered as opening balances for the purpose of these financial statements.
4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;

Cummins India Limited

- (e) On the basis of written representations received from the directors as on March 31, 2003 and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2003 from being appointed as a director as referred to in Section 274(1)(g) of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and Schedules 1 to 12 annexed thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in case of cash flow statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Place : Mumbai
Date : 7 June 2003

Vasant Gujarathi
Partner

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

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company are physically verified by the management according to a phased program designed to cover all items over a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, a portion of the fixed assets has been physically verified by the management during the year. As explained to us, no material discrepancies were noticed on such verification. In respect of certain assets lying with third parties, confirmations have generally been received.
2. The fixed assets of the Company have not been revalued during the year.
3. The stocks of finished goods, stores and spares, raw materials and components excluding materials in transit of the Company have been physically verified by the management during the year except those lying with third parties in respect of which confirmations have generally been obtained. In our opinion, the frequency of physical verification of stocks is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on such verification between the physical stocks and the book records were not material and these have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the 'Act'. In terms of sub-section (6) of Section 370 of the Act, provisions of Section 370 are not applicable to a Company on or after the commencement of The Companies (Amendment) Act, 1999, of India.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of Section 370 are not applicable to a Company on or after the commencement of The Companies (Amendment) Act, 1999, of India.
9. The parties including employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts, as stipulated or as rescheduled, and are regular in the payment of interest, where applicable.

Cummins India Limited

10. In our opinion 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 materials including 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.
11. In our opinion, 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. In case of items of special nature, we are informed that alternative quotations are not available.
12. The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, components and finished goods and necessary adjustments for the loss have been made in the accounts.
13. In our opinion, the Company has complied with the provisions of Section 58A of the Act, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to deposits accepted from the public.
14. 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.
15. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company in respect of manufacture of internal combustion engines where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act 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 determine whether they are accurate or complete.
17. The Company has been regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
18. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at March 31, 2003 which were outstanding for more than six months from the date they became payable.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses of

employees or directors which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations and / or accepted business practices.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

In respect of service activities of the Company:

21. The nature of certain activities of the Company are such that it does not involve the consumption of materials and stores. In case of others, having regard to the manner of billing and that the services were performed by third parties, it is not considered necessary to have a system of recording receipts, issues and consumption of materials and stores.
22. The Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size and nature of its business except with respect to the services performed by third parties, where the maintenance of such records are not considered necessary.
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 nature of its business on allocation of labour to jobs.

In respect of trading activities of the Company:

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

For Price Waterhouse
Chartered Accountants

Place : Mumbai
Date : 7 June 2003

Vasant Gujarathi
Partner

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule Number	Rupees '000	As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	5,921,698		5,788,207
			6,317,698	6,184,207
Loan funds :				
Secured loans	3	50,987		17,728
Unsecured loans	4	36,842		87,366
			87,829	105,094
			<u>6,405,527</u>	<u>6,289,301</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	4,526,462		4,232,930
Less : depreciation		2,763,610		2,559,155
Net block			1,762,852	1,673,775
Investments	6		3,490,395	2,358,339
Current assets, loans and advances :				
Inventories	7	1,533,717		1,129,964
Sundry debtors		2,027,510		2,405,067
Cash and bank balances		151,345		143,257
Other current assets		83,523		60,063
Loans and advances		294,291		275,754
		4,090,386		4,014,105
Less : Current liabilities and provisions :				
Current liabilities	8	1,566,850		1,042,766
Provisions		1,235,852		549,381
		2,802,702		1,592,147
Net current assets			1,287,684	2,421,958
Deferred tax Asset/(Liability)	9		(135,404)	(164,771)
			<u>6,405,527</u>	<u>6,289,301</u>
Notes :	12			

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

In terms of our report of even date

For PRICE WATERHOUSE
Chartered Accountants

VASANT GUJARATHI
Partner

Mumbai : June 7, 2003

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

M. M. GODSE
Vice President Legal &
Company Secretary

Mumbai : June 7, 2003

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

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			8,319,516	7,409,144
Other Income			456,929	363,986
			<u>8,776,445</u>	<u>7,773,130</u>
EXPENDITURE :				
Cost of sales and other expenses	11	7,271,129		6,323,047
Lumpsum compensation under voluntary retirement scheme		—		48,727
Depreciation		265,788		246,700
INTEREST :				
on fixed loans		2,537		12,645
others		<u>27,827</u>		<u>1,892</u>
			<u>30,364</u>	<u>14,537</u>
			<u>7,567,281</u>	<u>6,633,011</u>
PROFIT BEFORE TAX			1,209,164	1,140,119
PROVISION FOR TAX:				
Current Tax [(including net excess provision for earlier years Rs. (000) 65,211 (previous year Rs. (000) 10,867)]		299,277		275,785
Deferred Tax		<u>(33,186)</u>		<u>1,241</u>
			<u>266,091</u>	<u>277,026</u>
NET PROFIT FOR THE YEAR			943,073	863,093
Balance carried forward from last balance sheet			750,000	450,000
Addition on amalgamation (Refer Note 2 of Schedule 12)			83,893	—
APPROPRIATIONS :				
I Proposed final dividend			—	297,000
II Interim dividend			792,000	—
III Tax on dividend			101,475	—
IV Transferred to general reserve			<u>133,491</u>	<u>266,093</u>
Balance carried to balance sheet			<u>750,000</u>	<u>750,000</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			4.76	4.36

Notes : 12

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

RAVI VENKATESAN
Chairman

In terms of our report of even date

For PRICE WATERHOUSE
Chartered Accountants

VASANT GUJARATHI
Partner

NASSER MUNJEE
Director

M. M. GODSE
Vice President Legal &
Company Secretary

Mumbai : June 7, 2003

Mumbai : June 7, 2003

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2003 Rupees '000	As at 31st March, 2002 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)	<u>400,000</u>	<u>400,000</u>
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each (previous year 198,000,000 equity shares of Rs. 2 each)	<u>396,000</u>	<u>396,000</u>
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.		
SCHEDULE NO. 2	Rupees '000	As at 31st March, 2003 Rupees '000
RESERVES AND SURPLUS :		As at 31st March, 2002 Rupees '000
Capital redemption reserve account:		
Balance as per last account		7,000
General reserve:		
Balance as per last account	5,031,207	4,928,642
Less: adjustment of net cumulative effect of recognition of deferred tax liability upto 31st March 2001	<u>—</u>	<u>163,528</u>
	5,031,207	4,765,114
Add : transferred from : profit and loss account	<u>133,491</u>	<u>266,093</u>
	5,164,698	5,031,207
Profit and loss account	<u>750,000</u>	<u>750,000</u>
	<u>5,921,698</u>	<u>5,788,207</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 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	50,987	<i>17,728</i>
	<u>50,987</u>	<u><i>17,728</i></u>
SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. (000) 1,257; <i>previous year Rs. (000) 1,296</i>)	36,842	<i>87,366</i>
	<u>36,842</u>	<u><i>87,366</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2002	Additions on Amalgamation@	Additions	Deductions	Gross block (at cost) as at 31st March, 2003	Depreciation as per schedule 5A	Net block as at 31st March, 2003
Land							
– Freehold	2,084	5,718	—	11	7,791	—	7,791
– Leasehold	15,412	—	—	—	15,412	342	15,070
Roads	6,019	—	—	—	6,019	4,044	1,975
Buildings	199,031 *	6,047	148	—	205,226 *	73,078	132,148
Plant and machinery	3,860,414 #	95,856	275,975	87,028	4,145,217 #	2,660,632	1,484,585
Furniture and fittings	36,038	4,365	9,483	4,608	45,278	15,492	29,786
Vehicles	34,611 **	7,776	7,902	5,767	44,522 **	10,022	34,500
	<u>4,153,609</u> <u>(3,960,823)</u>	<u>119,762</u> <u>(—)</u>	<u>293,508</u> <u>(228,484)</u>	<u>97,414</u> <u>(35,698)</u>	<u>4,469,465</u> <u>(4,153,609)</u>	<u>2,763,610</u> <u>(2,559,155)</u>	<u>1,705,855</u> <u>(1,594,454)</u>
Buildings, plant and machinery etc., under erection including advances for capital expenditure					56,997 (79,321)	— —	56,997 (79,321)
					<u>4,526,462</u> <u>(4,232,930)</u>	<u>2,763,610</u> <u>(2,559,155)</u>	<u>1,762,852</u> <u>(1,673,775)</u>

NOTES:

@ Pursuant to the Scheme of Amalgamation referred to in note 2 to schedule 12.

* Includes hangar costing Rs. (000) 120 owned jointly with other companies.

Includes

(i) cast iron patterns and core boxes costing Rs. (000) 40,460 owned jointly with other companies.

