



A global leader powering
every need dependably.

**Making people's
lives better by
unleashing the
Power of Cummins**

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Motivating people to act like owners working together

Respected Shareholders,

In fiscal 2004-2005, our nation was fortunate to experience another year of positive economic progress. In this environment, Cummins India outperformed the market in terms of profitable growth with a sense of purpose and direction consistent with our Vision of **"Making People's Lives Better By Unleashing The Power Of Cummins"**. For all of us at Cummins this Vision statement is our anchor amidst constantly changing business circumstances. This Vision statement is supported by specific Mission

statements which are as follows:

Motivating People to Act like Owners Working Together : We sustained and strengthened our organization structure of two interdependent, customer focused business units - The Engine Business Unit (EBU) and the Power Generation Business Unit (PGBU). The EBU conducted its manufacturing operations from two factories in Pune and marketed its products via increasing OEM penetration and also directly to major end users. The PGBU

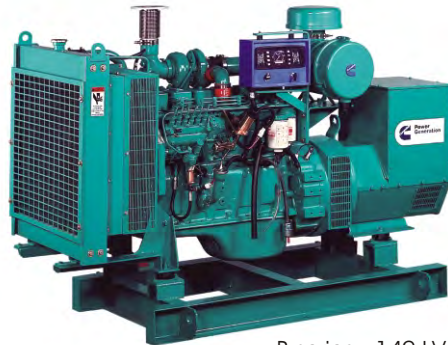
conducted its manufacturing operations from our factory in Daman and continued marketing generators and power systems via its exclusive and strategic partnerships with three OEMs Powerica Ltd., Sudhir Gensets Ltd. And Jakson Ltd. The PGBU also successfully grew its solutions businesses including Power Consulting to enable customers to reduce their energy costs. PGBU is the largest national Rental fleet and the Energy Solutions Business which designs, constructs and operates diesel and

natural gas power plants.

Within each of these two business units, we have a number of “performance cells” which are diverse, cross-functional teams that work together seamlessly towards common objectives. Their performance is measured on clearly identified quantitative and qualitative targets which they own. All employees in the company have a significant component of their compensation tied to individual and



Lean burn QSK 38



B series - 140 kVA

Exceeding customer expectations by always being first to market with the best offerings

Exceeding Customer Expectations By Always Being First To Market With The Best Offerings : We adhered to this Mission statement by launching the first Indian designed and manufactured lean burn natural gas generator at 575 kW. We are excited about the prospects of this pioneering product in the ensuing year. We also updated our 5.9 liter B series engine to

140 kVA in the power generation market to provide customers with higher power density. This generator is more compact as compared to its predecessor and thus requires less space and a smaller acoustic enclosure. We continued to expand our product range by introducing new models in 60-150 HP range for construction equipment and portable

Partnering with our customers to make sure they succeed

Partnering With Our Customers To Make Sure They Succeed : The Cummins India team supported the Armed Forces in their indigenization initiatives. We executed major orders for re-powering Indian Army and Air Force cross country trucks, and executed major Indian Navy and

Coast Guard projects. As the water well rig segment went into a cyclical recession, we partnered with one of our major strategic OEM to provide customers with a lower cost reconditioned engine-compressor package which was well received. We are working closely with the Indian



Kraz 255 Defence Truck repowered by Cummins NT-743-C



HHPDEMU (High Horse Power Diesel Electric Multiple Unit) with new aerodynamic design powered by Cummins KTA-50-L



X series - 15 kVA

I will quote from one of our customers, among many, who was kind enough to send us an email on our website www.cumminsindia.com: "Congratulations on your product. We have in our fleet more than 100 DG sets of capacities varying from 15 kVA to 380 kVA.

About 80% of our fleet is Cummins engines. I am extremely happy to inform you that they are the number

one engines manufactured in India. They are very rugged in construction and practically trouble free compared to the other engines we have. The original spares are easily available. Best technical support by your staff and great support by your dealer M/s Ajax Engineering from Bangalore. In fact last year we added about 11 DG of 250 kVA all Cummins at my recommendation to our MD. I wish you and all your staff good luck.



K 19 - 500 kVa

We sustained and developed our Voice of the Customer (VOC) program where we invite a customer along with the involved OEM and Cummins dealer to speak to a wide group of

Cummins managers about their experiences (both good and bad) with us, and suggestions on how we can further improve. This program is now in its fourth year.



Firepump Installation powered by Cummins V28 engines

Acoustic Enclosure



**Demanding that everything we do leads to a cleaner,
healthier and safer environment**

Demanding That Everything We Do Leads To A Cleaner, Healthier And Safer Environment : I am proud to note that our employees took many actions to live this Mission statement. As new and more stringent emissions and noise regulations were introduced in the country, Cummins stood out and lead the industry by being ready at the outset and being

fully compliant. Our Kaizen based efforts at reducing energy and fuel usage in our Kothrud facility were recognized by the Confederation of Indian Industries with a national award for "Excellence in Energy Management 2004". We are also getting ready to launch Bharat Stage 3 compliant environmentally friendly CNG engines for buses in both

Creating wealth for all stakeholders

Creating Wealth For All Stakeholders : The company's sales grew by 28 percent to Rs. 11,918 million, and profit after tax grew by 26

percent to 1,372 million. Significant inflation in core commodities such as steel, copper and fuel oils adversely impacted our results. However, by



50T mining dump truck powered by Cummins KTA-19-C

Compactor powered by Cummins 4BNA



relentlessly focusing on our Six Sigma program which is now in its fourth year, along with our Turbokaizen initiative, we more than offset inflationary impacts. We now have two Six Sigma Master Black Belts, eight Black Belts and seventy two Green Belts in the company. During the year we also introduced Design For Six Sigma (DFSS) to complement our ongoing process Six Sigma efforts. DFSS will help us

connect the customer's needs to developing high quality solutions using state-of-the-art technological and analytical tools. Aside from eliminating cost, the Six Sigma approach is helping change the decision making culture within our company to a more systematic and data based one. It is also fostering diverse cross-functional teamwork and is a fantastic development

ground for promising young leaders. You may recall that we had announced an initiative named Turbokaizen intended to save Rs 100 crore over three years two years ago. The company has already accomplished Rs 96 crore gross savings with three quarters still remaining in the original three-year

committed period.

CIL also made excellent progress in its exports initiative. We closed out the fiscal year by exporting a record number of 38 and 50 liter engines across the globe for power generation applications. The prospects to grow this business are



Cummins
6CTA package
for Water Well Rig
Compressor and
Construction applications

Missile Boat refitted with Cummins
2 x NTA-855-MG and 1 x NT-743-MG



excellent if we continue to improve our cost, quality and delivery performance.

We completed our Daman plant expansion and were able to cater to the rapidly growing small generator segment.

I have no hesitation in declaring that

the secret behind the successes which we have had are where our employees have adhered to the Cummins Values and the Cummins Personality. Our values are Integrity, Innovation, Delivering Superior Results, Diversity, Corporate Responsibility and Global Involvement. Our Personality is Decisive, Driven To Win, Agile,

Passionate and Caring. As part of the Cummins Performance Management System, we assess our employees on demonstration of these Values and Personality in addition to work plan objectives.

The Cummins experience worldwide over the last eighty five plus years has

been that embracing diversity drives superior business results. This is because in today's complex world, we need the different perspectives of employees of differing backgrounds to solve complex problems effectively. Hence we are very actively promoting both visible diversity such as gender, regional and



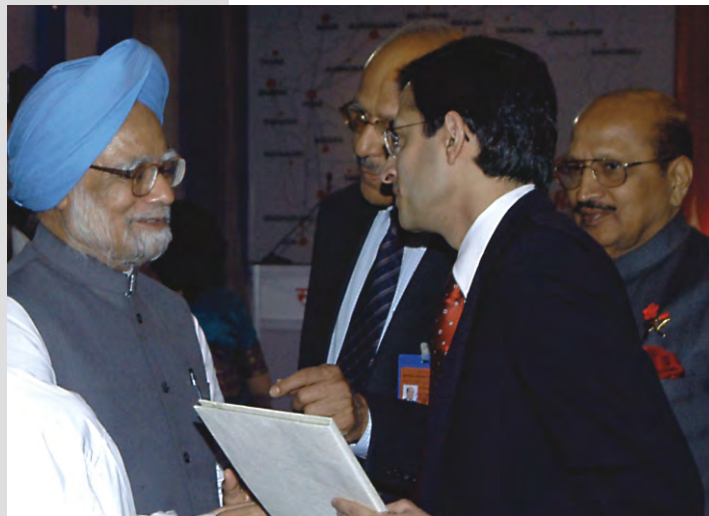
20T Excavator powered by Cummins 6BT

age diversity along with invisible diversity of experiences, styles, religion etc. Cummins will stay committed to helping provide equal opportunity and developing traditionally disadvantaged groups. We do all of this without compromising our high performance expectations. You are seeing the results on our financial statements.

We expanded our community involvement efforts via our Cummins

India Foundation. The highlight was when all Cummins employees across our eleven companies in India contributed a day's salary matched by our companies for the Tsunami relief. We also worked with our generator OEM partners and the Indian Army to donate over twenty generators to the relief effort.

Cummins Research & Technology India (CRTI) launched last year, has surpassed our targets and established



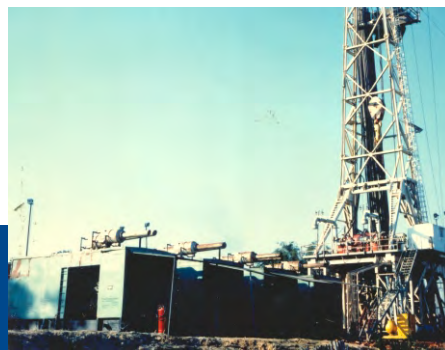
Anant Talaulicar presenting the cheque to the Prime Minister towards the Tsunami Relief Fund

itself as an integral part of our product development process across all Cummins entities worldwide.

I stay optimistic about both our country and Cummins India's prospects in future. Our targeted markets are large and growing. These markets are tied to infrastructure and energy which are receiving increased priority by the government. Cummins

is in a unique position to provide the products and services needed in these changing environments.

In the last year, Cummins Inc. has explicitly named India as a strategic location for growth. We are therefore receiving tremendous support from our parent to pursue our strategic plans aggressively. We have earned



AC-SCR Oil Rig
powered by
KTA-50-G

contributory role in making this happen. We have set objectives of more than doubling our business profitably by 2008 as compared to 2004 while continuing to earn the respect of all our stakeholders including customers, channel partners, employees, shareholders, suppliers and community. We have a fourfold strategy to achieve these

objectives:

- **Retain and grow our domestic market share**
- **Grow exports aggressively**
- **Become a low cost producer in our industry**
- **Create a Great Place To Work**

I would like to sincerely thank all our stakeholders for their continued support and commitment to our company. Allow me to rededicate ourselves to making our stakeholder's

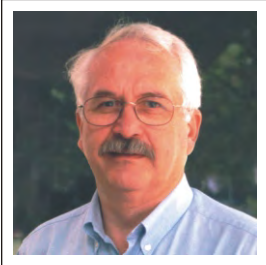


Anant J. Talaulicar
Chairman and Managing Director

BOARD OF DIRECTORS



Rajeev Bakshi
Director



J M Barrowman
Alternate Director



S M Chapman
Director



P S Dasgupta
Director



Glyn Price
Director



S D Hires
Alternate Director



M A Levett
Director



Nasser Munjee
Director



B H Reporter
Director



Venu Srinivasan
Director



Anant J. Talaulicar
Chairman and
Managing Director



Dr. John Wall
Director

BANKERS :

State Bank of India
The Saraswat Co-operative Bank Limited
State Bank of Hyderabad
HDFC Bank Limited
Citibank, N.A.
Bank of America
ICICI Bank Limited
BNP Paribas

AUDITORS :

PRICE WATERHOUSE
Chartered Accountants
252, Veer Savarkar Marg
Shivaji Park, Dadar
Mumbai 400 028

REGISTRAR & TRANSFER AGENT :

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg
Bhandup (West)
Mumbai 400 078
Phone : (022) 5555 5454
Fax : (022) 5555 5353

Cummins India Limited

Regd. Office : Kothrud, Pune 411 038
Phone : (020) 2538 5435, 2538 0240
Fax : (91) - 020 - 2538 0125
Website : www.cumminsindia.com

Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
Total income	1,271.47	1,009.10	877.64	777.31	882.94
Raw material	795.94	607.66	511.41	453.64	518.46
Employee cost	86.62	98.97	96.62	78.98	72.31
Mfg. exps. and overheads	98.72	69.75	68.92	73.49	87.58
Adm.,selling and other exps.	67.90	62.71	50.17	31.07	31.96
Interest	1.23	2.03	3.04	1.45	1.92
Depreciation	35.72	29.89	26.58	24.67	26.18
Net profit before tax	185.35	138.10	120.92	114.01	144.54
Tax provision on income (Net of Excess/Short provision for prior years)	48.11	28.83	26.61	27.70	35.61
Net profit after tax	137.23	109.27	94.31	86.31	108.93
Dividend	79.20	79.20	79.20	29.70	25.74
Additional Income tax on dividend	10.73	10.15	10.15	0.00	2.63
Earnings in foreign exchange	402.39	227.40	176.21	275.55	288.82
Dividend %	200.00	200.00	200.00	75.00	65.00
Earning per share (Rs.) (Face value of Rs. 2)	6.93	5.52	4.76	4.36	5.50

DIRECTORS' REPORT

The Directors of Cummins India Limited have the pleasure of presenting the Forty-Fourth Annual Report and the audited accounts of the Company for the year ended March 31, 2005.

1. FINANCIAL RESULTS :

During the year under review, sales turnover was Rs. 11,918 million (Rs. 1,192 crore) as against Rs. 9,324 million (Rs. 932 crore) during the corresponding previous year (28 % higher). Export earnings were Rs. 4,024 million (Rs. 402 crore) as against Rs. 2,274 million (Rs. 227 crore) during the corresponding previous year (77 % higher). Profit after tax was Rs. 1,372 million (Rs. 137 crore) against Rs. 1,093 million (Rs. 109 crore) (26 % higher).

	2004-2005 (Rs. '000)	2003-2004 (Rs. '000)
PROFIT :		
Profit before taxation	1,853,389	1,381,005
Net Profit for the year after tax but before tax on proposed dividend	1,372,262	1,092,708
Tax on dividend	108,306	101,475
Dividend	792,000	792,000
Transferred to General Reserve	471,956	149,233
Balance carried to Balance Sheet	800,000	800,000

2. DIVIDEND :

Your Directors have recommended a final dividend of 200 % of the equity share capital of Rs. 396 million for the year ended March 31, 2005, including an interim dividend of 100 % declared on January 28, 2005 and paid in February 2005.

3. CONSOLIDATED FINANCIAL STATEMENTS :

The Company has prepared Consolidated Financial Statements of Cummins India Limited and its subsidiaries, associates and joint ventures as at March 31, 2005, in accordance with (i) Accounting Standard 21(AS 21) on 'Consolidated Financial Statements', (ii) Accounting Standard 23 (AS 23) on 'Accounting for Investments in Associates in Consolidated Financial Statements', and (iii) Accounting Standard 27 (AS 27) on 'Financial Reporting of Interests in Joint Ventures', issued by the Institute of Chartered Accountants of India. As required by Clause 41 of the Listing Agreement with the Stock Exchanges, the audited Consolidated Financial Statements are circulated with the Annual Report.

4. CUMMINS BUSINESS SERVICES : (CBS)

The Board of Directors of the Company in their meeting held on April 25, 2005, have approved the proposal of providing transactional services such as financial transactions, pay roll processing, recruitment,

Cummins India Limited

indirect purchasing and IT infrastructure management to fellow Cummins entities in India and abroad through the Cummins Business Services (CBS) Division. The estimated business of this Division will be approximately Rs. 80 to 100 million per annum.

5. 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, 2005, was Rs. 4,300 million (Rs. 430 crore) as against Rs. 3,969 million (Rs. 397 crore) during the corresponding previous year. CDS&S has declared a dividend of 391% during the year ended March 31, 2005, as against 408 % during the previous year ended March 31, 2004. CDS&S is engaged in the business of sale of, and providing after-sales-service to engines and generators 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, 2005, was Rs. 244 million (Rs. 24 crore) as against Rs. 239 million (Rs. 24 crore) during the corresponding previous year. CASL is engaged in the business of retailing parts and accessories for commercial vehicles, and service business in the form of authorised service stations and annual maintenance contracts with truck fleet owners. It is proposed to demerge service business of CASL into CDS&S effective April 1, 2005, subject to appropriate approvals.

- **MRC Autosolutions Private Limited : (MRC)**

The paid-up share capital of MRC is Rs. 18 million. The sales and other income of MRC for the year ended March 31, 2005, was Rs. 9.57 million (Rs. 0.96 crore) as against Rs. 14 million (Rs. 1.4 crore) during the corresponding previous year. MRC is engaged in providing after market support to commercial vehicles from its service station situated in Dist. Vadodara on National Highway 8, Gujarat.

As informed in the last Annual Report, it is proposed to merge MRC into CASL. The Hon'ble Bombay High Court has passed an order sanctioning the scheme of merger and the matter is pending for order of the Hon'ble Gujarat High Court.

- **Fourstroke Automotive Private Limited : (Fourstroke)**

On November 30, 2004, CASL has acquired additional 750,000 equity shares of Fourstroke and hence, Fourstroke has become a wholly owned subsidiary of the Company during the year. Earlier CASL was holding 750,000 equity shares in Fourstroke. The paid-up share capital of Fourstroke is Rs. 15 million. The sales and other income of Fourstroke for the year ended March 31, 2005, was Rs. 2.74 million (Rs. 0.27 crore) as against Rs. 4.65 million (Rs. 0.47 crore) during the corresponding previous year. Fourstroke is engaged in the business of repairing and servicing of commercial vehicles through its service station in Chennai.