(ii) power generating equipment costing Rs. (000) 122,145 (accumulated depreciation Rs. (000) 16,555 and net block Rs(000) 105,590) given under operating lease arrangements and office equipment costing Rs(000) 890 (net block Rs(000) 670), acquired under finance leases.

** includes vehicles costing Rs. (000) 3,762 (net block Rs(000) 3,012), acquired under finance leases.

Figures in brackets are in respect of the previous year.

SCHEDULE NO. 5 A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2002	Additions on Amalgamation @	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2003
Land					
– Freehold	—	—	—	—	—
– Leasehold	181	—	161	—	342
Roads	4,005	—	39	—	4,044
Buildings	66,042	231	6,805	—	73,078
Plant and machinery ##	2,467,350	13,527	252,078	72,323	2,660,632
Furniture and fittings	13,553	1,443	2,675	2,179	15,492
Vehicles	8,024	791	4,030	2,823	10,022
	<u>2,559,155</u> <u>(2,339,581)</u>	<u>15,992</u> <u>(—)</u>	<u>265,788</u> <u>(246,700)</u>	<u>77,325</u> <u>(27,126)</u>	<u>2,763,610</u> <u>(2,559,155)</u>

includes depreciation of Rs. (000) 9,434 on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st March, 2003		As at 31st March, 2002
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 6				
INVESTMENTS:				
<u>Number</u>	<u>Face value per unit Rupees</u>			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
599,990	100	Service (India) Limited	19,061	19,058
		Cummins Diesel Sales and Service (India) Limited	—	39,679
		Cummins Infotech Limited	—	69,896
		Cummins Power Solutions Limited	—	39,996
100	10	Power Systems India Limited	1	1
		Cummins Auto Services Limited	—	—
			19,062	168,630
TRADE INVESTMENTS				
Fully paid ordinary/ equity shares				
1,999,800	10	Nelson Engine Systems India Limited	19,998	19,995
359,040	10	KPIT Cummins Infosystems Limited *	39,685	—
779,443	10	Newage Electrical India Limited	171,867	—
1,000	25	The Shamrao Vithal Co-operative Bank Limited	25	25
1,000	10	The Saraswat Co-operative Bank Limited	10	10
120,000	10	Housing Development * Finance Corporation Limited	1,575	1,575
500	10	HDFC Bank Limited *	5	5
			233,165	21,610
		Carried Forward	252,227	190,240

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2003	As at 31st March, 2002
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought Forward	252,227	190,240
		OTHER THAN TRADE INVESTMENTS		
		<u>Units in Unit Trust of India</u>		
		Units in Venture		
		Capital Units Scheme,		
730	100	1990 (VECAUS II)	73	224
250,000	10	Under Institutional Investors' Special Fund Unit scheme 1998	2,500	2,500
10,306,108	10	Under Unit Scheme, 1964 *	129,252	129,252
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS		
			131,825	131,976
—	—	10.50% Housing & Urban * Development Corporation Limited	—	30,945
—	—	10.25 % Nuclear Power * Corporation Limited	—	10,140
20,000	1,000	8.95% Konkan Railway * Corporation Limited	20,000	20,000
100	100,000	10.50 % Nuclear Power * Corporation Limited	10,930	10,930
18,250	1,000	10.50% Indian Railway Finance * Corporation Limited	19,225	23,712
50,000	1,000	10.50% Konkan Railway * Corporation Limited	51,815	103,435
4,000	20,000	10.50 % Power Finance* Corporation Limited	82,858	82,858
		Carried Forward	384,052	604,236

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)			As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought Forward	384,052	<i>604,236</i>
—	—	8.85 % Power Finance Corporation Limited *	—	<i>30,270</i>
—	—	9.50% National Housing Bank * (Face Value Rs.50,000,000)	—	<i>50,820</i>
4	5,000,000	8.70 % Rural Electrical Corporation Limited *	20,126	<i>20,126</i>
500,000	100	10.40 % Nuclear Power Corporation Limited *	55,825	—
100	100,000	10.25% Housing & Urban Development Corporation Limited *	11,435	—
200	100,000	9.15% National Housing Bank*	21,656	—
200	100,000	9.50% National Textile Corporation Limited *	21,100	—
200	100,000	10.00% Housing & Urban Development Corporation Limited *	22,000	—
			336,970	<i>383,236</i>
		GOVERNMENT OF INDIA BONDS		
		11.50% Government of India 2004 * (Face Value Rs.50,000,000)	55,050	<i>55,050</i>
		11.03% Government of India 2012 * (Face Value Rs.50,000,000)	—	<i>59,325</i>
		11.68% Government of India 2006 * (Face Value Rs.50,000,000)	59,210	<i>59,210</i>
		9.85% Government of India 2015 * (Face Value Rs.100,000,000)	119,315	<i>59,440</i>
		10.95% Government of India 2011 * (Face Value Rs.50,000,000)	61,425	<i>61,425</i>
		Carried Forward	721,022	<i>999,902</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	721,022	999,902
		10.47% Government of India 2015 * (Face Value Rs.50,000,000)	—	61,300
		7.40% Government of India 2012 * (Face Value Rs.50,000,000)	50,140	—
		8.35% Government of India 2022 * (Face Value Rs.50,000,000)	61,615	—
		7.46% Government of India 2017 * (Face Value Rs.50,000,000)	54,500	—
		7.49% Government of India 2017 * (Face Value Rs.50,000,000)	54,625	—
		9.81% Government of India 2013 * (Face Value Rs.50,000,000)	62,050	—
			577,930	355,750
CORPORATE BONDS				
100	500,000	10.00% Steel Authority of India Limited *	—	50,620
50	1,000,000	7.05% HDFC Bonds 2007 *	49,868	—
5	10,000,000	6.60 % Redeemable Non Convertible Debentures of Panatone Finvest Ltd 08 *	47,965	—
300	100,000	Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd*	30,000	—
200	100,000	Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd *	20,000	—
			147,833	50,620
		Carried Forward	1,446,785	1,111,822

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st	
		March, 2003	<i>As at 31st</i> March, 2002
		Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)			
<u>Number</u>	<u>Face value per unit Rupees</u>		
	Brought forward	1,446,785	<i>1,111,822</i>
	UNITS OF MUTUAL FUNDS		
	Debt Fund (Growth Scheme)		
4,093,950	10 Alliance Income Fund	77,973	<i>38,561</i>
4,236,746	10 Birla Sun Life Income Fund	105,627	<i>72,449</i>
2,000,000	10 Deutsche Premier Bond Fund Institutional Plan	20,000	—
4,602,526	10 DSP Merrill Lynch Bond Fund	93,173	<i>20,464</i>
5,045,500	DSP Merrill Lynch Bond Institutional Growth	50,455	—
—	Pioneer ITI Strategic Investment Plan VIII A medium term	—	<i>31,652</i>
9,887,297	10 HDFC Income Fund	133,937	<i>60,108</i>
2,621,244	10 IDBI Principal Income fund	35,454	<i>5,359</i>
2,310,046	10 IL&FS Bond Fund Growth	35,153	—
3,629,970	10 JM Mutual Income Fund	84,894	<i>58,222</i>
3,066,871	10 JM Mutual Income Fund Bonus Option	30,000	—
4,602,513	10 Kotak Mahindra K-Bond Wholesale-Plan Growth	68,582	<i>18,280</i>
1,811,705	10 Kotak Mahindra K Bond Wholesale - Bonus option	18,859	—
6,635,729	10 Prudential ICICI Income Fund Growth	112,017	<i>32,339</i>
5,346,000	10 Prudential ICICI Flexi Income Fund	55,934	—
1,096,740	10 Reliance Income Fund	20,094	<i>20,920</i>
1,859,366	10 Reliance Income Fund - Growth Plan Bonus	20,000	—
4,049,892	10 Grindlays Super Saver Income Fund - Investment plan	55,896	—
4,637,606	10 Grindlays Dynamic Bond Fund	50,237	—
2,000,000	10 Grindlays Floating Rate Fund	20,000	—
355,354	10 SBI Magnum Income fund	5,288	<i>5,288</i>
649,505	10 Sundaram Mutual Fund-Bond Saver	10,944	<i>10,944</i>
	Carried Forward	1,446,785	<i>1,486,408</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)		As at 31st		As at 31st
		Rupees '000	March, 2003	March, 2002
Number	Face value per unit Rupees		Rupees '000	Rupees '000
	Brought forward		362,147	568,346
	Growth Scheme Fixed Maturity Plan			
1,500,000	10 Grindlays Fixed Saving Scheme series 4	15,000		—
3,165,247	10 Strategic Investment Plan VIII A medium term	31,652		—
1,000,000	10 Kotak Fixed Maturity Plans	10,000		—
1,000,000	10 Zurich HIF FMP Yearly Growth-V	10,000		—
1,000,000	10 Reliance Fixed term scheme Qtr Plan Dividend	10,000		—
			76,652	—
	Liquid Fund			
596,790	10 JM Mutual High Liquid Fund	10,000		—
2,646,615	10 Kotak Mahindra K Liquid Growth	31,944		—
1,654,096	10 Kotak Mahindra K Liquid Institutional Plan Growth	20,000		—
1,186,653	10 Reliance Liquid fund Treasury Plan Growth	17,352		—
			79,296	—
	Short term Growth Fund			
2,000,000	10 Deutsche Short Maturity Fund	20,000		—
3,000,000	10 HSBC Short term Growth Fund	30,000		—
922,381	10 IL&FS short term Growth Fund	10,000		—
1,887,665	10 IDBI Income Fund short term Fund	20,000		—
2,705,253	10 Prudential ICICI Short term plan cum	30,000		—
1,995,291	10 Reliance Capital Short term Plan	20,000		—
974,298	10 SBI short term Growth Plan	10,000		—
500,000	10 Sundaram Select Debt ST Asset Plan	5,000		—
16,228	10 Standard Chartered Super saver short term plan	193		—
			145,193	—
	Carried Forward		663,288	568,346

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	663,288	568,346
		Securitisation		
		Pass Through Certificates		
3	9,828,999	People's Financial Services Limited	2,012	—
4	9,607,905	People's Financial Services Limited	11,440	—
5	9,904,401	People's Financial Services Limited	36,613	—
2	9,603,211	Tata Finance Limited	15,608	—
			65,673	—
		Total Current Investments	(B) 728,961	568,346
		Total Investments	(A+B) 3,516,586	2,384,530
		Provision for diminution in value of long term investments	(26,191)	(26,191)
		TOTAL	3,490,395	2,358,339
		Aggregate cost of quoted * investments	1,401,152	1,488,783
		Aggregate cost of unquoted investments	2,115,434	895,747
			3,516,586	2,384,530
		Aggregate market value of quoted investments	1,396,554	1,484,562

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

Notes :

- 1) The Company's erstwhile subsidiary Cummins Infotech Limited (CIT) was merged into KPIT Cummins Infosystems Limited (KPIT) on January 10, 2003 with retrospective effect from January 1, 2002. In consideration of the amalgamation of CIT with KPIT, the Company was issued and allotted 359,040 equity shares of Rs.10 each credited as fully paid.

2) Sale / Redemption :	Nos.	Face Value Rs. '000	Cost Rs. '000
1990 (VECAUS II)	1,510	151	151
Tax Free Bonds			
10.50% Housing & Urban * Development Corporation Limited	30,000	30,000	30,945
10.25 % Nuclear Power * Corporation Limited	100	10,000	10,140
10.50% Indian Railway Finance * Corporation Limited	43,000	4,300	4,487
10.50% Konkan Railway * Corporation Limited	50,000	50,000	51,620
8.85 % Power Finance* Corporation Limited	300	30,000	30,270
9.50% National Housing Bank*	—	50,000	50,820
Government of India Bonds			
11.03% Government of India 2012 *	—	50,000	59,325
10.47% Government of India 2015 *	—	50,000	61,300
Commercial Paper			
GMAC-TCFC Finance Limited *	100	50,000	48,009
ICICI Limited *	100	50,000	48,066
Citicorp Finance (India) Limited *	100	50,000	49,068
Indian Oil Corporation Limited *	100	50,000	49,502
Corporate Bonds			
10.25% ICICI Limited *	1,000	10,000	100,555
17.50% HINDALCO Limited *	2,100,000	63,000	77,973
8.65% GE Capital Limited *	5	50,000	50,126
Treasury Bills *	—	150,000	145,047

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Face Value Rs. '000	Cost Rs. '000
UNITS OF MUTUAL FUNDS			
Debt Fund (Growth Scheme)			
Birla Income Plus Plan B	2,713,888	27,139	60,452
HDFC Income Fund	1,639,477	16,395	20,082
JM Income Fund	1,078,698	10,787	22,340
Reliance Income Fund	1,286,249	12,862	20,920
Templeton India Income Fund	1,301,553	13,016	23,779
Zurich India High Interest Fund	1,111,147	11,111	20,090
Dividend Option			
Alliance Liquid Income	2,721,913	27,219	29,736
Birla Income Plus Plan A	1,246,338	12,463	12,939
DSP Merrill Lynch Bond Fund	1,056,415	10,564	11,841
HDFC Income Fund	1,171,056	11,711	12,532
JM Income Fund	1,750,439	17,504	18,648
Kotak Mahindra K Bond (Wholesale Plan)	926,984	9,270	12,165
Prudential ICICI Income Plan	3,648,336	36,483	40,348
Reliance Income Fund	1,543,161	15,432	17,773
Templeton India Income Fund	5,558,006	55,580	64,006
Zurich High Interest Fund	1,629,450	16,295	18,616
3) Purchased and sold / redeemed during the year :-			
Newage Electrical India Limited	59,571	596	13,135
Government of India Bonds	Various	—	300,000
Corporate Bonds & Debentures	Various	—	270,000
Treasury bills	Various	—	160,000
Commercial Paper	Various	—	100,000
Debt Fund (Growth Scheme)			
Kotak Mahindra K Bond Wholesale - Bonus Option	2,030,853	20,309	21,141
DSP Merrill Lynch Bond Fund	1,453,679	14,537	30,374
Short Term Growth Fund			
Alliance Short Term Fund	1,928,945	19,289	20,031
Alliance Short Term Fund (Converted)	9,879	9,879	10,039
Birla Sun Life Bond Plus plan B	11,473,456	114,735	125,000
DSP Merrill Lynch Short Term Fund	15,182,373	151,824	155,034

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Face Value Rs. '000	Cost Rs. '000
HDFC Short Term Plan	10,824,025	108,240	115,231
IDBI Principal Short Term Plan	2,842,964	28,430	30,000
IL&FS Bond fund Short Term Plan	2,367,610	23,676	25,033
JM Short Term Plan	9,089,583	90,896	95,097
Kotak Mahindra Short Term Plan	6,651,413	66,514	70,073
Prudential ICICI Short Term Plan	6,855,087	68,551	75,163
Reliance Short Term Fund	2,997,646	29,976	30,000
Standard Chartered Short Term Plan	7,624,650	76,247	89,851
Templeton India short Term Plan	97,905	97,905	105,219
Zurich India High Interest Fund Short Term Plan	2,411,903	24,119	25,104
Liquid Option			
Alliance Cash Manager	691,534	6,915	10,000
Alliance Cash Manager (Converted)	21,214	21,214	30,000
Birla Cash Plus Plan B	970,798	9,708	15,000
DSP Merrill Lynch Liquidity Fund	4,882,941	48,829	70,451
HDFC Liquid Fund	7,732,979	77,330	90,000
IDBI Principal Cash Management Fund	2,600,570	26,006	30,000
IL&FS Liquid Fund	914,537	9,145	10,000
JM High Liquidity Fund	6,718,345	67,183	110,000
Kotak Mahindra Liquid Scheme	10,102,420	101,024	120,000
Pioneer ITI	20,707	20,707	30,000
Templeton India Liquid Fund	690,365	6,904	10,000
Templeton India Treasury Management Account	27,318	27,318	40,000
Reliance Liquid Fund	5,228,889	52,289	70,000
Standard Chartered Cash Fund	13,762,401	137,624	150,000
Prudential ICICI Liquid Plan	4,520,267	45,203	65,000
Zurich India Liquidity Fund	5,397,856	53,979	65,000
4) Purchased during the year			
Nelson Engine Systems India limited	100	1	1
Newage Electrical India Limited	779,443	7,794	171,867
Tax Free Bonds			
10.40 % Nuclear Power * Corporation Limited	500,000	50,000	55,825
10.25% Housing & Urban * Development Corporation Limited	100	10,000	11,435
9.15% National Housing Bank*	200	20,000	21,656
9.50% National Textile Corporation Limited *	200	20,000	21,100