- **Annual Reports of subsidiaries :**

The Company has obtained approval of the Central Government dated April 5, 2005, under Section 212 (8) of the Companies Act, 1956, whereby the Company is not required to attach a copy of (i) Balance Sheet (ii) Profit and Loss Account (iii) Report of the Board of Directors and (iv) Report of

the Auditors of its subsidiary companies to this Annual Report. However, the above documents of the subsidiary companies and the related detailed information will be made available to the investors of Cummins India Limited and its subsidiaries on request. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor during business hours on any working day at the (i) Registered Office of the Company and (ii) Registered Office of the concerned subsidiary company.

6. JOINT VENTURES :

a. Nelson Engine Systems India Limited : (NESIL)

The sales and other income of NESIL, a joint venture Company between Fleetguard Inc., U.S.A. and the Company, for the year ended March 31, 2005 was Rs. 106.57 million (Rs.10.66 crore) as against Rs. 55.53 million (Rs. 5.55 crore) during the corresponding previous year (92 % higher). NESIL has declared a dividend of 15 % for the year ended March 31, 2005, as against 10 % for the previous year. NESIL is engaged in the business of manufacture and sale of exhaust silencers and mufflers for Internal Combustion Engines.

b. Cummins Research and Technology India Limited : (CRTI)

Cummins Research and Technology India Limited (CRTI), a 50:50 Joint Venture between Cummins Inc., U.S.A. and your Company was formed in the month of June 2003. The sales and other income of CRTI for the year ended March 31, 2005, was Rs.132.57 million (Rs. 13.26 crore) as against Rs. 17.35 million (Rs. 1.74 crore) during the corresponding previous year which was of nine months (662 % higher). CRTI is engaged in providing Information Technology (IT) enabled Mechanical Engineering Design services to Cummins Inc., its subsidiaries and Joint Ventures across the world and has established a Research and Technology Centre at Pune.

7. CORPORATE GOVERNANCE :

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

8. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- (i) that in the preparation of annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards;
- (ii) that Directors have 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 of March 31, 2005 and of the profit for the period April 1, 2004 to March 31, 2005;
- (iii) that Directors have 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
- (iv) that Directors have prepared the annual accounts on a going concern basis.

Cummins India Limited

9. CONSERVATION OF ENERGY :

In pursuit of excellence and mission for conservation of energy, the Company is proud to mention that it has received National Award for “Excellence in Energy Management 2004” from Confederation of Indian Industries (CII).

The company continued its efforts of energy conservation through various energy optimisation initiatives such as:

- Heat Treatment Furnace Load Optimisation.
- Auto scheduling of Centralised Air Conditioning plants.
- R & D test cell water pump house system modifications.
- Cooling tower power consumption optimisation.

IMPACT OF THE ABOVE MEASURES :

The above initiatives have resulted in saving of 1.85 million units with a potential of 2.49 million units annualised.

10. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your Company is committed to introduce new products and improve existing products to meet stringent emission norms, have higher levels of performance and lower life cycle costs to satisfy market needs.

The Technical Centre of your Company continues to focus on indigenization of components to achieve aggressive cost reduction targets and on development of electronic controls and systems to improve fuel efficiency, performance and durability of products.

A. Some specific areas of R&D initiatives undertaken by the Company are :

a) Development of:

- Fuel efficient KTA-19-G9 engines for Generator market with significant reduction in fuel consumption.
- Engine control systems for export markets.
- Robust lubricating oil pressure switch for K38 & K50 engine models for dump truck applications.
- Cost effective six liter stoichiometric CNG engine meeting Indian emissions norms for Automotive markets.
- High horsepower stoichiometric gas engines with shielded ignition system for Industrial & Power Generation market.
- Development of engines to run on alternate fuels including Bio-Diesel and Producer Gas through joint projects with some of the most prestigious academic institutions in India.

- b) Extensive use of computer simulation, modelling and analysis led design for development of all new engines.
- c) Indigenization of various engine components by validation testing on engines and on experimental applied mechanics rigs.

B. Benefits derived as a result of above activities are :

- Complete range of emission compliant products available on time.
- Advanced high efficiency, low emissions & cost effective Natural Gas Automotive product is available.
- Improvement in performance, quality, reliability and durability of engines and components.
- Cost reduction through indigenization.
- Reduced cost and time for development of new components.
- Reduction in “time to market” and product development cost.
- Annual savings of approximately Rs. 14 million through indigenization of various components.

C. Future plans :

- Development of new engines to improve emissions and life cycle cost.
- Development of engines with alternate fuel options.
- Continue up-gradation of your Tech Centre facilities to world class levels.
- 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.
- Undertake projects for Cummins Inc. entities worldwide enabling your Tech Centre to significantly improve it's capabilities through state of the art development work.

D. The absorption of advanced technology is an ongoing process at your Company. Your Company with strong support from Cummins Inc., U.S.A. continues to absorb and develop advanced technology in the manufacturing and designing of Internal Combustion diesel engines. The absorption of advanced technology results in offering emission compliant products with comparative advantage in terms of higher durability and lower operating costs to customers.

E. Expenditure on R & D :

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

	2004-2005 (Rs. '000)	2003-2004 (Rs. '000)
a) Capital	26,604	30,081
b) Recurring	162,440	150,780
c) Total	189,044	180,861
d) Total R&D expenditure as a percentage of total sales turnover	1.59%	1.94%

Cummins India Limited

11. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 4,234 engines and 1,106 Gensets and achieved export earnings of Rs. 3,963 million (Rs. 396 crore).

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

	2004-2005 (Rs. '000)	2003-2004 (Rs. '000)
(a) Earnings	4,023,884	2,274,007
(b) Outgo :		
- Raw Materials/ components	2,316,075	1,463,006
- Capital equipment	20,526	5,463
- Others	890,522	811,746
	3,227,123	2,280,215

12. DIRECTORS :

During the year under review, Mr. Vinod Dasari resigned as Director of the Company effective March 2, 2005. Consequently, he ceased to be Joint Managing Director of the Company effective the said date. The Board of Directors place on record their appreciation for the valuable contribution made by Mr. Vinod Dasari as Member of the Board of Directors of the Company.

The Board of Directors in their meeting held on June 2, 2005, have co-opted Mr. Glyn Price as an Additional Director of the Company. The resolution for appointment of Mr. Glyn Price as Director is being placed in the ensuing Annual General Meeting.

In accordance with the Companies Act, 1956, and Articles of Association of the Company, M/s. M.A. Levett, Venu Srinivasan and B.H. Reporter, Directors of the Company, retire by rotation and are eligible for re-appointment.

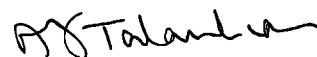
13. AUDITORS :

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

14. 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,



Anant J. Talaulicar
Chairman & Managing Director

Pune : June 2, 2005

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

1. Industry Structure and Developments.

1.1 Economic Trends and Implications :

- The performance of the Indian economy during the year 2004-2005 was satisfactory compared to the expectations formed at the beginning of the year. The GDP growth in the year 2004-05 was 6.9% as compared to 8.5 % in the year 2003-04.
- The Economy has maintained the growth momentum in spite of deficient south-west monsoon, hardening international prices of oil & steel and disaster of Tsunami which caused extensive damage to life and property in Andaman & Nicobar islands and coastline in Tamil Nadu, Kerala, Andhra Pradesh and Pondicherry.
- The double-digit growth in capital goods sector since 2003-04 indicates the capital formation taking place in the industrial sector, which can help in strengthening the upswing in the current year.
- The strong performance of the capital goods sector will also improve domestic capacity expansion in a large number of industries.
- Trends for 2005-06 indicate a positive outlook for industrial growth due to increased capacity utilization, improved industrial climate, expanding external and domestic demand and ease in availability of credit.
- The improvement in economic scenario is estimated to have a positive impact on the Company.

1.2 Power Generation :

- Grid capacity additions continued to trail the peak demand for power during the year 2004-05. Significant shortages were experienced in western India, especially Maharashtra.
- Electricity demand is forecast to continue to grow at 7-8% and the Company forecasts a continued demand for captive generation.
- Fuel prices (especially Diesel) continue to rise, with another price increase likely in the next few quarters.
- However, with increasing prices of diesel (HSD) there is a shift in usage of the gensets from continuous duty to standby and peaking requirements. This trend (which started in 2002-03) continued in 2004-05.
- Demand from non residential construction, manufacturing and IT/ITES, and Telecommunications was strong and we forecast these will remain positive through the next year.
- With increase in fuel prices, many customers are focused on demand-side management and reduction in power intensity. This along with incentives for CHP and power management is likely to support strong demand for our consulting services & power quality products, which we forecast will continue to grow at 50-60% per annum.

Cummins India Limited

- Open issues remain around implementation of the Electricity Act, 2003, which continued to make limited progress during the year.
- The new VAT norms will slowly diminish the relative attractiveness of locations such as Daman & Silvassa, where the genset assemblers are predominantly based. There will also be opportunities for stock & sale by distributors and could result in restructuring of the channel structure.

1.3 Industrial :

- Government impetus slowed post elections but have continued on irrigation, roads, urban infrastructure, construction and increasing focus on developing road and railway network of North Eastern States and J&K.
- Considering that existing capacity of Indian Steel Industry (35 mtpa) is far from the projected demand of 55-60 mtpa in 2011-12, almost all steel companies have announced capital expenditure outlays totaling to Rs. 662 Bn.
- The current coal shortage of around 50-55 million tones (MT) and the proposed increase in thermal power plants will trigger new projects / investments in coal, improvement in equipment utilization, mechanization / modernization of existing mines, allotment of coal blocks to end users & more private participation.
- Increased demand for road construction equipment is expected to continue considering the emphasis and increased outlay for National Highway Development Projects. NHDP - III is to be launched in FY06 to supplement the Golden Quadrilateral and the NS-EW corridors.
- The Water Well Rig cyclic market demand which had peaked in late 2003, fell sharply in early 2004 and remained at its lowest demand position throughout the year.
- The capacity of the Indian ship-building industry (both govt. owned and private) is booked for the next 3-4 years, due to
 - a combination of factors like mandatory phasing out of old tankers, cost competitiveness of Asian companies, collapse of European private shipyards.
 - the continuing vessel acquisition plan of the Indian Navy and Coast Guard (for govt. owned shipyards).
- The Indian Railways drive to reduce energy costs and focus on safety aspects will increase.

1.4 Automotive :

- Growth in the automotive industry is believed to have peaked during the year 2004-05 with a 26% growth. Overall growth is estimated at 6% - 8% during the year. The change in emission norms effective April 1, 2005 and the confusion surrounding the implementation has the potential to impact volumes in the first couple of quarters of 2005-06.
- The demand is driven by growth in commercial vehicles, especially LCVs and HCVs. Their pronounced shift towards Multi Axle Vehicles (MAVs) and the demand for higher capacity vehicles continues.

- Bharat Stage III norms have been introduced in 11 cities and Bharat stage II countrywide. In spite of temporary hiccups in exempting 7 states for a few months, the move in the right direction continues. We can expect a continued shift in the trends towards higher HP vehicles and increased integration of electronic systems and after-treatment devices. However, it is expected that it would be at least a couple of years more for power-to-weight norms to be implemented.
- CNG continues to emerge as a credible alternative fuel for city buses, due to pollution. Currently, 11 cities have been mandated for introduction of CNG by the Hon'ble Supreme Court, but implementation - driven by refueling infrastructure bottlenecks - has been slow for Buses and commercial vehicles.
- The Company has continued to extend its position in the CNG bus market, in conjunction with OEMs such as Tata Motors. Demand for CNG is also emerging from countries such as Bangladesh which have high gas availability. The company is developing higher HP CNG engines required to power the High Capacity Bus System proposed for New Delhi ahead of the Commonwealth games in 2010.

2. Opportunities and Threats :

Key **Opportunities** include:

- India's peak power demand continues to grow at approximately 8% per annum. This will continue to be a driver for demand in the future for power generation equipment.
- The new Electricity Bill opens up avenues for distributed generation and rural electrification. With increasing fuel prices, the demand for captive power plants will increasingly be served by gas generator sets / power plants.
- Our share of global Cummins Engine & Power Generation businesses continues to grow with a strong growth in exports of engines & generator sets. With renewed focus of Cummins Inc. on reducing costs, this represents a large long term opportunity.
- The company has launched several initiatives to engineer lower cost enclosed generator set packages and this provides an opportunity for improved customer satisfaction.
- New initiatives on Rural Electrification by the UPA Government has opened up opportunities for providing small power plants for electrification of villages based on renewable producer gas technologies. This also provides an opportunity to partner with central and local governments in their efforts for national development. The company is currently piloting several projects on gensets & gasification systems for producer gas ranging from 20 KW – 300 KW power plants.
- New norms for emissions & acoustic enclosures of gensets will continue to help our end customers & the environment. Cummins is well positioned to participate in the same.
- Mining tenders for large equipment due to shortage of coal and proposed coal production will increase.
- Indian Railway entities like RITES bagging contracts for developing rail networks in African and other countries.

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- Acquisition of indigenously built new vessels by Indian Navy and Coast Guard and repowering of outdated Russian made engines.
- Oilfield Drilling Rig revamp plan of Oil & Gas Natural Corporation/Oil India.
- Plans of Oil & Gas Companies to set up CNG stations & piped gas supply networks in Andhra Pradesh, Pune and other areas.
- Increasing demand of engines for powering fire fighting pumps in Petrochem, Ports segments and industrial pumps for Irrigation/Water Supply projects.
- Government's decision towards strengthening self-reliance in defence preparedness taking into account increased capabilities of Indian industry and growing globalization of defence industry.

Key **Threats** include:

- Increases in commodity prices remains a key challenge for the company. In addition to Turbo Kaizen which is close to completion, the company is now focusing on a new initiative called ACE to drive reductions in total cost of ownership (TCO) for materials.
- Long term distillate fuel & crude pricing trends are increasing. This will result in increased shift towards standby application for generator sets.
- Relaxation in Import tariffs from 20% to 15% is likely to result in increased imports and competition from global players.
- Product/market extensions by other engine manufacturers into power generation and industrial applications are likely to result in increased competition.
- Aggressive marketing by global OEM competitors particularly in mining.

3. Segment-wise and Product-wise Performance:

3.1 Power Generation :

- The power generation business made significant growth during the year across various lines of business, resulting in an overall growth of over 20% during 2004-05.
- During the year the company continued to successfully stabilize the sales of new products launched in 2003-04. Sales of the X range generator sets increased by 200% and there was strong growth in sales of the new C series and N14 based generator sets.
- The company launched several new products. These included a new B series 140 kVA product and showcased a new C series 250 kVA genset. Shipments of the C 250 will commence in the 2nd half of 2005-06.
- As part of our continued focus on gas, we have launched the new QSK38G 575 kW gas generator and B Gas 40 kW generator during the year. We forecast to continue to launch new products uniquely designed for the Indian market.

- The company has successfully engineered a full range of acoustic enclosures to meet the enclosure norms implemented from Jan. 1, 2005. In conjunction with our OEMs, we have established capacity for supply of over 15,000 enclosed sets which are branded as "SilentPower" providing customers standardized design and manufacturing quality.
- During the year, the Company strengthened its position by winning several key customer accounts in the fast growing IT and non residential construction markets.
- 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 sales of generator sets.
- Sales of services such as rentals, power consulting, and energy solutions continued to grow.
- The new businesses established in the past 3 years, continue to contribute significantly to the Company's power generation business and comprised nearly 35% of total Power Generation segment sales.
- Exports of generator sets and power generation equipment made progress. Several new programs were completed and launched to the Asia-Pacific and Middle East regions.
- The company completed the expansion of the Daman facility increasing capacity by around 25% for generator sets and engine assembly.

3.2 Industrial :

- In spite of a significant dip in the cyclic water well rig business across all nodes, the Company overall improved its performance in other industrial markets by introducing new value packages for different applications and enhancing relations with key OEMs/end users.
- The company successfully executed major Indian Navy and Coast Guard Projects and witnessed a significant jump in this business.
- The Company enhanced its sales in the mining segment due to increased demand in coal, steel, granite and the construction segment driven by greater infrastructure spending. However, some very aggressive pricing by competitors in Mining tenders led to some order loss to Cummins' OEMs.
- The Company won and executed a major order for repowering cross country trucks of Indian Army and Airforce.

3.3 Exports :

3.3.1 Export Performance 2004-2005 :

Export demand continues to remain strong both for Heavy Duty and High Horsepower engines across the globe. We supported this with committed efforts and initiatives towards cost effective, high quality products, ramping up capacities and delivering on time. The result was a 70% growth in number of engines over our originally planned estimates.

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3.3.2 New Export Business Initiatives 2004-2005 :

Rail :

Significant growth opportunities have been identified in the rail business in terms of refurbishment, replacement, repowering and new supply from UK, Korea, Japan, Indonesia, Thailand and Philippines. Prototypes have been built and supplied to customer locations.

Marine :

An opportunity for Cummins India Limited (CIL) to become global source for the 38L Marine product has been identified which is expected to result in strong growth in coming years.

19L G-Drive :

19L G-Drive product has been added to **CIL Export's Product Portfolio** for global supply. Initial orders received from China and supply of engines started.

Components :

Consistent focus on ramping up of capacities, both at the supplier and in-house, helped CIL to cope up with increased components' demand which experienced almost 54% growth year on year.