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Face Value Rs. '000	Cost Rs. '000
10.00% Housing & Urban * Development Corporation Limited	200	20,000	22,000
Government of India Bonds			
9.85% Government of India 2015 *	—	50,000	59,875
7.40% Government of India 2012 *	—	50,000	50,140
8.35% Government of India 2022 *	—	50,000	61,615
7.46% Government of India 2017 *	—	50,000	54,500
7.49% Government of India 2017 *	—	50,000	54,625
9.81% Government of India 2013 *	—	50,000	62,050
Corporate Bonds & Debentures			
7.05% HDFC Bonds 2007 *	50	50,000	49,868
6.60 % Redeemable Non Convertible Debentures of Panatone Finvest Ltd 08 *	5	50,000	47,965
Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd *	300	30,000	30,000
Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd *	200	20,000	20,000
9.40% GECSI(Debentures M-15 Series) *	2	20,000	20,000
8.00 % IDBI Omni Bonds Sr.1 *	500	50,000	50,000
Treasury Bills *			
(Face value Rs.50,000,000)		50,000	47,282
Securitisation			
Pass Through Certificates			
People's Financial Services Limited	3	29,487	2,012
People's Financial Services Limited	4	38,432	11,440
People's Financial Services Limited	5	49,522	36,613
Tata Finance Limited	2	19,206	15,608
UNITS OF MUTUAL FUNDS			
Growth Scheme			
Alliance Income Fund	1,985,173	19,852	39,412
Birla Sun Life Income Plus Plan B	3,690,672	36,907	93,630
Deutsche Premier Bond Fund Institutional Plan	2,000,000	20,000	20,000
DSP Merrill Lynch Bond Fund	3,492,781	34,928	72,709
DSP Merrill Lynch Bond - Institutional Growth	5,045,500	50,455	50,455
HDFC Income Fund	6,689,060	66,891	93,911
IDBI-PRINCIPAL Income Fund	2,188,993	21,890	30,095
IL & FS Bond Fund Growth	2,310,046	23,100	35,153
JM Income Fund	3,345,949	33,459	79,012
Kotak Mahindra K Bond Wholesale Plan Growth	3,268,309	32,683	50,303

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO.6 (Contd.)

	Nos.	Face Value Rs. '000	Cost Rs. '000
Kotak Mahindra K Bond Wholesale Plan Bonus Option	1,811,705	18,117	18,859
Prudential ICICI Income Plan	4,575,432	45,754	79,678
Prudential ICICI Flexi Income Fund	5,346,000	53,460	55,934
Reliance Income Fund	1,096,740	10,967	20,094
Reliance Income Fund - Growth Plan Bonus	1,859,366	18,594	20,000
Grindlays Super Saver Income Fund - investment plan	3,607,002	36,070	50,298
Grindlays Dynamic Bond Fund	4,637,606	46,376	50,237
Grindlays Floating Rate Fund	2,000,000	20,000	20,000
Templeton India Income Fund	1,291,803	12,918	26,453
Templeton Income Builder Institutional Plan	7,747,821	77,478	80,579
Templeton Income Builder Plan A	1,766,519	17,665	37,493
Zurich India High Interest Fund	3,196,882	31,969	64,215
DIVIDEND OPTION			
Birla sun life Income plus Plan A	6,692,719	66,927	69,395
HDFC Income Fund	2,159,358	21,594	23,462
JM Income Fund	2,533,837	25,338	26,040
Reliance Income Fund	2,205,283	22,053	23,841
Templeton India Income Fund	2,575,877	25,759	28,147
Zurich India High Interest Fund	2,078,068	20,781	23,360
GROWTH SCHEME FIXED MATURITY PLAN			
Kotak Mahindra Fixed Maturity Plans	1,000,000	10,000	10,000
Zurich HIF FMP Yearly Growth-V	1,000,000	10,000	10,000
Reliance Fixed term scheme Quarterly Plan Dividend	1,000,000	10,000	10,000
SHORT TERM GROWTH FUND			
Deutsche Short Maturity Fund	2,000,000	20,000	20,000
HSBC Short term Growth Fund	3,000,000	30,000	30,000
IL&FS Short term Growth Fund	922,382	9,224	10,000
IDBI income fund Short term Fund	1,887,665	18,877	20,000
Prudential ICICI Short term plan cum	2,705,254	27,053	30,000
Reliance Capital Short term Plan	1,995,291	19,953	20,000
SBI Short term Growth Plan	974,298	9,743	10,000
Sundaram Select Debt Short Term Asset Plan	500,000	5,000	5,000
Standard Chartered Super saver - Short term Plan	16,228	162	193
LIQUID FUND			
JM Mutual High Liquid Fund	596,790	5,968	10,000
Kotak Mahindra K Liquid Growth	2,646,615	26,466	31,944
Kotak Mahindra K Liquid Institutional Plan Growth	1,654,096	16,541	20,000
Reliance Liquid Fund Treasury Plan Growth	1,186,653	11,867	17,352

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 7			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		46,844	<i>51,142</i>
Loose tools and gauges		42,067	<i>47,811</i>
Stock-in-trade :			
Raw materials and components	843,496		<i>629,220</i>
Work-in-progress	360,463		<i>317,096</i>
Finished goods	1,342		<i>12,570</i>
Materials in transit	239,505		<i>72,125</i>
		<u>1,444,806</u>	<u><i>1,031,011</i></u>
		1,533,717	<i>1,129,964</i>
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	17,182		<i>29,771</i>
Considered doubtful	43,415		<i>28,097</i>
Other debts -			
Considered good	2,010,328		<i>2,375,296</i>
Considered doubtful	71		<i>—</i>
	<u>2,070,996</u>		<u><i>2,433,164</i></u>
Less: Provision for doubtful debts	43,486		<i>28,097</i>
		2,027,510	<i>2,405,067</i>
Cash and bank balances :			
Cash on hand	222		<i>179</i>
Balances with scheduled banks :			
on current account	51,123		<i>43,283</i>
on deposit account	100,000		<i>99,795</i>
		<u>151,345</u>	<u><i>143,257</i></u>
Carried forward		3,712,572	<i>3,678,288</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 7 (Contd.)			
Brought forward		3,712,572	<i>3,678,288</i>
Other current assets :			
Interest accrued on investments	33,734		<i>32,298</i>
Lease rent receivable	19,927		<i>—</i>
Other receivables	<u>29,862</u>		<i><u>27,765</u></i>
		83,523	<i>60,063</i>
Loans and advances :			
Unsecured considered good :			
Advances recoverable in cash or in kind or for value to be received			
	293,898		<i>275,749</i>
Balance with Excise Department	<u>393</u>		<i><u>5</u></i>
		<u>294,291</u>	<i><u>275,754</u></i>
		<u><u>4,090,386</u></u>	<i><u><u>4,014,105</u></u></i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	318,108		268,446
Sundry creditors (Refer Note 4(b) & (c) of Schedule 12)	1,199,603		760,722
Lease rentals payable	2,801		—
Advances from customers	38,050		2,405
Dividend warrants posted but not encashed *	4,199		4,398
Interest accrued but not due on loans	4,089		6,795
		1,566,850	1,042,766
Provisions :			
Taxation (net of advance payments)	20,420		21,943
Interim dividend	792,000		—
Proposed dividend	—		297,000
Tax on dividend	101,475		—
Pension and leave entitlement	80,960		72,514
Others	240,997		157,924
		1,235,852	549,381
		<u>2,802,702</u>	<u>1,592,147</u>

* Note :There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
SCHEDULE NO. 9		
DEFERRED TAX ASSET/ (LIABILITY) :		
Deferred Tax Asset :		
Provision for doubtful debts	15,601	<i>10,031</i>
Provision others	52,262	<i>33,350</i>
Provision for voluntary retirement scheme	13,985	<i>17,396</i>
Provision for employee benefits	19,288	<i>19,731</i>
Disallowances under section 43B	28,680	<i>10,394</i>
Preliminary expenses	71	<i>—</i>
Deferred Tax Liability :		
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961	(265,291)	<i>(255,673)</i>
	<u>(135,404)</u>	<u><i>(164,771)</i></u>

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			
Gross sales and services	9,327,585		8,100,725
Less : Excise duty	928,638		648,942
Net sales	8,398,947		7,451,783
Less :			
Commission	79,431		42,639
Discount	—		—
	79,431		42,639
		8,319,516	7,409,144
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs.(000) 3,439; <i>previous year Rs.(000) 777</i>)	43,472		9,070
Miscellaneous income (including testing charges Rs.(000) 541; <i>previous year Rs.(000) 10,594</i>)	41,920		68,297
Export benefits - duty drawback etc.	21,380		18,432
Income from investments			
Long term investments-			
Trade investments (tax deducted at source Rs.(000) 158; <i>previous year Rs. Nil</i>)	1,512		753
Other investments (tax deducted at source Rs.(000) 2,519; <i>previous year Rs. Nil</i>)	75,383		86,917
Dividend from subsidiary (tax deducted at source Rs.(000) 17,745; <i>previous year Rs. Nil</i>)	169,000		—
	245,895		87,670
Current investments - other than trade (tax deducted at source Rs. (000) 3,827; <i>previous year Rs. Nil</i>)	55,455		14,920
Gain on sale/redemption of long term investments	31,050		13,478
Gain on sale/redemption of current investments	17,757		152,119
		456,929	363,986
		<u>8,776,445</u>	<u>7,773,130</u>

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		5,015,418	4,434,074
Purchase of goods for resale		107,916	6,632
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	665,682		626,911
Company's contribution to provident and other funds	226,890		106,061
Welfare expenses	<u>73,613</u>		<u>56,816</u>
		966,185	<u>789,788</u>
Operation and other expenses :			
Stores, spares, consumable materials, etc.	189,145		203,506
Tools and gauges	41,755		43,536
Repairs to buildings	40,893		38,561
Repairs to machinery	35,021		24,568
Other repairs	38,190		22,285
Power and fuel	118,084		136,395
Rent	7,404		3,443
Rates and taxes	33,589		20,305
Insurance	29,445		20,430
Outside processing charges	73,524		147,608
Other expenses	490,629		256,539
Donations and contributions	10,000		5,000
Net loss on fixed assets sold or discarded	<u>1,070</u>		<u>460</u>
		1,108,749	<u>922,636</u>
Technical fees and royalties		82,132	<u>74,257</u>
Carried forward		<u>7,280,400</u>	<u>6,227,387</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees'000	<i>Previous Year Rupees '000</i>
SCHEDULE NO. 11 (Contd.)			
Brought forward		7,280,400	<i>6,227,387</i>
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	1,342		<i>12,570</i>
Work-in-progress	<u>360,463</u>		<i>317,096</i>
		361,805	<i>329,666</i>
Opening inventories :			
Finished goods	12,570		<i>3,375</i>
Work-in-progress	<u>339,964</u>		<i>426,530</i>
		<u>352,534</u>	<i>429,905</i>
		(9,271)	<i>100,239</i>
		<u>7,271,129</u>	<i>6,327,626</i>
Less :cost of plant and machinery manufactured		—	<i>4,579</i>
		<u><u>7,271,129</u></u>	<i><u>6,323,047</u></i>

Cummins India Limited

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

SCHEDULE NO.12

1. Significant accounting policies

a) Basis of accounting

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

b) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. 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 rates prescribed therein or based on the useful life of assets, whichever is higher. Computers and related assets are depreciated over four years. Leasehold land is amortised over the period of lease.

c) Investments

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

d) Inventories

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

e) Foreign currency transactions

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities are translated at the year-end exchange rates and where applicable, at the exchange rates under related forward exchange contracts. The

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

resulting profits and losses are appropriately recognised in the Profit and Loss Account except exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets which are adjusted to cost of fixed assets.

f) Revenue recognition

- i) Sale of goods is recognised on shipment to customers. Sales exclude amounts recovered towards excise duty and sales tax.
- ii) 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, the 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 lease and Operating lease. The agreement is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership and agreements not meeting this criterion 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 from services is recognised on completion of services as per the terms of specific contracts.
- iv) Dividend income from investments is recognised when the right to receive payment is established. Dividend declared by the subsidiary companies after the date of the Balance Sheet is accounted during the year as required by Schedule VI of the Companies Act, 1956.

g) Lease charges under operating leases

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

Cummins India Limited

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

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 included as under:

- i) Cost of product warranty is included in 'Raw materials and components consumed' for free replacement of spares. Accrual of warranties towards replacement of spares, labour charges etc. are included in 'Other expenses'.
- ii) New Engine Performance Inspection fee is included under 'Other expenses'.

i) Retirement benefits

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

j) Leave encashment entitlement

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

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.

l) 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 realization. Other deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty of realization.

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

2. (a) Pursuant to the Scheme of Amalgamation, the amalgamation of wholly owned subsidiaries of the Company namely Power Systems India Limited (PSIL) and Cummins Power Solutions Limited (CPSL) with the Company as approved by the shareholders in the court convened meeting held on 13th September 2002 and subsequently sanctioned by the order of Hon'ble High Court of Bombay, the assets and liabilities were transferred to and vested in the Company with effect from 1st April 2002. The scheme has accordingly been given effect to in these financial statements.
- (b) The amalgamation has been accounted for under the 'Pooling of Interest' method as prescribed by the Accounting Standard (AS14) issued by the Institute of Chartered Accountants of India. Pursuant to the Scheme of Amalgamation of PSIL and CPSL with the Company, the assets, liabilities and reserves of PSIL and CSPL have been taken over at their book value. There are no differences in the accounting policies followed by PSIL and CPSL. Consequently, pursuant to the Scheme of Amalgamation, the accumulated profits of PSIL and CPSL amounting to Rs. (000) 69,079 and Rs. (000) 14,814 respectively as on April 1, 2002 have been considered in the Profit and Loss Account of the Company.
- (c) In view of the aforesaid merger with effect from 1st April 2002, the figures for the current year are not comparable with those of the previous year.

3. Capital Commitments

	Rupees '000	<i>Previous year Rupees '000</i>
Capital Commitments	129,002	<i>89,246</i>

4. a) Advances recoverable in cash or kind include an intercorporate deposit of Rs. Nil (*previous year Rs. (000) 40,000*) placed with Cummins Auto Services Limited, a subsidiary company. Maximum amount outstanding during the year Rs. (000) 40,000 (*previous year Rs. (000) 40,000*).

- b) Sundry creditors include –

	As at 31st March, 2003 Rupees '000	<i>As at 31st March, 2002 Rupees '000</i>
i) Subsidiary companies	—	<i>5,641</i>
ii) Amounts due to small scale industrial undertakings	77,784	<i>72,986</i>

Cummins India Limited

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

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

A V S Traders	Electral Devices
Aask Engineers	Eme Gears Pvt. Ltd.
Alankar Tools Pvt Ltd	Emulsichem Lubricants Pvt. Ltd
Alwin Corpn	Equip-maints
Anography	Enginemates
Anupam Enterprises	Era Instruments
Apidor Abrasive Products Pvt.	Farsak Engg Works
Apt Pneumatics Pvt. Ltd.	Ferrocare Machines Pvt. Ltd.
Arke Enterprises	Filtrum Polymers Pvt. Ltd.
Arnimech Products Private Limited	Fine Automotive
Ashok Industry	Flow Control Equipments
Associated Engineering Co.	Flywheel Ring Gears Pvt. Ltd.
Autocon Engineers Pvt. Ltd.	Ganesh Engg. Works
Autoturn Industries	Dynamic Enterprises
Awani Engineering Works	Ganesh Engineering Works
B B Garda & Sons	General Machine Tools
Baba Engineering Works	House Of Gaskets & Components
Balsons Industries	Hy-power Clamps Pvt. Ltd.
Belose Industries	Indian Packaging Industry
Bhairavanath Engineering Works	Industrial Enterprizers
Bhalchand Industries	Industrial Valves Trading Corp.
Bhide Packings	Insulwel Enterprises
Bhor Engineering Pvt. Ltd.	International Memory Devices
Bhoruka Roadlines Limited	J D Enterprises
Box-pack	Jai Suprabha Protective Prod. P
Bright Engineering Works	Jayant Industries
Caltherm Thermostats (I) P. Ltd.	Jayati Enterprises
Central & Western (I) Chemicals	Jupiter Industrial Works Thane
Ceramed Engineers (P) Ltd.	K K Industries
Chemoplate Finishers P. Ltd.	Kalyani Thermal Systems Ltd.
Circlip India Private Limited	Kat Controls Pvt. Ltd.
Ciseler Engineering	Kishor Multi Services
Clean Home	Elegant Tools Centre
Continuous Stationery Pvt. Ltd.	Kolhatkar Metal Works
Coro Chem	Kubera Tools

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

Cougar Paints Private Ltd.	Kumbhojkar Plastic Moulders
Craft And Technik Industries	Laxmi Engineering Works
Creston Impex	M H Pardeshi & Co.
Crown Plastic Industries	M J Woods
Coupling Engineering Services	Deshmukh Engineering Co.
Cyclo Instruments P. Ltd.	M R Karode & Co.
Deejay Enterprises	M. D. Industries
Delta Corporation	M. H. Industries
Dispotronics	M.k.precimax Engineering Pune
Duggal Brothers	Madan Micro Metal & Cast
Dynam Pressings	Magna Core
Dynamic Enterprises	Manasee Enterprises
Fluid Dynamics Pvt. Ltd.	Manisha Engineering Works
Flow Tech Air (P) Ltd.	Maya Engineering
Gears & Transmissions	S S Nivsarkar & Associates
General Machine Tools	Sagari Engineering
Iai Industries Ltd.	United Engineers
Industrial Products	Sahayog Founders & Engineers
Jupiter Industrial Works	Suyash Electricals
Kwality Precision Products	Samarth Engineering
Lunar Enterprises	Samsons Rubber Industries P. Ltd.
Mascot Decors	Sangam Metal & Engg. Pvt. Ltd.
Meghdoot Rubber Industries	Sardesai Autoparts Pvt. Ltd.
Menon Ancillaries	Saw Seisaku Corporation
Mercury Fittings (P) Ltd.	Shiballoy Multiflex Pvt. Ltd.
Nagpure Industries	Shende Sales Corporation
Navketan Engineering Works	Shivlal Premchand Lengrekar
Nitin Enterprises	Shivon International
P P Enterprises	Shree Engineers
Pandit Automotive Ltd.	Shree Ganesh Industries
Palavi Industries	Shree J Printers
Panchsheel Filters Pvt. Ltd.	Shreeram Industries
Paramount Seals & Packings	Vijay Industries
Paranjape Autocast Pvt. Ltd.	Shri Ganesh Foundry Pvt. Ltd.
Pava Industries	Shriram Rubber Products Pvt. Ltd.
Plastimol	Skey Products
Platochem	Snape Enterprises
Polybond India Pvt. Ltd.	Somamshu
Polychem	Space 'N'style