Achievements :

- In the year 2004-2005 CIL registered highest ever exports – Rs. 3,963 million.
- CIL has received the Engineering Export Promotion Council's **All India Trophy for highest Exporters** for the year 2001-02 and 2002-03 in recognition of CIL's outstanding contribution to engineering exports during these years.
- With CIL's ability to produce world class quality product at low cost, the strategy for High Horsepower Products has been formulated where CIL would be a key source of 19L, 38L and 50L products which is expected to **double exports in the next 4 years**.

3.3.3 Outlook 2005-2006 :

- The increasing investment into infrastructure in India is expected to continue to spur strong demand for CIL's products.
- Based on CIL's low cost, high quality performance, plans are in progress to continue to add new products for Exports and continue to enhance capacity while maintaining the focus on Cost / Supply Chain efficiency.

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

- The Company has made significant investments in emissionizing its entire product line of power generation equipment from 15 - 2000 kVA. These 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 realized in future years.

- The Company will continue to focus initiatives towards solutions for the power generation market. We also forecast an expansion of our current range of gas generator sets and power quality products.
- The Company continues to focus on exports as a key lever of its growth strategy. During the year, we have completed several programs which should provide a strong basis for growth during the next 24 months.
- Our focus on Six Sigma and material cost reduction will continue and we expect to see continuing cost savings in the next 24 months.
- The program with Cummins Westport Inc. to develop the new B Gas International range of gas automotive engines is in advanced stages and we expect to be able to provide a higher HP range of advanced gas engines meeting BS III norms from the coming year onwards.
- Domestic Steel prices are expected to be buoyant till 2007 - any drop would be likely to be led by softening of demand in steel from China.
- Water Well Rig cyclic market demand, currently at its lowest demand position, is not expected to pick up demand till early 2006.
- Introduction of new products & value packages in construction, mining, rail and marine segments will help position us for future growth.

5. Risks and Concerns the Management perceives :

- Continuing fuel price increases are having a negative impact on operating hours and replacement demand for the Company's power generation products.
- Implementation of the Electricity Act, 2003 will have a positive impact on the health of the power sector. Delays will further extend the poor financial position of the sector and affect long term prospects for the industry and consumers.
- Delays in implementation and allocation of funds for infrastructure projects are likely to affect the demand for products of the Company.
- Further increases in commodity prices such as steel, copper and molybdenum are likely to increase our costs.
- With the new enclosure norms being implemented the cost of gensets has increased to customers. Simultaneously, it has also increased through put time and lead times for customers. We forecast this may have some impact on demand for new gensets vis-à-vis replacement engine demand.
- Increase in cost inputs (metals) at a faster pace than the price of end products which can be realized from the OEMs/End users.
- Increase in diesel prices.

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6. Internal Control Systems and their Adequacy :

The Company has instituted adequate internal control procedure commensurate with the nature of its business and size of its operations.

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 evaluated by Internal Audit and supported by 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. All audit observations and follow up actions thereon are tracked for resolution by the Business Controls and Compliance Function and reported to the Finance and Audit Committee. The Finance and Audit Committee met five times during the financial year under review.

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 :

7.A.1 Income :

The details of Income consisting of Sales and Other Income are as under :

a) Sales		Rs. in Million	
Sales	For the year ended March 2005	For the Previous year ended March 2004	Change in %
• Domestic	7,955	7,107	12%
• Exports	3,963	2,217	79%
Total	11,918	9,324	28%

The company's market share and demand for its products in the domestic market remained strong. The demand has witnessed a growth in all the three important areas of markets namely; power generation, industrial and spares. Increased exports by Rs. 1,746 million indicates success of the Company's strategy to promote India as a sourcing hub for global demand. The appreciation of Indian Rupee against US \$ during the year under review affected the export realization.

b) Other Income : Rs. in Million

Details	For the year ended March 2005	For the Previous year ended March 2004	Change in %
• Treasury Income	191	275	(31%)
• Dividend from Subsidiary, Joint Venture and Associate Companies	268	297	(10%)
• Drawback Income	205	73	281%
• Design and Development Charges	—	23	—
• Miscellaneous	133	99	34%
Total	797	767	4%

Duty drawback amount has increased since the Company has opted for duty drawback scheme for its exports instead of earlier advanced license scheme in view of the flexibility in manufacturing capacities possible under duty drawback scheme.

7.A.2 **Expenses and Margins :**

The Company's cost cutting measures through Turbo Kaizen and Six Sigma projects have yielded planned savings. These have helped to more than offset the recent significant increase in metal prices affecting component procurement costs which is a matter of concern. The earlier cost cutting initiatives which continued as per the plan during the year under review such as supplier consolidation, outsourcing and indigenization are helping to reduce the cost of operations.

There was marginal increase in salaries & wages cost mainly due to increase in compensation over last year. However, the total employee cost shows a reduction due to reduced contribution to pension funds this year compared to last year.

Depreciation charge increased from Rs. 299 million during the previous year to Rs. 357 million during the year under review due to additions to the fixed assets.

The interest expenses decreased to Rs. 12 million as against Rs. 20 million in the previous year mainly due to better management of the cash flow and lower interest rates.

7.A.3 **Profit Before Tax (PBT) :**

Profit before tax (PBT) showed a growth of 34% mainly due to cost reduction initiatives, increase in sales volumes and improved realization from NH/NT exports.

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7.A.4 Provision for Tax :

Provision for 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 recognized 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 from Rs. 1,093 million during the previous year to Rs. 1,372 million during the year under review. Consequently, Earning per share (EPS) for a face value of an equity share of Rs. 2 each, during the year ended March 2005 is Rs. 6.93 as against Rs. 5.52 during the previous year ended March 2004, a growth of 26%.

7.B. Financial Condition :

7.B.1 Share Capital :

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

7.B.2 Reserves and Surplus :

Reserves and Surplus increased by Rs. 472 million to Rs. 6,593 million as a result of profit appropriation during the year under review.

7.B.3 Loan funds :

The details of Loan funds are as under :-

	As at March 31, 2005	As at March 31, 2004	Change
Secured Loans	311	208	103
Unsecured Loans	2	3	(1)
Total	313	211	102

Secured loans increased at the end of the year as per cash flow requirement. Unsecured loans consisting of only fixed deposits reduced due to repayment. The Company continues to have almost debt free status having debt equity ratio as at March 31, 2005 of 0.04.

7.B.4 Fixed Assets :

Additions to Fixed Assets block during the year ended March 2005 were Rs. 442 million (Rs. 353 million in the previous year). The additions of Rs. 442 million consists mainly of global sourcing consideration Rs. 214 million for K38 / K50 engine model, plant & machinery Rs.188 million for augmenting various manufacturing facilities, furniture and fittings Rs.18 million and vehicles Rs.6 million. The depreciation block as at March 31, 2005 is Rs. 3,082 million as against Rs. 2,954 million as at March 31, 2004. The deductions/disposals during the year amounted to Rs. 300 million against previous year's Rs. 142 million. Increased asset write offs are attributable to a comprehensive and thorough review of fixed assets taken by the management during the year. Consequently, the net fixed assets block remained at almost the same level of Rs. 1,776 million as at March 31, 2005 against Rs.1,778 million as at March 31, 2004.

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2005 was Rs. 61 million and the Company believes that it will be able to fund them from its investments in liquid assets.

7.B.5 Investments :

Investments decreased to Rs. 2,162 million as at March 31, 2005 as against Rs. 3,250 million as at March 31, 2004, as some funds temporarily parked in the short term investments at the end of the previous year were utilised during the year under review for operations as planned.

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

i. Inventories :

Inventories increased to Rs. 2,394 million as at March 31, 2005 against Rs. 1,700 million as at March 31, 2004. The increase is mainly in raw materials due to higher lead time of imported parts and a higher level of WIP due to increased volumes and despatch commitments.

ii. Sundry Debtors :

Sundry debtors net of provision for doubtful debts increased to Rs. 2,946 million as at March 31, 2005 as against Rs. 2,231 million as at March 31, 2004. These are considered good and realisable. The Sundry Debtors in terms of days of sales based on certain assumptions increased marginally to 90 days as at March 31, 2005 as against 87 days as at March 31, 2004.

The need for cumulative provision for doubtful debts as at March 31, 2005 of Rs. 38 million (previous year Rs. 46 million) is assessed, based on various factors including collectibility of specific dues, risk perception etc.

iii. Cash and Bank Balances :

Cash and Bank balances decreased to Rs. 18 million as at March 31, 2005 as against Rs. 70 million as at March 31, 2004. They represent the year end cash and bank balances with scheduled banks in current and deposit accounts.

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iv. Other Current Assets :

Other current assets increased to Rs. 290 million as at March 31, 2005 against Rs. 133 million as at March 31, 2004. Other current assets include interest accrued on investments, duty drawback receivables, etc.

v. Loans and Advances :

Loans and Advances increased to Rs.1,102 million as at March 31, 2005 against Rs. 518 million as at March 31, 2004. 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. Increase is mainly due to regrouping of duty drawback receivable of Rs. 248 million from other current assets.

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. 420 million as at March 31, 2005 as against Rs. 326 million as at March 31, 2004. 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. 1,746 million as at March 31, 2005 from Rs. 1,631 million as at March 31, 2004 as a result of increase in volume of operations. The total current liabilities increased to Rs. 2,239 million as at March 31, 2005 against Rs. 1,983 million as at March 31, 2004.

ii. Provisions :

The total provisions increased to Rs. 808 million as at March 31, 2005 as against Rs. 735 million as at March 31, 2004, mainly due to the reasons given below:

- Pension and leave entitlement provision, due to leave encashment entitlement as per independent actuarial valuation.
- Other provisions, which include warranty, new engine performance inspection fees, engine overhauls for service contracts etc.

8. Human Resources Development and Industrial Relations :

A critical part of our overall Business Strategy is to make Cummins “**A GREAT PLACE TO WORK**” where our employees trust each other, take pride in their work, enjoy it in a deep and lasting way and “want to” make their careers here. Our people are our greatest assets and it is through them and for them that we are committed in making Cummins “A Great Place to work”.

“Business is not about Balance Sheets or Machinery or Factories. It’s a collection of human beings who can work collectively and achieve more than what any of these can achieve individually.”

- J. Irwin Miller, former Cummins Chairman and CEO.

A number of initiatives based on Leadership Development, Capability Building, Performance Management, Employee Satisfaction, Employee Communication, Compensation and Benefits Restructuring, Diversity and Reward & Recognition were undertaken this year to make Cummins “A Great Place to Work”. Our focus has been to provide our employees with an environment conducive to development, where everyone is respected and “PLAYING AS A TEAM and WINNING AS A TEAM” is the focus.

Leadership development and Capability building : During the last year, we continued to focus on the Cummins Leadership Development System (CLDS). All our Strategic and Tactical leaders have now undergone the CLDS training.

CLDS pulls together a variety of online tools such as eADVISOR, ADVICE & 360° Profilor Feedback and emphasizes FIVE CRITICAL LEADERSHIP SKILLS - Clarifying Expectations & Delegating for Performance, Monitoring Progress to Assure Performance, Coaching for Development, Championing Change and Valuing Diversity.

SIX SIGMA initiatives continue to remain the center point of our quality improvement processes. Among the improvement programs we implement at Cummins, Six Sigma stands out for its speed, effectiveness, and ability to integrate with the existing improvement programs. Aside from eliminating cost, the Six Sigma approach is helping change the decision making culture within our company to a more systematic and data based one. It is also fostering diverse cross-functional teamwork and is a fantastic development ground for promising young leaders. This year we achieved a landmark in the deployment of Six Sigma – since its launch in 2001 – the completion of a grand total of **100 projects** to date in India.

We have also consolidated the **Operations Management Program (OMP)** for our Graduate Engineer Trainees (GETs). Trainees from various branches like Mechanical, Production, Industrial, Metallurgy, Electronics, Computer and Instrumentation from reputed colleges ACROSS THE COUNTRY were recruited for this program with a fair representation of both genders.

Through all of these capability building initiatives, we are maintaining a learning organization, increasing the retention of trained and talented employees and are developing strong future leadership.

Performance Management : We conducted an Organizational Development Review (ODR). Our Senior Management staff, Business Unit Leaders and Human Resource Leaders evaluated the development needs of our employees with relevance to our business strategy. This builds the foundation of our people development strategies for the coming year.

The Cummins Performance Management System (CPMS) is a process that connects an employee’s performance to pre-planned deliverables, stakeholder expectations and the company’s core values. In 2004, the **On-line CPMS** was introduced in India with comprehensive training to help employees use various features of this system. The focus of this training was also to make employees aware of the **Individual Development Plan (IDP)**, an integral part of CPMS, to help them construct and monitor a development plan for themselves, so as to continuously improve their skills and capabilities.

Employee Satisfaction : In 2004, we conducted a comprehensive on line Employee Satisfaction survey. All managers were covered under this survey and results were analyzed to identify strength areas as well as areas of improvement. Cross Functional teams have been formed to initiate actions based on these results and the coming year will see a structured process to improve employee satisfaction,

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especially addressing issues of compensation restructuring, recognition, regular performance reviews and Work-Life Balance.

Employee Communication : Regular two-way communication at various forums was institutionalized through Focus groups, Monthly meetings, Quarterly briefings and Speak Out sessions. Focus group sessions gave employees an opportunity to interact with the Senior Leadership team and share their perception about organizational Communication, Transparency, Cummins policies and Work environment. Quarterly briefings provide a forum where company performance for the last quarter and the key goals for the quarter ahead are discussed with employees and employees are recognized for their OUTSTANDING achievements. “Speak Out” sessions provided our Front-line managers an opportunity to closely interact with Functional Heads so as to voice their concerns.

Employee Engagement : To recognize the contribution of our senior employees, a program was organized where employees who have completed 25 years of service were felicitated. A host of sports competitions like Cummins Cricket Cup, Sinhgad Climbing, Badminton, Table Tennis, Carom, Chess etc. were organized to encourage the competitive spirit amongst our employees and facilitate further interactions. An annual get-together for the Sports and Art Circle to recognize our CHAMPIONS was also organized.

In addition to our regular activities, **Cummins Family Development Circles** arranged a counseling session for employees’ children on ‘Career Guidance and Personality Development’. **Cummins Art Circle**, dedicated to encourage potential amongst employees in the areas of Music, Drama, Painting and other performing arts, won nine prizes for the drama “PRASHNA KAYADYACHA AAHE” in the State level competition organized by the Maharashtra Kamgar Kalyan Mandal. This year we also celebrated the **10th anniversary** of our ‘**Cummins Nature Club**’, an endeavour to spread the message of environment conservation.

On the occasion of Safety Week, we inaugurated a spacious, well equipped **Health Care Center** for employees. Various lectures and workshops (like Reversal of Heart Diseases & Lifestyle Modification, Ergonomics at Workplace to prevent Musculoskeletal Injuries, Art of Living, etc.) were organized to improve the spiritual and physical health of our employees and their family members.

Compensation and Benefits Restructuring : In line with our global compensation philosophy, we remunerate employees at par with market competitive rates, recognizing consistent performance, demonstration of core values & their potential. We are committed to creating channels to deliver total compensation (salary and benefits) at costs that are competitive within our market. Existing practices have been evaluated and we will soon roll out revised compensation practices. The Focus in 2005 will be to deploy an employee friendly compensation design, to increase take home salary and thereby attract, retain and motivate employees.

Diversity : Making Our Differences Work by Unleashing the Power of Inclusion : The Cummins experience worldwide over the last eighty five plus years has been that embracing diversity drives superior business results. This is because in today’s complex world, we need the different perspectives of employees of differing backgrounds to solve complex problems effectively. Hence we are very actively promoting both visible diversity such as gender, regional and age diversity along with invisible diversity of experiences, styles, religion etc. Cummins will stay committed to helping provide equal opportunity and developing traditionally disadvantaged groups. We do all of this without compromising our high performance expectations. You are seeing the results on our financial statements.

We believe that *Every Cummins Employee is responsible for implementing the Diversity Initiative* and positive results depend on individual efforts. To create awareness about our commitment to this goal, our employees are covered through specifically designed training courses. Our Senior Leadership team has analyzed the demographics of our existing employee base as the first step towards formulating our “Business Case for Diversity”. A new initiative, viz. Women’s Affinity Group (WAG) was launched this year on 8th March, International Women’s Day. WAG provides a forum for women employees to share their views, experiences and acts as a platform to express their concerns. This endeavor will offer tips on Work-Life balance, promote discussions regarding professional growth, encourage community work and support diversity related initiatives.

Industrial Relations (IR) : The IR Team achieved a crucial breakthrough in 2004 with the signing of the Productivity Linked Wage Agreement between the management and Cummins workers union on 25th February, 2005. This agreement, valid from October 2004 to September 2007, covers all associates of Cummins India Limited. It was concluded successfully and was received enthusiastically by all employees. The total strength of the employees during the year was approximately 2,127 which included 668 exempt and 1,459 non-exempt employees.

Responsible Corporate citizenship and community involvement : As a responsible ‘Corporate Citizen’, we, at Cummins, are committed to serve and improve the communities in which we live. Our various community programs address economically disadvantaged strata of society, thus, highlighting our commitment to values and ethics.

Tsunami Relief : To help the rehabilitation of Tsunami victims, Cummins India Limited ABO contributed Rs. 48.50 Lakhs to the Prime Minister’s National Relief Fund. This donation included contribution from all the group companies, employees as well as union, GOEMs, dealers and their employees and vendors. The company also donated generator sets to the Indian Navy for power generation in the Tsunami affected areas of Andaman & Nicobar Islands. Employees of group companies generously donated support in kind and the same was made available to the victims at Pondicherry.