Cummins India Limited

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

Polycrafts	Span
Poona Couplings Pvt. Ltd.	Spark Engineering
Poona Pressings Pvt. Ltd.	Steelflex
Poonam Dresses & Tailoring Firm	Subra Industries
Pradeep Metallurgy. Prod. P. Ltd	Viram Plastics
Prakash Products	Sulectrons
Pramod Metal Works	Vishal Plastic Products
Pratap Texchem Pvt. Ltd.	Yugandhar Industrial Services
Precifab	Suneet Engineering
Precision Products	Sunil Traders
Precision Rubber Co. (I)	Suprabha Protective Products
Premier Engineering Works	Supreme Gauges & Instruments
Prestek	Surya Engineers
Punch Advertising	Zulfikar Engineering
Punjab Tractors Ltd	Suyash Electricals
Radiant Tools	Techno Spark
Rahul Industries	Tuff Coat Polymers Pvt. Ltd.
Ramesh & Co.	Tuljabhavani Enterprises
Ramps Engineers	Tuskar Trading Pvt. Ltd.
Ranflex India Pvt. Ltd.	Twintech Control Systems P. Ltd.
Ravian Industries	U S Industries
Ravikiran Engineering Works	Uni-tech Industries
Rico	Unity Bushes And Tools Company
Rishi Laser Cutting Ltd.	Unpa Engineering
Rochi Engineers	Varsha Traders
Roshan Enterprises	Venkatesh Engineering Co.
Sai Electrical Services	Vijay Engineering
Samarth Engineering	Spectrum
Shantala Ductile & G.I. FDY. P. Ltd.	Spider Steel Spring Mfg. Co.
Sharp Engravers	Superflex Engg. Polymers Pvt. Ltd.
Shree Ganesh Engg.	Swati Industries
Spectrum Communication	Talab Engineering Co.
Su-mech Engineers	Trimurti Enterprises-warje
Super Steel Industries	Uma Udyog
Suprik Engineers	Sachin Engineering
DBR Cooling Towers (P) Ltd.	Versatile Engg.works
Deevee Electrosystems Pvt Ltd.	Unity Gauge And Tool Co. Pvt. Ltd.
The Shiv Engineers & Traders	Varunsack

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

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

5. Contingent liabilities

	As at 31st March, 2003 Rupees '000	As at 31st March, 2002 Rupees '000
a) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	36,997	37,001
b) Central excise duty/customs duty – demands not accepted by the Company	6,649	7,201
c) Civil liability / secondary civil liability in respect of suits filed against the Company	3,000	401
d) Guarantees given on behalf of subsidiary company to its bankers	155,000	21,820
e) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	27,500	—
f) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	Amounts if any, not ascertainable
g) Claims against the Company not acknowledged as debts and Customs Show Cause Notices against the Company	Amounts if any, not ascertainable	Amounts if any, not ascertainable
h) Advances include Rs. (000) 1,696 (<i>previous year Rs. (000) 1,696</i>) in respect of which a third party has made claims against the Company, which are not acknowledged as debts by the Company.		
i) Pursuant to an order of the Hon'ble Supreme Court, restraining the State Government, from recovering sales tax, one of the Company's supplier has not charged sales tax of Rs. (000) 40,676 (<i>previous year Rs. (000) 18,503</i>) (including interest @ 9% p.a.) on supplies made by it from October 2000 to March 2003 . In the event of the supplier's appeal being dismissed by the Hon'ble Supreme Court, the Company will need to reimburse the above amounts to the supplier.		

Cummins India Limited

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

6. 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
Cummins Auto Services Limited	Subsidiary company

b) Transactions with related parties as per the books of account during the year ended 31st March 2003

	Rs. '000					
	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Key Management Personnel	Total
Purchases of goods	177,047 (243,296)	29,491 (2,848)	595,741 (824,010)	19,702 (—)	— (—)	821,981 (1,070,154)
Sale of goods	67,176 (95,268)	1,576,993 (1,602,954)	1,473,003 (2,625,253)	— (—)	— (—)	3,117,172 (4,323,475)
Purchase of fixed assets	— (—)	788 (336)	60 (—)	— (—)	— (—)	848 (336)
Sale of fixed assets	— (—)	357 (190)	— (—)	— (—)	— (—)	357 (190)
Services rendered	— (13,909)	410 (13,516)	— (195)	143 (—)	— (—)	553 (27,620)
Remuneration paid	— (—)	— (—)	— (—)	— (—)	11,199 (2,526)	11,199 (2,526)
Services received	— (—)	129,228 (69,397)	— (—)	— (—)	— (—)	129,228 (69,397)
Transfer of technology	56,082 (74,257)	— (—)	— (24,340)	— (—)	— (—)	56,082 (98,597)
Inter corporate deposits – given	— (—)	40,000 (87,000)	— (—)	— (—)	— (—)	40,000 (87,000)

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

Rs. '000

	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Key Management Personnel	Total
Repayment of intercorporate deposits	— (—)	80,000 (9,500)	— (—)	— (—)	— (—)	80,000 (9,500)
Interest on intercorporate deposits	— (—)	7,498 (1,640)	— (—)	— (—)	— (—)	7,498 (1,640)
Interest due to increase in credit period	— (—)	— (—)	12,535 (2,234)	— (—)	— (—)	12,535 (2,234)
Purchase of investment	— (—)	5 (35,001)	3 (—)	— (—)	— (—)	8 (35,001)
Sale of investments	— (—)	— (5)	14,237 (2)	— (—)	— (—)	14,237 (7)
Miscellaneous sale	— (—)	— (—)	— (1,792)	— (—)	— (—)	— (1,792)
Sale of scrap	— (858)	370 (688)	— (—)	— (—)	— (—)	370 (1,546)
Equity contributions	— (—)	— (24,895)	— (—)	— (—)	— (—)	— (24,895)

c) Amounts outstanding as at 31st March 2003

	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Total
Sundry Debtors	— (13,670)	299,016 (508,723)	607,644 (1,102,059)	201 (—)	906,861 (1,624,452)
Loans and advances	— (—)	— (1,747)	— (—)	— (—)	— (1,747)
Intercompany Advances	— (—)	— (80,000)	— (—)	— (—)	— (80,000)
Interest Accrued on intercompany advances	— (—)	— (549)	— (—)	— (—)	— (549)
Sundry Creditors	26,697 (74,736)	— (5,641)	106,307 (78,786)	3,206 (—)	136,210 (159,163)
Guarantees outstanding	— (—)	155,000 (21,820)	— (—)	— (—)	155,000 (21,820)

Cummins India Limited

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

Notes :

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

1. Holding Company	Cummins Inc.
2. Subsidiaries	i) Cummins Diesel Sales and Service (India) Limited ii) Cummins Auto Services Limited
3. Fellow Subsidiaries	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) Pte. Ltd. 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 (I) Ltd. xviii) Diesel Recon Co. xix) Fleetguard Nelson Division xx) Holset Engineering Co. Ltd. xxi) Holset Engineering Company ,Inc xxii) Cummins Engine Diesel Co. xxiii) Newage Electrical India Limited xxiv) Cummins Engine (Beijing) Co. xxv) Onan Corporation xxvi) Nelson Burgess Ltd. xxvii) Newage International UK

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

4. Key Management Personnel
- i) Jim Rugg
 - ii) Pradeep Bhargava
 - iii) Vinod Dasari
5. Associates
- i) Valvoline Cummins Limited
 - ii) Fourstroke Automotive Pvt. Limited
- 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.
- iv) Figures in brackets are in respect of the previous year.

7. Segmental Information

a) Primary Segment

The Company's operations predominantly relate to manufacture of Internal Combustion Engines and parts thereof (Engine Business segment) used for various applications such as power generation, construction, compressor, mining, marine, locomotive, fire-fighting, etc. Others include leasing of diesel power generating sets and allied equipment including operation and maintenance facilities of these equipments, etc.