Education : In 2004, we continued to sponsor the noble cause of providing education to the disadvantaged sections of the society for example – **Door step school – School on Wheels**. Additionally we provided contributions to an institution involved in imparting primary and secondary education to the children from lower income in rural areas. We also extended support to the Indian Institute of Technology (IIT) for attracting talented students for research on fuel emission and bio fuel.

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.

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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 :

Chairman :

Mr. Anant J. Talaulicar is Chairman of the Board of Directors of the Company effective April 20, 2004.

Composition of the Board of Directors :

As required by the Clause 49 of the Listing Agreement regarding Corporate Governance, the Board as on March 31, 2005, consisted optimum combination of Promoter and Independent Directors. As on March 31, 2005, the Board consisted of total 9 Directors, out of which 4 (44.44 % of the total Board strength) were Promoter Directors and 5 (55.56% of the total Board strength) were independent Directors.

Changes during the year in composition of the Board of Directors :

Mr. Ravi Venkatesan stepped down as Director of the Company effective April 1, 2004, consequently, he ceased to be Chairman of the Board of Directors of the Company. Mr. Vinod Dasari stepped down as Director of the Company w.e.f. March 2, 2005 and consequently, ceased to be Joint Managing Director of the Company effective the said date.

Board Meetings :

During the financial year, meetings of the Board of Directors were held on April 20, 2004, June 2, 2004, July 29, 2004, September 22, 2004, October 21, 2004 and January 28, 2005.

Composition and Category of Directors :

Name	Category	No. of other Directorships		No. of other Committee Memberships		No. of Board meetings attended during the year	Attendance at the last AGM held on July 29, 2004
		Chairman	Member	Chairman	Member		
Mr.Anant J.Talaulicar	Promoter Executive	1	7	—	1	6/6	Present
Mr. Vinod Dasari (Resigned effective March 2, 2005)	Promoter Executive	—	3	1	—	6/6	Present
Mr.S.M.Chapman	Promoter Non-Executive	—	3	—	—	0/6	Absent
Mr.M.A.Levett	Promoter Non-Executive	—	—	—	—	3/6	Present
Dr.John Wall	Promoter Non-Executive	1	—	—	—	3/6	Present
Mr.Rajeev Bakshi	Independent Non-executive	—	1	—	1	3/6	Absent
Mr.P.S.Dasgupta	Independent Non-executive	—	7	1	6	6/6	Present
Mr.Nasser Munjee	Independent Non-executive	—	14	1	8	6/6	Present
Mr. B.H. Reporter	Independent Non-executive	1	2	—	—	4/6	Present
Mr. Venu Srinivasan	Independent Non-executive	3	9	2	2	0/6	Absent
Mr.J.M.Barrowman	Alternate Director to Mr. M.A.Levett	—	—	—	—	1/6	Present
Mr. S.D.Hires	Alternate Director to Dr. John Wall	—	—	—	—	0/6	Absent

Note 1: As on March 31, 2005, Mr. B.H.Reporter jointly with Mrs. A.B.Reporter hold 75,000 fully paid shares of Rs. 2/- each in the Equity share capital of the Company.

Note 2: Directorships in Foreign Companies and Private Limited Companies are excluded in the above table.

Cummins India Limited

3. COMMITTEES OF THE BOARD :

(A) FINANCE AND AUDIT COMMITTEE :

The Finance and Audit Committee consists of 4 independent and 1 executive Director. During the year, meetings of the Finance and Audit Committee were held on June 2, 2004, July 29, 2004, September 22, 2004, October 20, 2004 and January 27, 2005. The Committee, during the year, reviewed the balance sheet, audited financial results for the year ended March 31, 2004 and quarterly results for the quarters ended June 30, 2004, September 30, 2004 and December 31, 2004. The Committee also reviewed (i) the Cost Audit Report for the year 2003-2004 (ii) acquisition/ sale of assets (iii) Related Party transactions (iv) investments of material subsidiary companies (v) Collaboration Agreement with Cummins Inc., USA (vi) payment of interim dividend and (vii) the reports of Internal Auditor. The Committee regularly had interaction with the Statutory Auditors and Cost Auditor 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 and attendance during the year April 1, 2004 to March 31, 2005.

Sr. No.	Name of Director	No. of Meetings attended
1.	Mr. Nasser Munjee (Chairman)	5/5
2.	Mr. Rajeev Bakshi (Member)	2/5
3.	Mr. P.S.Dasgupta (Member)	5/5
4.	Mr. B.H.Reporter (Member)	4/5
5.	Mr. Anant J. Talaulicar (Member) (w.e.f. April 20, 2004)	4/5

Terms of Reference to Finance and Audit Committee in brief:

The Finance and Audit Committee of the Company is primarily responsible to oversee the Company's financial reporting process and ensure that the financial statements are correct, sufficient and credible. It reviews the annual and quarterly financial statements before submission to the Board for approval.

The Committee has been entrusted to review the Internal Audit findings and to ensure adequacy of internal control systems. The Committee recommends to the Board appointment of external auditors and payment of audit fees. The Committee holds regular discussions with the Internal, Statutory and Cost Auditors about their scope of audit and holds post audit discussions with the Auditors. The Internal, external Auditors and Head of Finance are regularly invited for the meetings of the Committee.

(B) COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE :

Mr. Venu Srinivasan is Chairman of the Committee and that M/s. Rajeev Bakshi, S.M.Chapman, B.H.Reporter and Anant J. Talaulicar are the Members of the Committee. A meeting of the Committee was held on January 28, 2005, to confirm the circular resolution passed by the Committee regarding payment of remuneration to Mr. Anant J. Talaulicar and payment of one-time Leave Travel Assistance (LTA) to Mr. Vinod Dasari as Joint Managing Directors of the Company. In the said meeting, the Committee also reviewed the HR Strategy of the Company for the period 2004-2008. M/s. B.H.Reporter, Rajeev Bakshi and Anant J. Talaulicar attended the meeting.

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 of Directors for the year April 1, 2004 to March 31, 2005: (in Rs.)

Name of the Director	Sitting fees	Salary	Commis-ssion	House rent	Gas/ Elect.	Medical	Other Benefits	Total
Rajeev Bakshi	30,000	—	275,000	—	—	—	—	305,000
P.S.Dasgupta	75,000	—	275,000	—	—	—	—	350,000
Nasser Munjee	55,000	—	275,000	—	—	—	—	330,000
B.H.Reporter	60,000	—	275,000	—	—	—	—	335,000
Venu Srinivasan	NIL	—	275,000	—	—	—	—	275,000
Anant J. Talaulicar	—	12,012	—	3,600,000	83,227	—	26,400	3,721,639
Vinod Dasari (Resigned w.e.f.March 2, 2005)	—	11,043	—	2,427,097	109,754	31,514	357,818	2,937,226
Total	220,000	23,055	1,375,000	6,027,097	192,981	31,514	384,218	8,253,865

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. The Central Government has approved payment of commission to non Whole-time Directors vide its approval dated April 25, 2003.

Cummins India Limited

(C) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

During the year, meetings of the Shareholders/Investors Grievance Committee were held on June 2, 2004, July 29, 2004, October 20, 2004 and January 28, 2005. The composition, names of Directors and the broad terms of reference to the Shareholders/Investors Grievance Committee are as follows: -

Composition, names of members and attendance during the year April 1, 2004 to March 31, 2005.

Sr. No.	Name of Director	No. of Meetings attended
1.	Mr.B.H.Reporter (Chairman)	3/4
2.	Mr.P.S.Dasgupta (Member)	4/4
3.	Mr. Vinod Dasari (Member) (Resigned w.e.f. March 2, 2005)	3/4

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 Officer :

Mr. M.M.Godse
Vice President Legal and Company Secretary.

Number of shareholder complaints received during the period April 1, 2004 to March 31, 2005 :

Sr. No.	Nature of complaint	No. of complaints	Status of complaints
1.	Non-receipt of Annual Reports	11	Resolved
2.	Non- receipt of dividend warrants	25	Resolved
3.	Non-receipt of Share Certificates	8	Resolved
4.	Other	5	Resolved
	Total	49	

Number of complaints pending with the Company : Nil

Number of pending share transfers : Nil

Insider Trading Code : The Company has a separate Insider Trading Code in line with SEBI (Prohibition of Insider Trading) Regulations, 1992. The said code is applicable to all Directors and specified employees of the Company. The Code governs sale and purchase of shares of the Company by Directors and specified employees. In terms of this code, Directors and specified employees of the Company can deal in shares of the Company only during “Trading Window Open Period” and not otherwise except with the prior approval of the Compliance Officer appointed under the Code i.e. Head of Finance.

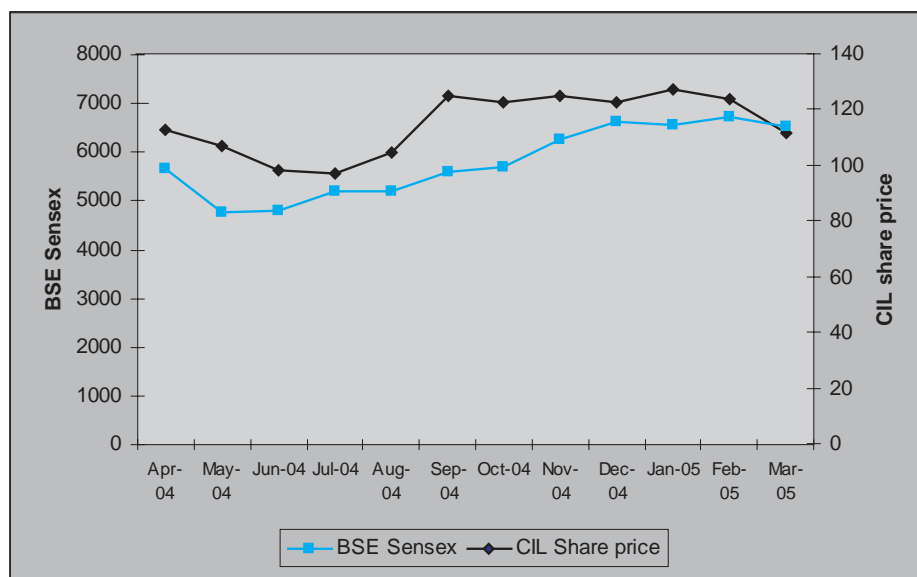
4. GENERAL SHAREHOLDER INFORMATION :

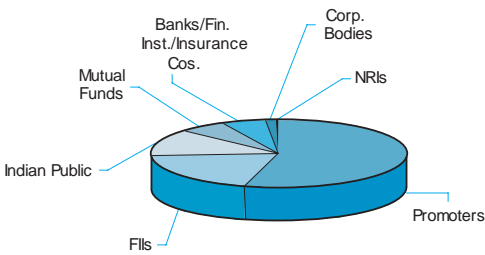
Registered Office	Kothrud, Pune 411 038. Phone Nos. : (020) 25385435, 25381105, 25380240 Fax No. : (020) 25380125 Website : www.cumminsindia.com		
Annual General Meeting	Date and Time : July 28, 2005 at 12:00 noon Venue : Cummins Diesel Sales and Service (India) Limited 35A/1/2, Erandawana Pune 411 038		
Financial calendar (Tentative)	<ul style="list-style-type: none"> • Results for quarter ending June 30, 2005 -Last week of July 2005. • Results for quarter and half year ending September 30, 2005 - Last week of October 2005. • Results for quarter and nine months ending December 31, 2005 - Last week of January 2006. • Results for the year ending March 31, 2006 – June 15, 2006. 		
Date of book closure	July 19, 2005 to July 22, 2005 (both days inclusive)		
Interim Dividend Payment date	February 24, 2005		
Final Dividend payment date	August 3, 2005 (Subject to approval of shareholders)		
Listing on Stock Exchanges	Sr. No.	Name of Exchange	Stock Code
	1.	The Stock Exchange, Mumbai	500480
	2.	National Stock Exchange of India Limited, Mumbai.	KIRLOSKCUM EQ

Cummins India Limited

Market price data : high, low, during each month in last financial year	Month	High (Rs.)	Low (Rs.)
	April 2004	127.00	99.50
	May 2004	120.00	89.95
	June 2004	111.75	91.50
	July 2004	102.40	90.00
	August 2004	112.00	95.75
	September 2004	127.50	102.60
	October 2004	134.80	112.00
	November 2004	129.00	117.00
	December 2004	129.95	120.00
	January 2005	138.00	119.00
	February 2005	138.65	123.15
	March 2005	129.00	106.65
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, 2005.		

Chart A: Cummins India Limited versus BSE Sensex 2004-05.



<p>Registrar and Transfer agent</p>	<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 No. (022) 5555 5454 Fax No. (022) 5555 5353 Contact Person : Mr. N. Mahadevan Iyer Timings : 10.00 to 16.00 (Monday to Friday excluding Public Holidays)</p>																													
<p>Share Transfer System</p>	<p>Share Transfer requests in physical form are processed within 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.</p>																													
<p>Distribution of shareholding as on March 31, 2005.</p> 	<table border="1"> <thead> <tr> <th>Category</th> <th>No. of shares of Rs. 2 each</th> <th>% of shareholding</th> </tr> </thead> <tbody> <tr> <td>Promoters</td> <td>107,354,488</td> <td>54.22</td> </tr> <tr> <td>Mutual Funds</td> <td>11,648,941</td> <td>5.88</td> </tr> <tr> <td>Banks/Financial Institutions/Insurance Companies</td> <td>11,692,888</td> <td>5.91</td> </tr> <tr> <td>Foreign Institutional Investors (FIIs)</td> <td>39,309,474</td> <td>19.85</td> </tr> <tr> <td>Corporate Bodies</td> <td>2,922,840</td> <td>1.48</td> </tr> <tr> <td>Indian Public</td> <td>24,635,967</td> <td>12.44</td> </tr> <tr> <td>NRIs</td> <td>435,402</td> <td>0.22</td> </tr> <tr> <td>TOTAL</td> <td>198,000,000</td> <td>100.00</td> </tr> </tbody> </table>	Category	No. of shares of Rs. 2 each	% of shareholding	Promoters	107,354,488	54.22	Mutual Funds	11,648,941	5.88	Banks/Financial Institutions/Insurance Companies	11,692,888	5.91	Foreign Institutional Investors (FIIs)	39,309,474	19.85	Corporate Bodies	2,922,840	1.48	Indian Public	24,635,967	12.44	NRIs	435,402	0.22	TOTAL	198,000,000	100.00		
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TOTAL	198,000,000	100.00																												

Cummins India Limited

Distribution of shareholding within various categories as on March 31, 2005 :			
Category (shares)	No. of shareholders	No. of shares	% of shares to total shares
1- 500	20,224	3,378,029	1.70
501-1,000	2,630	2,121,024	1.07
1,001- 5,000	3,216	7,633,597	3.86
5,001-10,000	907	6,233,637	3.14
10,001- 50,000	338	6,546,580	3.31
50,001- 100,000	30	2,212,093	1.12
100,001 and above	54	169,875,040	85.80
Total	27,399	198,000,000	100.00
Dematerialisation of shares and liquidity (as on March 31, 2005)	45.70 % 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 GDR/ADRs/ Warrants or any Convertible instruments.		
Plant locations	1. Kothrud, Pune 411 038. 2. Plot No. 19/25A, Silver Industrial Estate, Bhimpore, Daman 396 210.		
Address for correspondence	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		

Unclaimed Dividend : In terms of provisions of Section 205A(5) read with Section 205 C of the Companies Act, 1956, the Company is required to transfer the unclaimed dividend amount remaining unclaimed for a period of 7 years from the date of transfer to unpaid dividend account to "Investor Education and Protection Fund" (IEPF) established by the Central Government. It may please be noted that the amount transferred to the said fund cannot be claimed by any Member. Therefore, Members are requested to claim the unclaimed dividend amount for the past dividends. The details of dividend liable to be transferred to IEPF during the year 2005, 2006 and the last dates for claiming the dividend are given below for ready reference of Members:

Financial Year	Dividend per share	Last date for claiming dividend
1997-98	Rs. 4/- per share of Rs. 10/- each	October 5, 2005
1998-99	Rs. 4/- per share of Rs. 10/- each	September 8, 2006

Note : On December 4, 2000, the Company sub-divided each of its equity share of the face value of Rs. 10/- each into five equity shares of the face value of Rs. 2/- each.

5. ANNUAL GENERAL MEETINGS (AGMs) :

Particulars	FY 2001-2002	FY 2002-2003	FY 2003-2004
Date and Time	13.9.2002 at 10.00 a.m.	29.7.2003 at 11.00 a.m.	29.7.2004 at 11.00 a.m.
Venue	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038

- **Special resolutions passed in the last 3 AGMs :**

- i) **AGM dated 13.9.2002 :**

- a) Resolution for alteration of Article No. 114 of the Articles of Association of the Company regarding Remuneration of the members of the Board or Committee of the Board.
 - b) Payment of Commission to non Whole-time directors of the Company.

- ii) **AGM dated 29.7.2003 :**

- Delisting of equity shares of the Company from Pune Stock Exchange Limited.

- **Postal Ballot :**

- No resolution was passed through Postal Ballot during the financial year 2004-2005.

- Proposed resolution by Postal Ballot :**

- No resolution is proposed to be passed by Postal Ballot.

Cummins India Limited

6. 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 etc. that may have potential conflict with the interest of the Company at large :

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

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

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

- iii) The Company has released Whistle Blower Policy during the year 2003-2004. No person has been denied access to the Finance and Audit Committee under the Whistle Blower Policy.

7. MEANS OF COMMUNICATION :

- The quarterly / half-yearly unaudited financial results were published in Economic Times and in regional newspaper viz. Maharashtra Times.
- The quarterly / half yearly unaudited financial results and official news releases were displayed on the Company's website www.cumminsindia.com.
- The quarterly shareholding pattern and quarterly / half-yearly unaudited financial results were posted on SEBI website www.sebiedifar.nic.in as well as on the Company's website www.cumminsindia.com.
- Transcript of Conference calls with the Analysts made on June 3, 2004, August 13, 2004, October 23, 2004 and January 29, 2005 were displayed on the Company's website www.cumminsindia.com.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS :

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE - MARCH 31, 2005

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 2005 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

Place: Pune
Date: June 2, 2005

Vasant Gujarathi
Partner
Membership Number: 17866

Cummins India Limited

ANNEXURE TO THE DIRECTORS' REPORT

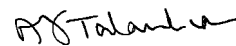
Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2005.

Sr. No.	Name of employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Gross Rs.	Received Net Rs.	Particulars of last employment held, Organisation, Designation and Experience Years
1	Batra Rajiv	49	C.A.	25	Chief Financial Officer	12/07/2004	3,229,622	2,060,047	Xerox Corp., Delhi, Chief Financial Officer, 5 Years
2	* Chonde Y K	51	1st Std.	22	Production Associate	25/07/1997	266,464	265,933	Industrial Cleaning Services, Helper, 15 Years
3	* Chowkar D A	55	B.Sc.,D.M.E.	32	Sr.Mgr. BIS Quality Improvement	05/04/1974	219,589	216,425	Hiralal Mehta & Co., Pune, Sales Representative, 1 Years & 6 months
4	* Gatne P D	55	B.E. (Met.)	32	Sr. GM - Projects	16/5/1977	2,307,481	1,586,354	International Tractors Co. of India Ltd. Jr. Engineer, 4 years
5	* Pandey Vijay	54	B.Tech. (Chem)	32	Sr.GM - Materials	01/08/2001	1,617,388	1,089,565	Hindustan Lever Limited, Head Technical (Lever Johnson Limited, Pune), 14 years
6	Phadke S S	53	B.E.(Mech), B.A.(Eco)	29	Sr. Vice President Industrial Business	01/05/1993	2,791,191	1,518,144	Cummins Diesel Sales and Service (India) Ltd., Zonal Manager South, 1 Year, 3 Months
7	* Sarpotdar S G	54	B.Com, A.C.A.	30	Vice President Finance	15/01/2001	1,424,954	956,917	Kalyani Sharp India Limited, Pune, General Manager Finance, 10 Years
8	Singh Harsimran	41	B.A.(Eco), PGD in PM&IR	20	Vice President HR & OE	02/02/2004	2,869,437	1,891,358	General Mills India Pvt. Ltd., Mumbai, HR Director, 3 Years
9	* Srinivasan Ganesh	29	B.Tech (Mech); M.S. (Ind Engg).	5	Manager Performance Development	02/08/1999	79,755	78,965	—

Notes:

- * Against a name indicates that the employee was in service only for a part of the year.
- Employee at Sr.No.2 was in service only for a part of the year, who has availed Voluntary Retirement Scheme (VRS) and his 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 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



Anant J. Talaulicar
Chairman & Managing Director

Pune : June 2, 2005

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, 2005 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') 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 of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 sub-section (3C) of Section 211 of the Act;

Cummins India Limited

- (e) On the basis of written representations received from the directors as on March 31, 2005 and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2005 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, 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : June 2, 2005

Vasant Gujarathi
Partner
Membership Number 17866

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Cummins India Limited on the financial statements for the year ended March 31, 2005]

- 1 (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company have been 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.
- (c) According to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- 2 (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been substantially confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- 3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- 4 In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

Cummins India Limited

- 5 In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register in pursuance of Section 301 of the Act.
- 6 In our opinion the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under with regard to the deposits accepted from the public which have matured and are remaining unpaid as at March 31, 2005. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8 We have broadly reviewed the books of account maintained by the Company in respect of products 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.
- 9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess as at March 31, 2005 which have not been deposited on account of a dispute, except as follows :

Name of the statute	Nature of dues	Amount (Rs.'000)	Financial years to which the amount relates	Forum where the dispute is pending
The Central Sales Tax Act, 1956	Disallowances of set off claimed under Rule 41D and 42H and levy of purchase tax on technical know-how fees	29,409	1999 - 2000	Deputy Commissioner of Sales Tax (Appeals), Pune Division
The Central Excise Act, 1944	Interest and penalty on CENVAT credit availed on inventory shortages	462	2002-03 and 2003-04	Commissioner of Central Excise (Appeals), Pune

- 10 The Company has no accumulated losses as at March 31, 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank, financial institution or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 15 In our opinion and according to the information and explanations given to us, the terms of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interests of the Company.
- 16 The Company has not obtained any term loans during the year.
- 17 On the basis of an overall examination of the Balance Sheet of the Company and according to the information and explanations given to us, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 19 The Company has not issued any debentures.
- 20 The Company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company, noticed or reported during the year, nor have we been informed of such case by the management. *Fraud on the Company, involving theft of material and fixed assets, aggregating to Rs. 5,495 ('000) were noticed and reported during the year.*

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : June 2, 2005

Vasant Gujarathi
Partner
Membership Number 17866

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule Number	Rupees '000	As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	6,592,887		6,120,931
			6,988,887	6,516,931
Loan funds :				
Secured loans	3	310,820		207,754
Unsecured loans	4	1,920		3,564
			312,740	211,318
Deferred Taxation :				
Deferred tax Liability	5	229,382		266,094
Deferred tax Asset		(164,976)		(170,060)
			64,406	96,034
Finance Lease Liability			25,960	48,117
			<u>7,391,993</u>	<u>6,872,400</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	6	4,857,882		4,732,423
Less : depreciation		3,081,730		2,953,998
Net block			1,776,152	1,778,425
Investments	7		2,162,046	3,249,904
Current assets, loans and advances :				
Inventories	8	2,394,061		1,699,636
Sundry debtors		2,945,524		2,231,447
Cash and bank balances		17,768		70,469
Other current assets		42,381		42,845
Loans and advances		1,102,097		517,587
		6,501,831		4,561,984
Less : Current liabilities and provisions :				
Current liabilities	9	2,239,444		1,982,566
Provisions		808,592		735,347
		3,048,036		2,717,913
Net current assets			3,453,795	1,844,071
			<u>7,391,993</u>	<u>6,872,400</u>

Notes :

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number : 17866

Pune
Date: June 2, 2005

Anant J. Talaulicar
Chairman &
Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune
Date: June 2, 2005

Nasser Munjee
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			11,918,128	9,324,186
Other Income			796,595	766,812
			<u>12,714,723</u>	<u>10,090,998</u>
EXPENDITURE :				
Cost of sales and other expenses	11	10,470,515		8,293,064
Lumpsum compensation under voluntary retirement / separation schemes		21,182		97,732
Depreciation		357,297		298,936
INTEREST :				
on fixed loans		5,009		2,640
others		<u>7,331</u>		<u>17,621</u>
			<u>12,340</u>	<u>20,261</u>
			<u>10,861,334</u>	<u>8,709,993</u>
PROFIT BEFORE TAX			<u>1,853,389</u>	<u>1,381,005</u>
PROVISION FOR TAX:				
Current Tax (including net excess provision for earlier years Rs. (000) 60,748 (previous year Rs. (000) 1,347)		512,755		327,666
Deferred Tax		<u>(31,628)</u>		<u>(39,369)</u>
			<u>481,127</u>	<u>288,297</u>
NET PROFIT FOR THE YEAR			<u>1,372,262</u>	<u>1,092,708</u>
Balance carried forward from last balance sheet			800,000	750,000
APPROPRIATIONS :				
I Proposed final dividend			396,000	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			108,306	101,475
IV Transferred to general reserve			<u>471,956</u>	<u>149,233</u>
Balance carried to balance sheet			<u>800,000</u>	<u>800,000</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			6.93	5.52

Notes :

12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number : 17866

Pune
Date: June 2, 2005

Anant J. Talaulicar
Chairman &
Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune
Date: June 2, 2005

Nasser Munjee
Director

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised : 200,000,000 equity shares of Rs. 2 each (<i>previous year 200,000,000 equity shares of Rs.2 each</i>)	<u>400,000</u>	<u><i>400,000</i></u>
Issued and subscribed : 198,000,000 equity shares of Rs. 2 each (<i>previous year 198,000,000 equity shares of Rs. 2 each</i>)	<u>396,000</u>	<u><i>396,000</i></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.

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account		7,000	<i>7,000</i>
General reserve :			
Balance as per last account	5,313,931		<i>5,164,698</i>
Add : transferred from profit and loss account	<u>471,956</u>		<u><i>149,233</i></u>
Profit and loss account		5,785,887	<i>5,313,931</i>
		<u>800,000</u>	<u><i>800,000</i></u>
		<u>6,592,887</u>	<u><i>6,120,931</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 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.	310,820	<i>207,754</i>
	<u>310,820</u>	<u><i>207,754</i></u>
 SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. (000) 462; <i>previous year Rs. (000) 249</i>)	1,920	<i>3,564</i>
	<u>1,920</u>	<u><i>3,564</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 5			
DEFERRED TAXATION :			
Deferred Tax Liability :			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961		229,382	<i>266,094</i>
Deferred Tax Asset :			
Provision for doubtful debts	(15,718)		<i>(16,554)</i>
Provision others	(88,821)		<i>(59,104)</i>
Voluntary retirement scheme	(24,085)		<i>(38,538)</i>
Provision for employee benefits	(13,308)		<i>(24,864)</i>
Disallowances under Section 43B	(22,976)		<i>(30,964)</i>
Preliminary expenses	(68)		<i>(36)</i>
		<u>(164,976)</u>	<u><i>(170,060)</i></u>
		<u>64,406</u>	<u><i>96,034</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6

FIXED ASSETS :

							Rupees '000
Particulars	Gross block (at cost) as at 31st March, 2004	Additions	Deductions	Gross block (at cost) as at 31st March, 2005	Depreciation as per Schedule 6A	Net block as at 31st March, 2005	
Tangible Assets:							
Land							
-Freehold	7,791	2,509	74	10,226	—	10,226	
-Leasehold	15,412	—	15,412	—	—	—	
Roads	6,019	—	—	6,019	4,122	1,897	
Buildings	205,226 *	12,788	—	218,014 *	86,476	131,538	
Plant and machinery	4,303,223 #	188,115	269,820	4,221,518 #	2,904,837	1,316,681	
Furniture and fittings	50,832	17,709	4,292	64,249	20,466	43,783	
Vehicles	49,026 **	6,464	10,248	45,242 **	12,475	32,767	
Intangible Assets:							
Technical Knowhow	42,000	—	—	42,000	10,489	31,511	
Global Sourcing Consideration	—	214,326	—	214,326	42,865	171,461	
	4,679,529	441,911	299,846	4,821,594	3,081,730	1,739,864	
	(4,469,465)	(352,574)	(142,510)	(4,679,529)	(2,953,998)	(1,725,531)	
Buildings, plant and machinery etc., under erection including advances for capital expenditure				36,288 (52,894)	— —	36,288 (52,894)	
				4,857,882 (4,732,423)	3,081,730 (2,953,998)	1,776,152 (1,778,425)	

NOTES:

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

Includes

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

(ii) power generating equipment costing Rs. ('000) 170,523 (previous year Rs. ('000) 149,654) (net block Rs. ('000) 125,802 (previous year Rs. ('000) 119,313)) given under operating lease arrangements and office equipment costing Rs. ('000) 71,433 (previous year Rs. ('000) 71,493) (net block Rs. ('000) 33,186, previous year Rs. ('000) 56,416), acquired under finance leases.

** includes vehicles costing Rs. ('000) Nil (net block Rs. ('000) Nil), (previous year costing Rs. ('000) 443 (net block Rs. ('000) 310), acquired under finance leases.

Figures in brackets are in respect of the previous year.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2004	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2005
Tangible Assets :				
Land				
— Freehold	—	—	—	—
— Leasehold	503	105	608	—
Roads	4,083	39	—	4,122
Buildings	79,639	6,837	—	86,476
Plant and machinery ##	2,838,810	288,775	222,748	2,904,837
Furniture and fittings	16,285	5,600	1,419	20,466
Vehicles	12,589	4,676	4,790	12,475
Intangible Assets:				
Technical Knowhow	2,089	8,400	—	10,489
Global Sourcing Consideration	—	42,865	—	42,865
	<u>2,953,998</u>	<u>357,297</u>	<u>229,565</u>	<u>3,081,730</u>
	<u>(2,763,610)</u>	<u>(298,936)</u>	<u>(108,548)</u>	<u>(2,953,998)</u>

includes depreciation of Rs. (000) 15,747 (previous year Rs. (000) 14,429) 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, 2005	As at 31st March, 2004
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 7				
INVESTMENTS :				
<u>Number</u>	<u>Face value per unit Rupees</u>			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
600,000	100	Cummins Diesel Sales and Service (India) Limited	19,062	19,061
100	10	Cummins Auto Services Limited	1	1
			19,063	19,062
TRADE INVESTMENTS				
Fully paid ordinary/ equity shares				
1,999,800	10	Nelson Engine Systems India Limited	19,998	19,998
779,997	10	Newage Electrical India Limited	171,989	171,989
115	10	Cummins Research and Technology India Limited	1,146	1,146
			193,133	193,133
OTHER THAN TRADE INVESTMENTS				
1,018,266	5	KPIT Cummins Infosystems Limited *	39,685	39,685
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
			41,300	41,300
		Carried forward	253,496	253,495

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	253,496	253,495
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS		
20,000	1,000	8.95% Konkan Railway * Corporation Limited	20,000	20,000
150	100,000	10.5 % Nuclear Power * Corporation Limited	16,775	16,775
—	—	10.5% Indian Railway Finance * Corporation Limited	—	9,253
4	5,000,000	8.70 % Rural Electrification* Corporation Limited	20,126	20,126
500	100,000	10.4 % Nuclear Power * Corporation Limited	55,825	55,825
100	100,000	10.25% Housing & Urban * Development Corporation Limited	11,435	11,435
300	100,000	9.15% National Housing Bank*	32,490	29,797
200	100,000	9.50% National Textile Corporation Limited *	21,100	21,100
200	100,000	10.00% Housing & Urban * Development Corporation Limited	22,000	22,000
400	100,000	5.75% National Housing Bank*	41,410	41,410
—	—	8.35 % Rural Electrification* Corporation Limited	—	52,500
500	100,000	5.50% Nuclear Power * Corporation Limited	50,000	50,000
50	1,000,000	5.25% Nuclear Power * Corporation Limited	50,000	50,000
1,030,810	100	6.75% Unit Trust of India *	103,081	103,081
249,748	100	6.60% ARS Bonds 2009 U T I *	26,493	—
			470,735	503,302
		Carried forward	724,231	756,797

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	724,231	756,797
		GOVERNMENT OF INDIA BONDS		
		11.68% Government of India 2006 * (Face Value Rs. 50,000,000)	—	59,210
		8.35% Government of India 2022 * (Face Value Rs. 50,000,000)	63,100	63,100
		7.49% Government of India 2017* (Face Value Rs. 50,000,000)	59,875	59,875
		6.17% Government of India 2023 * (Face Value Rs. 50,000,000)	—	51,125
		11.99% Government of India 2009* (Face Value Rs. 50,000,000)	65,575	65,575
		7.38% Government of India 2015 * (Face Value Rs. 50,000,000)	56,575	—
		7.49% Government of India 2017* (Face Value Rs. 5,000,000)	5,540	—
			<u>250,665</u>	<u>298,885</u>
		CORPORATE BONDS		
300	100,000	7% Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd *	30,000	30,000
200	100,000	Redeemable non Convertible Debentures of Citicorp Finance (I) Ltd *	20,000	20,000
		Carried forward	<u>974,896</u>	<u>1,055,682</u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
Number	Face value per unit Rupees			
		Brought forward	974,896	1,055,682
5	10,000,000	7.85% L&T Holding Bond SR-2 2006 *	51,815	51,815
38	100,000	14.25% ICICI Bond 2005 *	4,210	4,210
500	100,000	6.75% IDBI Bond 2008 *	50,462	50,462
12	1,250,000	6.68% Power Grid Corporation of India 2019 *	15,175	15,175
50	1,000,000	6.00% IDBI Bond 2009 *	49,825	—
50	1,000,000	5.85% HDFC Bonds 2009 *	49,240	—
			270,727	171,662
UNITS OF MUTUAL FUNDS				
Debt Fund (Growth Option)				
—	—	Birla Income Plus - Retail (Growth)	—	82,420
—	—	Deutsche Premier Bond Fund - Institutional Plan (Growth Plan)	—	60,175
—	—	DSP Merrill Lynch Bond Fund - Retail Plan Growth	—	60,797
—	—	DSP Merrill Lynch Bond Fund - Institutional Plan - Growth	—	89,090
—	—	Grindlays Dynamic Bond Fund - GDBF (Growth)	—	50,237
—	—	Grindlays Super Saver Income Fund- IP - Plan B (Ins. Plan) (G)	—	89,222
		Carried forward	1,245,623	1,227,344