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	8,079,451	327,440	8,406,891
		(7,441,509)	(10,274)	(7,451,783)
ii)	Segment result	821,774	29,413	851,187
		(877,399)		(877,399)
	Unallocated Other Income			388,341
				(277,257)
	Interest			30,364
				(14,537)
	Profit before tax			1,209,164
				(1,140,119)
	Provision for tax			
	Current tax			299,277
				(275,785)
	Deferred tax			- 33,186
				(1,241)
	Net profit for the year			943,073
				(863,093)

Cummins India Limited

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

Information about business segments (Primary segments)			
	Engine Business	Others	Total
iii) Segment assets	5,642,808 (5,687,880)	210,429	5,853,237 (5,687,880)
Common Assets			3,490,395 (2,358,339)
Enterprise Assets			9,343,632 (8,046,219)
iv) Segment liabilities	1,792,221 (1,273,204)	96,586	1,888,807 (1,273,204)
Common Liabilities			1,049,298 (588,808)
Enterprise Liabilities			2,938,105 (1,862,012)
v) Capital expenditure	208,668 (213,224)	62,516	271,184 (213,224)
Depreciation	253,953 (246,700)	11,835	265,788 (246,700)
Information about geographical segments (Secondary segments)			
	Domestic	Export	Total
vi) Segment revenue	6,669,310 (4,719,954)	1,737,581 (2,731,829)	8,406,891 (7,451,783)

Notes:

- The Company's tangible assets are located entirely in India.
- Figures in brackets are in respect of the previous year.

8. Lease income

- 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	7,335	18,644	25,979
Less : Unearned finance income Present value of minimum lease payments receivable	2,485	3,567	6,052
	4,850	15,077	19,927

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

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 5,564 (*previous year Rs. Nil*).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sub lease arrangements, due within 12 months, aggregate Rs. (000) 5,254 (*previous year Rs. Nil*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. (000) 129,021 (*previous year Rs. Nil*).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 122 (*previous year Rs. Nil*).

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, 2003 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	1,074	2,383	3,457
Less : Amount representing interest	327	329	656
Present value of minimum lease payments	747	2,054	2,801

- ii) Future obligations as per lease agreements in respect of assets taken on finance lease is Rs. (000) 909 (*previous year Rs.(000)1,589*). Lease rent of Rs. (000) 1,826 (*previous year Rs.(000) 4,107*) has been debited to the profit and loss account.

- iii) 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, 2003 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	25,844	22,178	48,022

Cummins India Limited

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

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

- i) Appropriately recognised in the profit and loss account – Rs. (000) 11,687 (*previous year Rs. (000) 50,225*)
- ii) Adjusted in the carrying amount of fixed assets – Rs. (000) 1,170 (*previous year Rs. (2,325)*).

11. a) Managerial Remuneration

	Rupees '000	<i>Previous year Rupees '000</i>
Salary	8,379	<i>912</i>
Perquisites	2,820	<i>1,615</i>
Commission - non-wholetime directors	1,250	<i>570</i>
Sitting fees	300	<i>195</i>
Total	<u>12,749</u>	<u><i>3,292</i></u>

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

Of the above remuneration an amount of Rs. (000) 318 (*previous year Rs. Nil*) due to Mr. Pradeep Bhargava is subject to the approval of the shareholders.

Appointment and remuneration of Mr. Vinod Dasari as a whole-time director is subject to approval of Central Government in terms of provisions of Schedule XIII (Part I, Condition (e), of the Companies Act, 1956. Remuneration paid / provided during the year amounted to Rs. (000) 6,288.

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 Directors is not ascertainable and is therefore not included above.

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

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

Particulars	Rupees '000	<i>Previous year Rupees '000</i>
Profits before Tax as per Profit and Loss account	1,209,164	1,140,119
Add : Directors' remuneration	12,749	3,097
Depreciation provided in the books	265,788	246,700
Net loss on fixed assets sold or discarded as per schedule 11	1,070	460
Wealth tax	300	300
Provision for doubtful debts and Advances	12,330	2,687
	292,237	253,244
Less: Depreciation under section 350 of the Companies Act, 1956	265,788	246,700
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	1,070	460
Profit on redemption or sale of Investments	48,807	165,597
	315,665	412,757
Net Profit as per section 309(5)	1,185,736	980,606
Restricted to 1%	11,857	9,806
Commission payable to non-wholetime directors restricted to	1,250	570

12. Remuneration to Auditors:

	Rupees '000	<i>Previous year Rupees '000</i>
Audit fees	2,830	2,520
Other services	938	1,236
Reimbursement of out of pocket expenses	38	82
	3,806	3,838

Cummins India Limited

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

13. Other expenses include provision for doubtful debts Rs. (000) 12,330 (*previous year Rs. (000) 2,687*) and provision for permanent diminution in value of long term investments Rs. Nil (*previous year Rs. (000) 26,191*).
14. Research and development expenses aggregating Rs. (000) 144,093, including Rs. (000) 23,791 on capital account (*previous year Rs. (000) 79,101 including Rs. (000) 20,860 on capital account*) have been incurred by the Company. The expenses disclosed above include expenses incurred on development of parts, etc.
15. The Company has 50% interest in a Joint Venture, Nelson Engine Systems India Limited, incorporated in India. The following represents the Company's share of assets and liabilities as at 31st March 2003 and Income and Expenses for the year ended on that date :

	Rs. (000)
Assets	26,564
Liabilities	5,351
Income	21,470
Expenses (including provision for tax)	18,994
Contingent Liabilities as on 31 st March 2003	Nil
Capital commitments as on 31 st March 2003	18

16. Earning Per share

	<u>As at March 31, 2003</u>	<u>As at March 31, 2002</u>
a) Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
b) Profit for the year after taxation Rs. (000)	943,073	863,093
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	4.76	4.36
Face value per share Rs.	2.00	2.00

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

17. 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	23,000 # (8,000)	20,800 # (12,000)	13,735 (7,496)
Generating sets powered by Internal Combustion Engines	2,140 (640)	100 (100)	44 (9)
Hydraulic Governors (see note (ii) below)	3,000 (3,000)	— (—)	29 (33)
Machine tools including special purpose machines and transfer lines	50 * (50)*	10 (10)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	— (—)	0.486 (0.882)
Parts and accessories for locomotives, prime movers, boilers, steam generating plants and nuclear reactors	200,000 (—)	200 (—)	— (—)
Electricity distribution & control equipment including voltage stabilisers	1,500 (—)	— (—)	— (—)

The increase in licensed and installed capacity is on account of amalgamation of the wholly owned subsidiaries of the Company.

* 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
 - a) engines captively consumed 44 nos. (previous year – 9 nos.) ;
 - b) engines capitalized 1 no. (previous year NIL).
- 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) Figures in brackets are in respect of the previous year.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS 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	13,617* (7,450)	6,825,634 (5,981,923)	29 (18)	12,363 (2,477)	24** (29)**	1,238 (12,363)
Generating sets	44 (10)	23,379 (9,371)	5 (6)	207 (898)	5 (5)	104 (207)
Hydraulic governors	29 (33)	725 (903)		See note (i) below		
Goods for resale : Engines	4 (15)	8,476 (6,506)	— (—)	— (—)	— (—)	— (—)
Equipments @	37 (—)	75,360 (—)				
Lease rentals from equipments		190,451 (—)				
Gross income from services rendered		20,322 (—)				
Spare parts accessories and components		1,245,341 (1,453,080)		See note (i) below		
Others		9,259 (—)				
		<u>8,398,947</u> <u>(7,451,783)</u>		<u>12,570</u> <u>(3,375)</u>		<u>1,342</u> <u>(12,570)</u>

* net of sales returns 8 nos (previous year 5 nos) and excluding engines given as free replacement 78 nos. (previous year 21 nos.).

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

@ including 14 nos under finance lease arrangement.

Notes :

- The Company considers a component as 'meant for sale' only when it is actually sold and hence no stocks are indicated;
- Figures in brackets are in respect of the previous year.