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st		<i>As at 31st</i>
		Rupees '000	March, 2005 Rupees '000	<i>March, 2004 Rupees '000</i>
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	1,245,623	1,227,344
—	—	HDFC High Interest Fund - Growth Plan	—	10,298
—	—	HDFC Income Fund - Growth	—	119,855
—	—	HDFC Income Fund - Premium Plan Growth	—	75,366
—	—	HSBC Income Fund - Investment Plan- Regular Plan (Growth Option)	—	30,123
—	—	IL & FS Bond Fund - Growth	—	20,000
—	—	IL & FS Bond Fund Institutional Plan - Growth	—	10,061
—	—	ING Vysya Income Fund - Bonus	—	3,902
—	—	JM Income Fund - Growth Plan Growth Option	—	50,443
—	—	JM Income Fund - Institutional Plan - Growth	—	39,119
—	—	JM Income Growth - Bonus Option	—	30,000
—	—	Kotak Bond - Institutional (Growth)	—	54,975
—	—	Kotak Bond - Wholesale (Bonus Plan)	—	18,859
—	—	Principal Income Fund - Growth Plan (growth)	—	36,796
—	—	Prudential ICICI Income Plan - Growth Option	—	50,130
—	—	Pru ICICI Flexible Income Plan - Growth	—	81,639
		Carried forward	1,245,623	1,227,344

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	1,245,623	1,227,344
—	—	Prudential ICICI Income Plan - Institutional Option (Growth)	—	50,424
—	—	Reliance Income Fund - Retail Plan - Growth Plan Growth Option	—	20,206
—	—	Sundaram Bond Saver - Growth	—	23,673
—	—	Tata Income Plus Fund B - Growth Option	—	10,080
—	—	Templeton India Income Builder Account Institutional Plan-Growth	—	116,275
—	—	Templeton India Income Builder Account - Growth	—	37,493
—	—	Templeton Floating Rate Income Fund- L T Plan (Growth Option)	—	10,000
			—	<u>1,331,658</u>
		Dividend re-investment Plan		
—	—	Birla Bond Index Fund - Dividend Plan (Plan A)	—	15,497
			—	<u>15,497</u>
		Monthly Income Plan (Growth Option)		
589,146	10	Alliance Monthly Income - G	11,909	40,000
1,287,513	10	Birla MIP - Plan C (Growth)	20,015	40,000
2,199,337	10	DSP Merrill Lynch Savings Plus Fund (Growth)	21,993	35,217
		Carried forward	1,245,623	<u>2,574,499</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	1,245,623	2,574,499
2,760,244	10	FT India Monthly Income Plan - Growth	43,844	60,000
2,258,593	10	HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	23,285	55,076
1,981,061	10	HSBC MIP - Regular Plan - Growth	20,000	20,000
—	—	Principal Monthly Income Plan - Growth	—	10,138
—	—	Prudential ICICI MIP - Cumulative	—	20,000
1,971,706	10	Reliance Monthly Income Plan - Growth Plan	20,000	30,116
977,699	10	Sundaram Monthly Income Plan - Growth	10,000	—
2,000,000	10	Tata M I P Plus Fund - Growth	20,000	20,000
			191,046	330,547
Equity Fund (Dividend Option)				
201,450	10	Birla Dividend Yield Plus - Plan A (Dividend)	2,500	2,500
412,262	10	Franklin India Bluechip Fund - Dividend	10,000	10,000
67,586	10	Franklin India Prima Fund - Dividend	2,500	2,500
334,175	10	HDFC Equity Fund - Dividend Plan	7,500	7,500
328,228	10	HDFC Top 200 Fund - Dividend Plan	7,500	7,500
370,115	10	HSBC Equity Fund - Dividend	7,500	7,500
		Carried forward	1,436,669	2,905,046

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st		As at 31st
		Rupees '000	March, 2005	March, 2004
SCHEDULE NO. 7 (Contd.)		Rupees '000	Rupees '000	Rupees '000
Number	Face value per unit Rupees			
			1,436,669	2,905,046
	Brought forward			
67,916	10	Reliance Growth Fund - Dividend Plan (D)	2,500	2,500
			40,000	40,000
		Total Long term investments	(A) 1,476,669	2,945,046
		CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS		
		TAX FREE REDEEMABLE / NON-CUMULATIVE BONDS		
—	—	10.5% Indian Railway Finance * Corporation Limited	—	2,606
			—	2,606
		CORPORATE BONDS		
—	—	12.5 % IDBI Bonds 2004 *	—	16,413
			—	16,413
		UNITS OF MUTUAL FUNDS		
		Fixed Maturity Plan		
2,000,000	10	JM Fixed Maturity Plan - QSA5 - DIVIDEND PLAN	20,000	—
			20,000	—
		Liquid Fund		
2,863,990	10	Alliance Cash Manager Institutional (G)	31,543	11,843
—	—	Birla Cash Plus - Institutional (Growth)	—	32,327
		Carried forward	20,000	19,019

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO. 7 (Contd.)				
Number	Face value per unit Rupees			
		Brought forward	20,000	19,019
—	—	Grindlays Cash Fund - Growth	—	15
—	—	HDFC Cash Management Fund - Savings Plan - Growth Option	—	64,780
—	—	IL&FS Liquid Account - Institutional Plan - Growth	—	17,584
—	—	Kotak Liquid - Institutional Plan (Growth)	—	29,424
—	—	Principal Cash Management - Liquid Option Institutional – Growth Plan	—	11,694
—	—	Prudential ICICI Liquid Plan - Institutional Plan - Growth	—	11,937
—	—	Reliance Liquid Fund - Institutional Plan (Growth Option)	—	23,666
—	—	Templeton India Treasury Management Account - Growth	—	36,989
			31,543	240,259
Floating Rate Plan (Growth) Fund				
5,678,909	10	Birla Floating Rate Fund - Long Term Plan (Growth)	61,870	—
3,775,223	10	Deutsche Floating Rate Fund - (Growth Plan)	40,000	—
8,910,932	10	DSP Merrill Lynch Floating Rate Fund - Growth	97,092	—
3,327,888	10	GFRF Long Term - Plan B (Growth)	34,372	—
5,264,183	10	HDFC Floating Rate Income Fund- Long Term Plan - Growth	57,794	—
3,101,434	10	HSBC Floating Rate Fund - Long Term Plan - Regular Option (Growth)	31,639	—
		Carried forward	51,543	259,278

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
Number	Face value per unit Rupees				
		Brought forward		51,543	<i>259,278</i>
1,955,684	10	Kotak Floater Long - Term (Growth)	20,000		—
12,746,323	10	Prudential ICICI Long Term Floating Rate Plan - A (Growth)	130,585		—
2,658,508	10	Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	31,765		—
3,977,226	10	GFRF - Growth (Institutional Plan)	43,430		—
1,865,216	10	Kotak Floater Short Term - (Growth)	20,091		—
1,038,836	10	Principal Floating Rate Fund - FMP - Insti. Growth	10,690		—
3,088,320	10	Reliance Floating Rate Fund - Growth (Growth Option)	31,767		—
1,002,300	10	Templeton Floating Rate Income Fund - Short Term Plan (Growth Option)	11,984		—
996,662	10	UTI - FLOATING RATE STP - GROWTH	<u>10,748</u>		—
				633,827	—
		Carried forward		<u>685,370</u>	<i>259,278</i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)		Face value per unit Rupees	Rupees '000	As at 31st	As at 31st
				March, 2005	March, 2004
Number			Rupees '000	Rupees '000	Rupees '000
		Brought forward		685,370	259,278
		Medium term Growth Fund			
—	—	GSSIF-MT (Growth)		—	30,023
		Securitization Pass Through Certificates			
—	—	People's Financial Services Limited		—	12,051
2	3,460	Tata Finance Limited	7		3,506
				7	15,557
		Total Current Investments	(B)	685,377	304,858
		Total Investments	(A+B)	2,162,046	3,249,904
		Aggregate cost of quoted * investments		1,033,392	1,031,527
		Aggregate cost of unquoted investments		1,128,654	2,218,377
				2,162,046	3,249,904
		Aggregate market value of quoted investments		1,377,239	1,160,728

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

Notes :

	Nos.	Face Value Rs.	Cost Rs.
I) Sale / Redemption :			
Tax Free Bonds			
10.5% Indian Railway Finance * Corporation Limited	11,350	11,350,000	11,859,375
8.35 % Rural Electrification* Corporation Limited	5,000	50,000,000	52,500,000
Government of India Bonds			
11.68% Government of India 2006 *		50,000,000	59,210,000
5.59% Government of India 2023 *		50,000,000	51,125,000
Corporate Bonds			
12.5 % IDBI Bonds 2004 *	3,200	16,000,000	16,412,800
UNITS OF MUTUAL FUNDS			
Debt Fund (Growth Scheme)			
Birla Income Plus - Retail (Growth)	3,055,018	30,550,180	82,419,718
Deutsche Premier Bond Fund - Institutional Plan - (Growth Plan)	5,821,761	58,217,610	60,175,367
DSP Merrill Lynch Bond Fund - Institutional Plan - Growth	8,623,418	86,234,182	89,090,039
DSP Merrill Lynch Bond Fund - Retail Plan - Growth	2,887,332	28,873,323	60,796,704
Grindlays Dynamic Bond Fund - GDBF (Growth)	4,637,606	46,376,063	50,236,828
Grindlays Super Saver Income Fund- IP - Plan B (Ins. Plan) (G)	5,904,316	59,043,162	89,221,781
HDFC High Interest Fund - Growth Plan	495,836	4,958,360	10,298,167
HDFC Income Fund - Growth	8,063,012	80,630,122	119,855,074
HDFC Income Fund - Premium Plan Growth	4,864,950	48,649,503	75,365,571

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
HSBC Income Fund - Investment Plan - Regular Plan (Growth Option)	2,802,283	28,022,829	30,123,458
IL & FS Bond Fund - Growth	1,289,516	12,895,156	20,000,000
ING Vysya Income Fund - Bonus	387,276	3,872,756	3,902,439
JM Income Fund - Growth Plan - Growth Option	2,061,869	20,618,688	50,442,804
JM Income Fund - Institutional Plan - Growth	1,499,940	14,999,403	39,118,803
JM Income Growth - Bonus Option	3,400,865	34,008,645	30,000,000
Kotak Bond - Institutional (Growth)	3,275,362	32,753,620	54,974,957
Kotak Bond - Wholesale (Bonus Plan)	1,811,705	18,117,051	18,859,367
Principal Income Fund - Growth Plan (growth)	2,555,948	25,559,479	36,795,524
Pru ICICI Flexible Income Plan - Growth	7,220,246	72,202,461	81,638,666
Prudential ICICI Income Plan - Growth Option	2,785,574	27,855,736	50,130,412
Prudential ICICI Income Plan - Institutional Option (Growth)	2,619,600	26,196,004	50,424,164
Reliance Income Fund - Retail Plan - Growth Plan Growth Option	1,047,262	10,472,615	20,205,867
Sundaram Bond Saver - Growth	1,139,164	11,391,641	23,673,137
Tata Income Plus Fund B - Growth Option	919,504	9,195,043	10,079,882
Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	1,000,000	10,000,000	10,000,000
Templeton India Income Builder Account - Growth	1,766,519	17,665,194	37,493,315
Templeton India Income Builder Account - Institutional Plan - Growth	10,393,020	103,930,204	116,275,035
IL & FS Bond Fund - Institutional Plan - Growth	614,286	6,142,859	10,061,082
Dividend re-investment Plan			
Birla Bond Index Fund - Dividend Plan (Plan A)	1,560,233	15,602,332	15,496,630
Monthly Income Plan			
Alliance Monthly Income - G	2,023,593	20,235,929	40,000,000
Birla MIP - Plan C (Growth)	2,594,304	25,943,039	40,000,000
DSP Merrill Lynch Savings Plus Fund - Moderate - Growth	3,019,213	30,192,135	35,216,659

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
FT India Monthly Income Plan - Growth	2,543,361	25,433,614	40,000,000
HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	5,470,521	54,705,207	55,075,632
HSBC MIP - Regular Plan - Growth	2,000,000	20,000,000	20,000,000
Principal Monthly Income Plan - Growth	801,824	8,018,240	10,138,103
Prudential ICICI MIP - Cumulative	1,370,699	13,706,986	20,000,000
Reliance Monthly Income Plan - Growth Plan	3,009,557	30,095,574	30,116,306
Medium Term Fund			
GSSIF-MT (Growth)	2,988,406	29,884,058	30,022,761
Liquid Fund - Growth			
Alliance Cash Manager Instnl (G)	1,128,362	11,283,621	11,842,612
Birla Cash Plus - Institutional (Growth)	1,889,145	18,891,447	32,327,233
Grindlays Cash Fund - Growth	1,253	12,534	14,677
HDFC Cash Management Fund - Savings Plan - Growth Option	4,929,434	49,294,338	64,779,942
IL&FS Liquid Account - Institutional Plan - Growth	1,492,523	14,925,231	17,584,459
Kotak Liquid - Institutional Plan (Growth)	2,319,150	23,191,497	29,423,902
Principal Cash Management - Liquid Option (Institutional – Growth Plan)	1,119,797	11,197,975	11,694,493
Prudential ICICI Liquid Plan- - Institutional Plan - Growth	764,202	7,642,024	11,937,300
Reliance Liquid Fund - Institutional Plan (Growth Option)	1,538,116	15,381,164	23,665,997
Templeton India Treasury Management Account - Growth	23,428	23,428,177	36,989,046
Securitization			
Pass Through Certificates			
People's Financial Services Limited Part Payout	5		12,051,029
Tata Finance Limited Part Payout	2		3,499,303

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
II) Purchased and sold / redeemed during the year :-			
GOI Bonds (BOA)5.59%		50,000,000	49,335,000
Treasury Bill (BOA) 91 Days	—	50,000,000	49,788,800
Income Fund			
Birla Bond Index Fund - Dividend Plan (Plan A)	12,130	121,296	123,848
Short Term Plan			
Deutsche Short Maturity Fund - Growth Plan	2,772,900	27,728,995	30,000,000
HDFC Short term Plan Growth	2,008,151	20,081,511	23,276,681
HSBC Income Fund - Short Term Plan - Institutional Plan (Growth Option)	4,604,755	46,047,550	50,031,584
HSBC Income Fund - Short Term Plan - Regular Plan (Growth Option)	4,616,610	46,166,097	50,000,000
Reliance Short Term Fund - Growth Plan	2,738,351	27,383,506	30,000,000
Floating Rate Plan			
Birla Floating Rate Fund - Short Term Plan (Growth)	1,851,475	18,514,747	20,000,000
GFRF - Growth (Institutional Plan)	3,753,934	37,539,338	40,314,931
HDFC Floating Rate Income Fund-Short Term Plan - Growth	10,061,455	100,614,548	110,550,640
Kotak Floater - (Growth)	956,352	9,563,521	10,000,000
Kotak Floater Short Term - (Growth)	919,989	9,199,886	9,909,381
Prudential ICICI Floating Rate Plan - Growth - Option B	4,669,812	46,698,122	50,646,534
Prudential ICICI Floating Rate Plan - Growth - Option C	5,999,016	59,990,163	61,411,930
Templeton Floating Rate Income Fund - Short Term Plan (Growth Option)	982,581	9,825,806	11,636,408

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Liquid Fund Growth			
Alliance Cash Manager Instnl (G)	3,806,974	38,069,735	40,572,067
Birla Cash Plus - Institutional (Growth)	7,121,414	71,214,139	125,017,873
Deutsche Insta Cash Plus Fund - Growth	5,974,257	59,742,569	65,640,356
Deutsche Insta Cash Plus Fund - Institutional Plan (Growth)	6,407,683	64,076,828	65,649,914
DSP Merrill Lynch Liquidity Fund - Growth	10,537,098	105,370,983	168,032,790
Grindlays Cash Fund - Plan B (G) (Institutional Plan)	12,321,241	123,212,406	149,319,377
HDFC Cash Management Fund - Savings Plan - Growth Option	25,860,915	258,609,152	349,512,650
HSBC Cash Fund - Institutional Plan (Growth Option)	5,544,239	55,442,386	60,874,658
IL&FS Liquid Account - Institutional Plan - Growth	3,367,470	33,674,697	40,000,000
ING Vysya Liquid Fund - Growth Option	3,208,080	32,080,798	43,924,380
JM High Liquidity Fund - Institutional Plan - Growth	10,394,129	103,941,293	112,075,663
JM High Liquidity Fund - Growth	421,139	4,211,390	7,610,571
Kotak Liquid - Institutional Plan (Growth)	8,129,987	81,299,869	105,872,308
Kotak Liquid - Institutional Premium Plan - (Growth)	6,496,762	64,967,618	85,656,901
Principal Cash Management - Liquid Option (Institutional – Growth Plan)	2,943,832	29,438,321	31,050,654
Principal Cash Management - Liquid Option (Institutional Growth Plan)	2,636,605	26,366,055	28,359,245
Prudential ICICI Liquid Plan - Growth Option (Institutional Plus - Growth)	15,590,251	155,902,514	253,311,469
Prudential ICICI Liquid Plan- Institutional Plan - Growth	11,092,380	110,923,803	177,908,600
Reliance Liquid Fund - Institutional Plan (Growth Option)	12,596,223	125,962,230	196,542,403
Sundaram Money Fund-Institutional Plan - Growth Option	1,746,772	17,467,720	23,987,721
Tata Liquid Super High Investment Plan - Appreciation	854,066	8,540,658	10,221,118

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Templeton India Treasury Management - Institution - Growth	325,147	325,146,602	329,644,502
Templeton India Treasury .Management Account - Growth	53,291	53,290,681	85,000,000
UTI - Liquid Advantage Fund - Institutional Growth	1,801,934	18,019,344	21,635,106
Fixed Maturity Plan			
Birla Fixed Maturity Plan - Quarterly Series II - Dividend	1,502,598	15,025,977	15,031,236
Prudential ICICI FMP Quarterly 24	1,009,540	10,095,400	10,095,400
Reliance Fixed Term Scheme-Series-IX - Dividend Plan (Dividend)	2,500,000	25,000,000	25,000,000
Reliance Fixed Term Scheme-Series-VIII - Monthly Plan (Dividend)	7,000,000	70,000,000	70,000,000
III) Purchased during the year			
Tax Free Bonds			
6.60% ARS Bonds 2009 U T I	194,803	24,974,800	26,492,538
9.15% National Housing Bank*	25	2,500,000	2,692,500
Government of India Bonds			
GOI Bonds (BOA) 7.38%	—	50,000,000	56,575,000
GOI Bonds (BOA) 7.49%	—	5,000,000	5,540,000
Corporate Bonds			
6.00% IDBI Bonds	50	50,000,000	49,825,000
HDFC Bonds 5.85%(BOA)	50	50,000,000	49,240,000
Monthly Income Plan			
Alliance Monthly Income - G	589,146	5,891,461	11,909,411
Birla MIP - Plan C (Growth)	1,287,513	12,875,132	20,014,650
FT India Monthly Income Plan - Growth	1,497,530	14,975,300	23,843,972
HSBC MIP - Regular Plan - Growth	1,981,061	19,810,611	20,000,000

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Reliance Monthly Income Plan - Growth Plan	1,971,706	19,717,060	20,000,000
Sundaram Monthly Income Plan - Growth	977,699	9,776,987	10,000,000
HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	2,258,593	22,585,930	23,284,512
DSP Merrill Lynch Savings Plus Fund- Conservative - Growth	2,199,337	21,993,366	21,993,366
Fixed Maturity Plan			
JM Fixed Maturity Plan - QSA5 - Dividend Plan	2,000,000	20,000,000	20,000,000
Floating Rate Plan			
Birla Floating Rate Fund - Long Term Plan (Growth)	2,789,139	27,891,388	30,244,863
Deutsche Floating Rate Fund - (Growth Plan)	3,775,223	37,752,232	40,000,000
DSP Merrill Lynch Floating Rate Fund - Growth	6,441,876	64,418,759	70,000,000
HDFC Floating Rate Income Fund-Long Term Plan - Growth	2,751,039	27,510,386	30,076,830
Kotak Floater Long - Term (Growth)	1,955,684	19,556,842	20,000,000
Kotak Floater Short Term - (Growth)	1,865,216	18,652,164	20,090,619
Prudential ICICI Long Term Floating Rate Plan - B (Growth)	12,746,323	127,463,230	130,585,578
Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	842,268	8,422,684	10,000,000
Birla Floating Rate Fund - Long Term Plan (Growth)	2,889,770	28,897,703	31,624,779
GFRF Long Term - Plan B (Growth)	3,327,888	33,278,882	34,372,093
HDFC Floating Rate Income Fund-Long Term Plan - Growth	2,513,145	25,131,447	27,717,725
HSBC Floating Rate Fund - Long Term Plan - Regular Option (Growth)	3,101,434	31,014,345	31,638,973
Principal Floating Rate Fund - FMP - Insti. Growth	1,038,836	10,388,359	10,689,517
Reliance Floating Rate Fund - Growth (Growth Option)	3,088,320	30,883,198	31,767,384

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	1,816,240	18,162,396	21,764,907
UTI - Floating Rate STP - Growth	996,662	9,966,623	10,747,608
DSP Merrill Lynch Floating Rate Fund - Growth	2,469,056	24,690,564	27,092,215
GFRF - Growth (Institutional Plan)	3,977,226	39,772,258	43,430,112
Templeton Floating Rate Income Fund - Short Term Plan (Growth Option)	1,002,300	10,023,001	11,983,500
Liquid Fund Growth			
Alliance Cash Manager Instnl (Growth)	2,863,991	28,639,909	31,543,423

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		50,685	45,777
Loose tools and gauges		59,297	50,382
Stock-in-trade :			
Raw materials and components	1,189,752		994,628
Work-in-progress	653,018		353,120
Finished goods	61,581		82,587
Materials in transit	379,728		173,142
		<u>2,284,079</u>	<u>1,603,477</u>
		2,394,061	1,699,636
Sundry debtors : Secured			
Debts outstanding for a period exceeding six months			
Considered good	27,215		—
Other debts			
Considered good	—		11,274
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	42,063		14,784
Considered doubtful	37,003		43,037
Other debts -			
Considered good	2,876,246		2,205,389
Considered doubtful	993		3,106
		<u>2,983,520</u>	<u>2,277,590</u>
Less: Provision for doubtful debts	37,996		46,143
		2,945,524	2,231,447
Cash and bank balances :			
Cash on hand	345		240
Balances with scheduled banks :			
on current account	17,423		20,229
on deposit account	—		50,000
		<u>17,768</u>	<u>70,469</u>
Carried forward		5,357,353	4,001,552

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 8 (Contd.)			
Brought forward		5,357,353	<i>4,001,552</i>
Other current assets :			
Interest accrued on investments	23,029		<i>23,459</i>
Lease rent receivable	19,013		<i>16,968</i>
Other receivables	<u>339</u>		<i><u>2,418</u></i>
		42,381	<i>42,845</i>
Loans and advances :			
Unsecured considered good : Advances recoverable in cash or in kind or for value to be received	948,264		<i>416,946</i>
Balance with Excise Department	28,833		<i>9</i>
Taxation (net of provisions)	<u>125,000</u>		<i><u>100,632</u></i>
		<u>1,102,097</u>	<i><u>517,587</u></i>
		<u><u>6,501,831</u></u>	<i><u><u>4,561,984</u></u></i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	419,808		326,044
Sundry creditors (Refer Note 3(b) & (c) of Schedule 12) *	1,746,158		1,631,455
Advances from customers	61,737		14,326
Dividend warrants posted but not encashed *	11,490		10,522
Interest accrued but not due on loans	251		219
		2,239,444	1,982,566
Provisions :			
Proposed dividend	396,000		396,000
Tax on dividend	55,539		50,738
Pension and leave entitlement	104,186		82,767
Others	252,867		205,842
		808,592	735,347
		<u>3,048,036</u>	<u>2,717,913</u>

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

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	12,962,351		10,319,373
Less : Excise duty	992,453		959,105
Net sales	11,969,898		9,360,268
Less : Commission	51,770		36,082
		11,918,128	9,324,186
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. ('000) 1,039; <i>previous year Rs. ('000) 852</i>)	29,724		26,783
Miscellaneous income (including design and development charges Rs. ('000) Nil; <i>previous year Rs. ('000) 23,975</i>)	105,534		94,543
Export benefits	205,122		73,231
Income from investments			
Long term investments-			
Trade investments	32,420		54,311
Other investments (tax deducted at source Rs. ('000) 4,203; <i>previous year Rs. ('000) 1,483</i>)	87,768		85,181
Dividend from subsidiary	235,000		245,000
	355,188		384,492
Current investments - other than trade (tax deducted at source Rs. ('000) NIL; <i>previous year Rs. ('000) 1,519</i>)	481		27,928
Gain on sale/redemption of long term investments	88,155		155,882
Gain on sale/redemption of current investments	12,391		3,953
		796,595	766,812
		<u>12,714,723</u>	<u>10,090,998</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		8,145,082	6,017,651
Purchase of goods for resale		115,690	145,771
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	727,454		659,689
Company's contribution to provident and other funds	48,658		251,098
Welfare expenses	90,094		78,865
		866,206	989,652
Operation and other expenses :			
Stores, spares, consumable materials, etc.	321,633		219,189
Tools and gauges	41,925		49,357
Repairs to buildings	42,492		37,170
Repairs to machinery	32,017		29,276
Other repairs	31,912		34,536
Power and fuel	166,084		123,961
Rent	12,447		9,975
Rates and taxes	43,914		12,975
Insurance	24,315		27,989
Outside processing charges	114,034		78,819
Other expenses	597,659		492,945
Donations and contributions	10,517		10,000
Net loss on fixed assets sold or discarded	50,009		26,400
		1,488,958	1,152,592
Technical fees and royalties		156,420	74,214
Carried forward		10,772,356	8,379,880

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		10,772,356	8,379,880
(Increase)/decrease in inventories of finished goods and work-in- progress :			
Closing inventories :			
Finished goods	61,581		82,587
Work-in-progress	<u>653,018</u>		<u>353,120</u>
		714,599	<u>435,707</u>
Opening inventories :			
Finished goods	82,587		1,342
Work-in-progress	<u>353,120</u>		<u>360,463</u>
		<u>435,707</u>	<u>361,805</u>
		(278,892)	(73,902)
		10,493,464	8,305,978
Less : cost of plant and machinery manufactured		<u>22,949</u>	<u>12,914</u>
		<u>10,470,515</u>	<u>8,293,064</u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 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, and other assets acquired under finance lease are amortized over the period of lease. Intangible assets are amortised over a period of five years.

c) Investments

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

d) Inventories

Inventories are stated at 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 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 from a country outside India, which are adjusted to cost of fixed assets.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

f) Revenue recognition

- i) Sale of goods is recognised as per the terms of sale. 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. An agreement is classified as a finance lease if it transfers substantially all risks and rewards incidental 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 expense on straight-line basis over the lease term.

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:

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- 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.

m) Provisions

A provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

2. Capital Commitments

	Rupees '000	<i>Previous year Rupees '000</i>
Capital Commitments	61,409	<i>26,085</i>

3. a) Advances recoverable in cash or kind include an intercorporate deposit of Rs. ('000) 70,000 (*previous year Rs. ('000) Nil*) placed with Cummins Research and Technology India Limited, a Joint Venture. Maximum amount due during the year Rs. ('000) 70,000 (*previous year Rs. ('000) Nil*)

- b) Sundry creditors include –

	Rupees '000	<i>Previous year Rupees '000</i>
i) Amounts due to Directors	—	<i>10</i>
ii) Amounts due to small scale industrial undertakings	113,389	<i>107,949</i>

- 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	Pava Industries
Alwin Corpn	Poona Couplings Pvt. Ltd.
Arco Products	Poona Pressings Pvt. Ltd.
Autoturn Industries	Punch Advertising
Baba Engineering Works	Ramps Engineers
Balsons Industries	Ranflex India Pvt. Ltd.
Bhide Packings	Ravikiran Engineering Works
Bhor Engineering Pvt.Ltd.	RICO
Chandarani Industries	Roshan Enterprises
Cotmac Electronics Pvt.Ltd.	S S Nivsarkar & Associates
Coupling Engineering Services	Sai Electrical Services
Craft And Technik Industries	Samarth Engineering
D.J. Aluminium Fabricators	Saw Seisaku Corporation
Deejay Enterprises	Shende Sales Corporation
Delta Corporation	Shree Technocrats
Equip-Maints	Shreeram Industries
Era Instruments	Shri Fab
Fine Automotive and industrial radiators	Shriram Engineers
Fluid Dynamics Pvt Ltd	Shriram Rubber Products Pvt.Ltd.
General Machine Tools	Space 'N'Style
IAI Industries Limited	Spark Engineering

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Indian Packaging Industry	Spectrum Communications
Kivi Products	Steelflex
Kubera Tools	Surya Engineers
Kumbhojkar Plastic Moulders	Swati Enterprises
Maharashtra Engineers	Talab Engineering
Megatech Engineering & Service Pvt. Ltd.	The Shiv Engineers & Traders
Meghdoot Rubbers	Tuljabhavani Enterprises
P.G. Herekar	Twintech Control Systems Pvt. Ltd.
Paramount Seals & Packings	Versatile Engg.Works
Paranjape Autocast Pvt. Ltd.	Yugandhar Industrial Services

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

4. Contingent liabilities

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
a) Bills discounted not matured	46,420	—
b) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	41,418	38,527
c) Central excise duty/customs duty – demands not accepted by the Company	8,437	74
d) Civil liability / secondary civil liability in respect of suits filed against the Company	65	50
e) Guarantees given on behalf of subsidiary Company to its bankers	321,903	237,849
f) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	27,500	27,500
g) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
h) Claims against the Company not acknowledged as debts and Customs Show Cause Notices against the Company	—	<i>Amounts if any, not ascertainable</i>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- i) Advances include Rs. ('000) Nil (*previous year Rs. ('000) 1,696*) in respect of which a third party has made claims against the Company, which are not acknowledged as debts by the Company.
- j) Pursuant to an order of the Honorable Supreme Court, restraining the State Government, from recovering sales tax, one of the Company's supplier has not charged sales tax of Rs. ('000) 72,320 (*previous year Rs. ('000) 60,429*) (including interest @ 9% p.a.) on supplies made by it from October 2000 to December 2003 . In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Company will need to reimburse the above sales tax to the supplier.

5. Related Party Disclosures

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

<u>Name of the related party</u>	<u>Nature of Relationship</u>
Cummins Inc.	Holding Company
Cummins Diesel Sales and Service (India) Limited	Subsidiary Company
Cummins Auto Services Limited	Subsidiary Company
MRC Autosolutions Private Limited	Subsidiary Company
Fourstroke Automotive Private Limited	Subsidiary Company (w.e.f. 30 Nov. 2004)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

b) Transactions with related parties as per the books of account during the year ended 31st March, 2005

Rs. '000

Transaction	Name of the Party	Holding Company	Sub-sidiaries	Fellow Sub-sidiaries	Associates	Key Management Personnel	Enterprise with common Key management Personnel	Total
Purchases of goods	Cummins Inc.	1,021,329	—	—	—	—	—	
	Cummins Engine Company Limited	—	—	758,707	—	—	—	
	Tata Cummins Limited	—	—	—	—	—	620,547	
	Others	—	19,757	451,272	27,795	—	—	2,899,407
		(285,985)	(26,207)	(689,615)	(19,691)	(—)	(—)	(1,021,498)
Sale of goods	Cummins Inc.	35,664	—	—	—	—	—	
	Cummins Diesel Sales and Service (India) Limited	—	1,601,861	—	—	—	—	
	Cummins Engine Company Limited	—	—	2,246,556	—	—	—	
	Cummins Power Generation Limited	—	—	1,028,509	—	—	—	
	Others	—	—	518,140	—	—	—	5,430,730
		(42,224)	(1,561,794)	(2,178,145)	(—)	(—)	(—)	(3,782,163)
Purchase of fixed assets	Cummins Diesel Sales and Service (India) Limited	—	2,309	—	—	—	—	
	Others	—	21	—	—	—	—	2,330
		(—)	(640)	(144)	(—)	(—)	(—)	(784)
Sale of fixed assets	Cummins Diesel Sales and Service (India) Limited	—	2,062	—	—	—	—	2,062
		(—)	(1,969)	(762)	(—)	(—)	(—)	(2,731)
Services rendered	Cummins Inc.	16,775	—	—	—	—	—	
	Others	—	—	73	110	—	—	16,958
		(597)	(1,538)	(24,907)	(—)	(—)	(—)	(27,042)
Remuneration paid	Anant Talaulicar	—	—	—	—	3,687	—	
	Vinod Dasari	—	—	—	—	2,972	—	6,659
		(—)	(—)	(—)	(—)	(3,344)	(—)	(3,344)
Services received	Cummins Diesel Sales and Service (India) Limited	—	222,493	—	—	—	—	222,493
		(—)	(134,614)	(—)	(—)	(—)	(—)	(134,614)
Transfer of technology	Cummins Inc.	156,420	—	—	—	—	—	156,420
		(114,214)	(—)	(—)	(—)	(—)	(—)	(114,214)
Global Sourcing Consideration	Cummins Engine Company Limited	—	—	214,326	—	—	—	214,326
		(—)	(—)	(—)	(—)	(—)	(—)	(—)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Rs. '000

Transaction	Name of the Party	Holding Company	Sub-sidiaries	Fellow Sub-sidiaries	Associates	Key Management Personnel	Enterprise with common Key management Personnel	Total
Inter corporate deposits – given	Cummins Research and Technology India Limited.	— (—)	— (5,000)	70,000 (—)	— (—)	— (—)	— (—)	70,000 (5,000)
Repayment of intercorporate deposits given		— (—)	— (5,000)	— (—)	— (—)	— (—)	— (—)	— (5,000)
Interest on intercorporate deposits	Cummins Research and Technology India Limited	— (—)	— (3)	3,702 (—)	— (—)	— (—)	— (—)	3,702 (3)
Interest Income	Cummins Engine Company Limited	— (—)	— (—)	17,464 (6,379)	— (—)	— (—)	— (—)	17,464 (6,379)
IT service charges	Cummins Inc.	40,700 (51,922)	— (—)	— (—)	— (—)	— (—)	— (—)	40,700 (51,922)
Sale of scrap	Cummins Diesel Sales and Service (India) Limited	— (—)	4,804 (1,566)	— (—)	— (—)	— (—)	— (—)	4,804 (1,566)
Dividend received	Cummins Diesel Sales and Service (India) Limited Newage Electrical India Limited Others	— — — (—)	235,000 — — (245,000)	— 30,420 2,000 (52,354)	— — — (—)	— — — (—)	— — — (—)	— 267,420 (297,354)
Dividend paid	Cummins Inc.	403,920 (605,880)	— (—)	— (—)	— (—)	— (—)	— (—)	403,920 (605,880)
Equity Contributions		— (—)	— (—)	— (1,146)	— (—)	— (—)	— (—)	— (1,146)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

c) Amounts outstanding as at 31st March, 2005

Rs. '000

Name of the Party	Holding Company	Sub-sidiaries	Fellow Sub-sidiaries	Associates	Key Management Personnel	Enterprise with common Key management Personnel	Total
Sundry Debtors							
Cummins Diesel Sales and Service (India) Limited	—	224,120	—	—	—	—	—
Cummins Engine Company Limited	—	—	1,163,144	—	—	—	—
Cummins Power Generation Limited	—	—	244,427	—	—	—	—
Others	1,361 (—)	950 (208,252)	114,436 (910,778)	— (—)	— (—)	18 (—)	1,748,456 (1,119,030)
Sundry Creditors							
Cummins Inc.	236,418	—	—	—	—	—	—
Cummins Engine Company Limited	—	—	71,744	—	—	—	—
Cummins Diesel Sales and Service (India) Limited	—	55,873	—	—	—	—	—
Others	— (193,172)	— (—)	67,347 (136,684)	4,838 (3,606)	— (10)	37,320 (—)	473,540 (333,472)
Guarantees outstanding							
Cummins Auto Services Limited	— (—)	321,903 (237,849)	— (—)	— (—)	— (—)	— (—)	321,903 (237,849)
Inter Corporate Deposit – Receivable							
Cummins Research and Technology India Limited	— (—)	— (—)	70,000 (—)	— (—)	— (—)	— (—)	70,000 (—)

Notes :

i) The names of the related parties under the appropriate relationship included in notes 5 (b) and (c) above are as follows:

1. Holding Company

i) Cummins Inc.