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

c) Details of raw materials and components consumed :

	Rupees '000	<i>Previous year Rupees '000</i>
i) Steel (M.tonnes 1,144 ; <i>previous year 1,360</i>)	39,214	45,954
ii) Mild steel scrap (M.tonnes Nil ; <i>previous year 381</i>)	—	3,551
iii) Castings – various	230,263	244,878
iv) Forgings – various	262,415	320,569
v) Components	3,533,451	3,380,655
vi) Engines (4995 nos ; <i>previous year Nil</i>)	487,349	—
vii) Long Blocks (764 nos ; <i>previous year Nil</i>)	96,353	—
viii) Others including semi-finished components	366,373	438,467
	<u>5,015,418</u>	<u>4,434,074</u>

Note :

Item (v) includes -

- a) the cost of accessories sold and cost of purchased components sold as spare parts (for the goods manufactured and sold by the Company), this activity being ancillary to the Company's manufacturing activity, and
- b) the cost of purchased components issued as free replacements under the Company's warranty for goods sold.

d) Details of purchase of goods for resale :

	Qty. Nos.	Value Rs. (000)	<i>Previous year Qty. Nos.</i>	<i>Value Rs. (000)</i>
Engines	4	6,509	15	6,632
Components		20,963		—
Equipment (including 14 nos (previous year Nil) under finance lease arrangement)	37	72,776		—
Others		7,668		—
Total		<u>107,916</u>		<u>6,632</u>

Cummins India Limited

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

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

	Rupees '000	%	<i>Previous year</i>	
			<i>Rupees '000</i>	<i>%</i>
Imported	1,535,309	30.61	<i>2,004,372</i>	<i>45.20</i>
Indigenously procured	3,480,109	69.39	<i>2,429,702</i>	<i>54.80</i>
Total	5,015,418	100.00	<i>4,434,074</i>	<i>100.00</i>

Notes :

- See comments in note 17(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.

18. Value of imports calculated on CIF basis :

	Rupees '000	<i>Previous year</i>
		<i>Rupees '000</i>
a) Raw materials	152,064	<i>123,427</i>
b) Components	1,233,749	<i>1,366,190</i>
c) Machinery spares	3,874	<i>9,250</i>
d) Capital goods	61,293	<i>24,072</i>
e) Tools, stores, etc.	19,866	<i>20,472</i>
Total	1,470,846	<i>1,543,411</i>

19. Expenditure in foreign currency (subject to deduction of tax where applicable) on accrual basis :

	Rupees '000	<i>Previous year</i>
		<i>Rupees '000</i>
a) Royalty	56,082	<i>74,257</i>
b) Technical Know-how	26,050	—
c) Others (including travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	27,111	<i>20,307</i>
Total	109,243	<i>94,564</i>

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

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

		<i>Previous year</i>
Number of shareholders	1	<u>1</u>
Number of equity shares (shares of Rs.2 each)	100,980,000	<i>100,980,000</i>
Amount remitted Rs. (000)		
For the year ended 31st March, 2002	151,470	—
For the year ended 31st March, 2001	—	<i>131,274</i>

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

21. Earnings in foreign exchange :

	Rupees '000	<i>Previous year</i> <i>Rupees '000</i>
i) Export on FOB basis	1,737,581	<i>2,731,829</i>
ii) Recovery of freight, insurance and other expenses on exports	5,623	<i>9,148</i>
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	6,382	<i>12,310</i>
iv) Interest	12,535	<i>2,233</i>
Total	<u>1,762,121</u>	<u><i>2,755,520</i></u>

Cummins India Limited

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

22. 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, 2003

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

Rupees '000

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

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

Total Liabilities(see note 1)	<u>6,405,527</u>
Total Assets	<u>6,405,527</u>

Sources of Funds -

Paid - up capital	396,000
Reserve & surplus	5,921,698
Secured loans	50,987
Unsecured loans	36,842
Total :	<u>6,405,527</u>

Application of funds -

Net fixed assets	1,762,852
Investments	3,490,395
Net current assets	1,287,684
Deferred tax liability	(135,404)
Miscellaneous expenditure	—
Accumulated losses	—
Total :	<u>6,405,527</u>

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

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2003 :	Rupees '000
i) Turnover (net sales and other income as per the audited profit and loss account)	8,776,445
ii) Total Expenditure	7,567,281
iii) Profit before tax	1,209,164
iv) Profit after tax	943,073
v) Earning per share (See note 2) (face value of Rs. 2)	4.76
vi) Dividend rate (%)	200%

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
N.A	Supply and maintenance of power generating equipment

Notes :

1. Total liabilities include share capital Rs.396 million and reserves and surplus Rs. 5,922 million.
2. 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.
23. Previous year's figures have been regrouped/reclassified, wherever necessary.

Signatures to the Schedules 1 to 12.

M. M. GODSE
Vice President Legal &
Company Secretary

NASSER MUNJEE
Director

RAVI VENKATESAN
Chairman

Mumbai : June 7, 2003

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	1,727,325		1,522,498
Tax paid (net of refunds)	(273,802)		(144,681)
Net cash provided by operating activities		1,453,523	1,377,817
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(256,937)		(230,993)
Sale	19,019		8,112
Interest received	162,107		45,580
Dividend received	153,591		46,109
Investments			
Purchase	(5,356,962)		(7,162,817)
Sale/redemption	4,163,821		6,261,574
Net cash used for investing activities		(1,115,361)	(1,032,435)
III. Cash flows from financing activities :			
Repayment of fixed deposits (net)	(50,485)		(32,573)
Interest paid	(33,109)		(15,229)
Dividend paid (including tax on dividend)	(297,199)		(282,724)
Net cash used for financing activities		(380,793)	(330,526)
IV. Translation gain on foreign currency cash and cash equivalents		—	—
V. Net change in cash and cash equivalents (I+II+III+IV)		(42,631)	14,856
VI. Cash and cash equivalents at the beginning of the year		142,989	110,673
Cash and cash equivalents at the end of the year (V+VI)		100,358	125,529

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003 (Contd.)

NOTES :

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		1,209,164	1,140,119
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	265,788		246,700
Interest expense	30,364		14,537
Interest income (gross)	(173,328)		(67,784)
Dividend earned (gross)	(171,494)		(46,109)
Loss/(gain) on assets sold,discarded etc;	1,070		460
Loss/(gain) on redemption /sale of investments	(48,807)		(165,597)
Provision for doubtful debts	12,330		2,687
Permanent dimunition in value of long term investments	—		26,191
		(84,077)	11,085
b) Changes in working capital and other provisions :-			
Sundry debtors	529,962		(60,025)
Inventories	(243,184)		223,161
Loans and advances	(39,676)		33,502
Other current assets	20,679		21,024
Current liabilities	290,806		121,964
Provisions	43,651		31,668
		602,238	371,294
Total adjustments (a+b)		518,161	382,379
Cash generated from operations		1,727,325	1,522,498

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003 (Contd.)

NOTES :

- 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	Rupees '000	Rupees '000
	2002-03	2001-02	2000-01
Cash in hand	222	179	185
Balances with bank on current account :			
Unclaimed dividend account (restricted)	—	4,398	3,467
Other current accounts	51,123	38,885	86,652
Balances with bank on deposit account	100,000	99,795	20,369
Cash credit (excluding interest accrued & export packing credit)	(50,987)	(17,728)	—
Total	100,358	125,529	110,673

- 4) Cash and Cash equivalents as at beginning includes Rs.(000) 5,460 of Cummins Power Solutions Limited and Rs.(000) 12,000 of Power Systems India Limited taken over on amalgamation. The amalgamation is a non cash transaction(Refer Note 2 on schedule 12)
- 5) The figures in brackets represent outflows of cash and cash equivalents.
- 6) Previous year's figures have been regrouped/reclassified, wherever necessary.

In terms of our report of even date
For PRICE WATERHOUSE
Chartered Accountants

VASANT GUJARATHI
Partner

Mumbai : June 7, 2003

RAVI VENKATESAN
Chairman

NASSER MUNJEE
Director

M. M. GODSE
Vice President Legal &
Company Secretary

Mumbai : June 7, 2003

**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)
1. The Financial Year/ period of the subsidiary company ended on	March 31, 2003	March 31, 2003
2. Holding Company's interest (a) The number of Equity shares held	599,990 Equity Shares of Rs. 100 each fully paid are held by Cummins India Limited and its nominees.	9,999,800 Equity Shares of Rs.10 each fully paid are held by Cummins Diesel Sales and Service (India) Limited and its Nominees. CDS&S is wholly owned subsidiary of Cummins India Limited. Therefore, CASL, is subsidiary of Cummins India Limited in terms of Section 4(1) (c) of the Companies Act, 1956.
(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)	(Rs.'000)
i) for the financial year/ period of the subsidiary as aforesaid	93,172	(86,901)
ii) for the financial year/ period of the Subsidiary since it became Holding Company's subsidiary.	992,003	(136,626)

Cummins India Limited

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

Name of the Subsidiary	Cummins Diesel Sales and Service (India) Limited (CDS&S)	Cummins Auto Services Limited (CASL)
4. Net aggregate amounts of the profits/ (Loss) of the subsidiary dealt with in the Company's account.	Rs. ('000)	Rs. ('000)
i) for the financial year/ period of the subsidiary	169,000	Nil
ii) for the financial years/ period of the subsidiary since it became the holding Company's subsidiary.	264,200	Nil

M. M. GODSE
Vice President Legal &
Company Secretary

NASSER MUNJEE
Director

RAVI VENKATESAN
Chairman

Mumbai : June 7, 2003