2. Subsidiaries

- i) Cummins Diesel Sales and Service (India) Limited
- ii) Cummins Auto Services Limited
- iii) MRC Autosolutions Private Limited
- iv) Fourstroke Automotive Private Limited
(w.e.f. November 30, 2004)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- | | |
|--|---|
| 3. Fellow Subsidiaries | <ul style="list-style-type: none"> i) Consolidated Diesel Company ii) Cummins Brasil iii) Cummins Diesel N. V. iv) Cummins Diesel Sales Corporation v) Cummins Engine (Beijing) vi) Cummins Engine (Shanghai) Trading - China vii) Cummins Engine Co Diesel viii) Cummins Engine Company Limited ix) Cummins Japan Ltd. x) Cummins Natural Gas Engines, Inc. xi) Cummins Power Generation xii) Cummins Power Generation, Singapore xiii) Cummins Power Service & Parts Corporation - Taiwan. xiv) Cummins Research and Technology India Limited. xv) Cummins S De R.L.De C.V. xvi) Diesel Recon Co. xvii) Fleetguard Inc. xviii) Holset Engineering Co. Limited xix) Holset Engineering Company, Inc. xx) Nelson Engine Systems India Ltd xxi) Newage Electrical India Limited |
| 4. Key Management Personnel | <ul style="list-style-type: none"> i) Anant Talaulicar ii) Vinod Dasari (upto March 01, 2005) |
| 5. Associates | <ul style="list-style-type: none"> i) Valvoline Cummins Limited ii) Fourstroke Automotive Private Limited (upto November 29, 2004) |
| 6. Enterprise with Common Key Management Personnel | <ul style="list-style-type: none"> i) Tata Cummins Limited (w.e.f. April 8, 2004) |

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- 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.

6. Segmental Information

a) Primary Segment

The Company's operations predominantly relate to manufacture of Internal combustion engines and parts thereof (Engines business segment) used for various applications such as power generation, construction, compressor, mining, marine, locomotive, fire-fighting, etc. Others include sale and 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.

			Rs. '000
Information about business segments (Primary segments)	Engine Business	Others	Total
i) Segment revenue @	11,284,574 (8,949,757)	690,423 (417,515)	11,974,997 (9,367,272)
ii) Segment result	1,336,244 (780,457)	45,820 (24,143)	1,382,064 (804,600)
Unallocated Other Income			483,665 (596,666)
Interest			12,340 (20,261)
Profit before tax			1,853,389 (1,381,005)
Provision for tax			
Current tax			512,755 (327,666)
Deferred tax			-31,628 (-39,369)
Net profit for the year			1,372,262 (1,092,708)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Rs. '000

Information about business segments (Primary segments)	Engine Business	Others	Total
iii) Segment assets	7,747,288	405,772	8,153,060
	(5,909,403)	(330,374)	(6,239,777)
Common Assets			2,286,969
			(3,350,536)
Enterprise Assets			10,440,029
			(9,590,313)
iv) Segment liabilities	2,707,250	214,535	2,921,785
	(2,443,036)	(73,489)	(2,516,525)
Common Liabilities			529,357
			(556,857)
Enterprise Liabilities			3,451,142
			(3,073,382)
v) Capital expenditure	390,932	34,375	425,307
	(320,381)	(28,090)	(348,471)
Depreciation	335,627	21,670	357,297
	(280,825)	(18,111)	(298,936)
Information about geographical segments (Secondary segments)	Domestic	Export	Total
vi) Segment revenue @	8,011,829	3,963,168	11,974,997
	(7,142,548)	(2,224,724)	(9,367,272)

@ Segment revenue from Other business includes Income from Lease Rs. ('000) 5,099 (previous year Rs. ('000) 7,004)

Notes:

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

7. Disclosure on Provisions made, utilised and reversed during the year as per Accounting Standard 29 issued by The Institute of Chartered Accountants of India

	Warranty	Overhaul	Statutory Matters	Total
Opening Balance	159,965	42,231	3,646	205,842
	(176,438)	(31,673)	(3,646)	(211,757)
Additions	143,483	31,860	—	175,343
	(76,501)	(23,366)	(—)	(99,867)
Utilisations	109,306	10,376	—	119,682
	(92,974)	(9,534)	(—)	(102,508)
Reversal	8,636	—	—	8,636
	(—)	(3,274)	(—)	(3,274)
Closing Balance	185,506	63,715	3,646	252,867
	(159,965)	(42,231)	(3,646)	(205,842)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- i) The provision for warranty is on account of warranties given on products sold by the Company. The provision is based on the historic data / estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- ii) The provision for overhaul is on account of engines given on rent to various customers. The provision is based on the data on overhaul costs on various types of gensets as accumulated by the Company. The timing and amount of the cash flows that will arise from these matters will be determined at the time of actual overhauling of the gensets.
- iii) The provision for statutory matters are on account of legal matters where the Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

8. Lease income

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

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	6,545	17,608	24,153
	(6,800)	(14,994)	(21,794)
Less : Unearned finance income	2,192	2,948	5,140
	(1,945)	(2,881)	(4,826)
Present value of minimum lease payments receivable	4,353	14,660	19,013
	(4,855)	(12,113)	(16,968)

Figures in brackets are in respect of the previous year.

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 7,041 (*previous year Rs. ('000) 7,600*).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. ('000) 7,421 (*previous year Rs. ('000) 21,920*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. ('000) 105,885 (*previous year Rs. ('000) 88,920*).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 1,796 (*previous year Rs. ('000) 160*).

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

9. Lease commitments

i) Finance lease :

The Company has acquired plant & machinery and vehicles under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2005 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	25,471 (24,663)	975 (24,946)	26,446 (49,609)
Less : Amount representing interest	461 (1,051)	25 (441)	486 (1,492)
Present value of minimum lease payments	25,010 (23,612)	950 (24,505)	25,960 (48,117)

ii) Future obligations as per lease agreements in respect of assets taken on finance lease prior to April 1, 2001 is Rs. ('000) Nil (*previous year Rs. ('000) 298*). Lease rent of Rs. ('000) 298 (*previous year Rs. ('000) 756*) 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, 2005 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	15,695 (23,923)	Nil (6,803)	15,695 (30,726)

The minimum lease payments recognized in the Statement of Profit and Loss (included under other expenses) for the year are Rs. ('000) 36,709 (*previous year Rs. ('000) 40,004*).

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 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) 19,124 (*previous year Rs. ('000) (33,082)*)
- ii) Adjusted in the carrying amount of fixed assets – Rs. ('000) 12,337 (*previous year Rs. ('000) 324*).

11. a) Managerial Remuneration

<u>Particulars</u>	<u>Rs.('000)</u>	<i>Previous Year</i> <u>Rs. ('000)</u>
Salary	23	1,262
Perquisites	6,636	2,082
Commission - non-wholetime directors	1,375	1,375
Sitting fees	220	265
Total	<u>8,254</u>	<u>4,984</u>

Managerial remuneration paid by a subsidiary Company to the Joint Managing Director of the Company in the capacity of whole time director is Rs. ('000) Nil (*previous year Rs. ('000) 2,672*), including perquisites Rs. ('000) Nil (*previous year Rs. ('000) 2,658*).

Appointment of Mr. Anant J. Talaulicar as a whole-time director for the period April 25, 2003 to July 28, 2003 and as Joint Managing Director for the period July 29, 2003 to April 24, 2008 is subject to approval of Central Government in terms of provisions of Schedule XIII (Part I, Condition (e)) of the Companies Act, 1956.

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, 2005 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

<u>Particulars</u>	<u>Rupees '000</u>	<u>Rupees '000</u>	<i>Previous Year Rupees '000</i>
Profits before Tax as per Profit and Loss account		1,853,389	1,381,005
Add : Directors' remuneration	8,254		4,984
Depreciation (including amortization) provided in the books	357,297		298,936
Net loss on fixed assets sold or discarded as per schedule 11	50,009		26,400
Provision for doubtful debts and advances	—		2,657
		415,560	332,977
Less: Depreciation (including amortization) under section 350 of the Companies Act, 1956	357,297		298,936
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	50,009		26,400
Profit on redemption or sale of Investments	100,546		159,835
		507,852	485,171
Net Profit as per section 309(5)		1,761,097	1,228,811
Restricted to 1% Commission payable to non-wholetime directors restricted to		17,611	12,288
		1,375	1,375

12. Remuneration to Auditors:

	<u>Rupees '000</u>	<i>Previous year* Rupees '000</i>
Statutory Audit	3,500	3,078
Limited Review and Consolidation of Accounts	1,200	1,620
Tax Audit	1,130	1,220
Other services	2,210	2,125
Reimbursement of out of pocket expenses	122	88
Total	8,162	8,131

* The remuneration disclosed above is including taxes as applicable.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

13. Other expenses include net write-back of provision for doubtful debts Rs. ('000) 1,765 (*previous year provision for doubtful debts Rs. ('000) 2,657*).
14. Research and development expenses aggregating Rs. ('000) 189,044, including Rs. ('000) 26,604 on capital account (*previous year Rs. ('000) 180,861 including Rs. ('000) 30,081 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 Joint Ventures namely Nelson Engine Systems India Limited and Cummins Research and Technology India Limited, incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2005 and Income and Expenses for the year ended on that date.

a) Nelson Engine Systems India Limited

	As at March 31, 2005 Rs. '000	<i>As at March 31, 2004 Rs. '000</i>
Assets	48,642	<i>33,657</i>
Liabilities	14,236	<i>9,168</i>
Income	53,286	<i>27,765</i>
Expenses (including provision for tax)	39,946	<i>22,233</i>
Contingent Liabilities	Nil	<i>Nil</i>
Capital commitments	656	<i>Nil</i>

b) Cummins Research and Technology India Limited

	As at March 31, 2005 Rs. '000	<i>As at March 31, 2004 Rs. '000</i>
Assets	59,692	<i>29,197</i>
Liabilities	57,518	<i>32,532</i>
Income	66,286	<i>8,674</i>
Expenses (including provision for tax)	60,778	<i>5,059</i>
Contingent Liabilities	8,131	<i>Nil</i>
Capital commitments	358	<i>579</i>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

16. Earnings Per share

	<u>As at March 31, 2005</u>	<u>As at March 31, 2004</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)	1,372,262	1,092,708
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	6.93	5.52
Face value per share Rs.	2.00	2.00

17. a) Quantitative information with regard to installed capacity and production

	<u>Installed capacity* Nos.</u>	<u>Production Nos.</u>
Internal Combustion engines in all H.P. ranges except those reserved for Small Scale Industries	20,820 (21,000)	17,359 (15,965)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	3,628 (1,100)	2,755 (848)
Hydraulic Governors (see note (ii) below)	— (—)	17 (28)
Machine tools including special purpose machines and transfer lines	10 (10)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	0.400 (0.482)
Parts and accessories for locomotives, prime movers, boilers, steam generating plants and nuclear reactors	— (—)	— (—)
Electricity distribution & control equipment including voltage stabilizers	— (—)	— (—)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

Notes:

- i) Production includes
- engines captively consumed 32 nos. (previous year – 12 nos.)
 - engines capitalized Nil nos. (previous year 2 nos.) and gensets capitalized Nil no. (previous year 1 no.)
 - C series engines manufactured on contract by its subsidiary Cummins Diesel Sales and Service (India) Limited 1,103 nos. (previous year 276 nos.)
- ii) Production quantities represent the number of components sold during the year, as the Company considers a component as 'meant for sale' only when it is actually sold.
- iii) Figures in brackets are in respect of the previous year.

b) Turnover, opening and closing stocks :

	Sale		Stocks			
	Qty. Nos.	Value Rs. '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Internal Combustion Engines	17,163* (15,817)	9,801,722 (7,596,111)	61 (24)	7,275 (1,238)	140** (61)**	46,091 (7,275)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	2,710# (830)	412,554 (146,665)	7 (5)	108 (104)	19 (7)	1,540 (108)
Hydraulic governors	17 (28)	518 (791)	See note (i) below			

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

	Sale		Stocks			
	Qty. Nos.	Value Rs. '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Goods for resale :						
Engines	—	—	—	—	—	—
	(5)	(14,184)	(—)	(—)	(—)	(—)
Equipments @	27	161,256	15	69,801	2	13,485
	(9)	(47,567)	(—)	(—)	(15)	(69,801)
Lease rentals from equipments		193,654 (180,053)				
Gross income from services rendered		26,252 (23,040)				
Spare parts accessories and components		1,341,682 (1,339,462)		See note (i) below		
Others		32,260 (12,395)		5,403 (—)		465 (5,403)
		11,969,898 (9,360,268)		82,587 (1,342)		61,581 (82,587)

* net of sales returns 2 nos. (previous year 15 nos.) and excluding engines given as free replacement 86 nos. (previous year 93 nos.) and including C series engines manufactured on contract by its subsidiary Cummins Diesel Sales and Service (India) Limited 1,083 nos. (previous year 276 nos.).

** excluding engines scrapped nil nos. (previous year 4 nos.) and including bought-out engine 1 no. (previous year Nil nos.)

net of sales returns Nil nos. (previous year 8 nos.) and excluding gensets given as free replacement 33 nos. (previous year 15 nos.)

@ including Nil nos. under finance lease arrangement (previous year 6 nos.).

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Notes :

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

c) Details of raw materials and components consumed :

	Rs. '000	<i>Previous year</i> Rs. '000
i) Steel (M. tonnes 591; previous year 842)	34,016	38,933
ii) Castings – various	316,077	237,076
iii) Forgings – various	434,608	305,472
iv) Components	5,654,533	4,126,343
v) Engines (9,682 nos. ; previous year 4,995 nos.)	865,851	773,567
vi) Long Blocks (469 nos.; previous year 764 nos.)	50,650	60,321
vii) Others including semi-finished components	789,347	475,939
	<u>8,145,082</u>	<u>6,017,651</u>

Note : Item (iv) 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</i> Qty. Nos.	<i>Value</i> Rs. '000
Engines	—	—	5	15,092
Equipment	14	78,193	24	114,371
Others		37,497		16,308
Total		<u>115,690</u>		<u>145,771</u>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

	Rs'000	%	<i>Previous year</i> Rs'000	<i>Previous year</i> %
Imported	2,570,051	31.55	1,869,418	31.07
Indigenously procured	5,575,031	68.45	4,148,233	68.93
Total	8,145,082	100.00	6,017,651	100.00

Notes :

- i) See comments in note 16(c) above.
- ii) The item 'spare parts' in paragraph 4 D(c) of Part II to Schedule VI of the Companies Act, 1956 is interpreted to mean components used in the manufacture of finished products or sold as such and not spare parts used for repairs and maintenance of machinery.

18. Value of imports calculated on CIF basis :

	Rupees '000	<i>Previous year</i> Rupees '000
a) Raw materials	175,054	142,489
b) Components	2,141,021	1,320,517
c) Machinery spares	24,074	7,901
d) Capital goods	20,526	5,463
e) Tools, stores, etc.	7,734	22,542
Total	2,368,409	1,498,912

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

	Rupees '000	<i>Previous year</i> Rupees '000
a) Royalty	156,420	74,214
b) Global Sourcing Consideration	214,326	—
c) Technical Know-how	—	40,000
d) Others (including IT Service charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	84,048	61,209
Total	454,794	175,423

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 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, 2005 (Interim)	201,960	—
For the year ended 31st March, 2004 (Final)	201,960	—
For the year ended 31st March, 2004 (Interim)	—	<i>201,960</i>
For the year ended 31st March, 2003 (Final)	—	<i>403,920</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	3,963,168	<i>2,224,724</i>
ii) Recovery of freight, insurance and other expenses on exports	21,665	<i>10,494</i>
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	21,587	<i>32,410</i>
iv) Interest	17,464	<i>6,379</i>
Total	<u>4,023,884</u>	<u><i>2,274,007</i></u>

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, 2005

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2005

Rupees '000

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2005

Rupees '000

Total Liabilities (See Note 1)	7,391,993
Total Assets	7,391,993

Sources of Funds -

Paid - up capital	396,000
Reserves & surplus	6,592,887
Secured loans	310,820
Unsecured loans	1,920
Deferred tax liability	64,406
Finance Lease Liability	25,960

Total : 7,391,993

Application of Funds -

Net fixed assets	1,776,152
Investments	2,162,046
Net current assets	3,453,795
Miscellaneous expenditure	—
Accumulated losses	—

Total : 7,391,993

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2005 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2005:	Rupees '000
i) Turnover (net sales and other income as per the audited profit and loss account)	12,714,723
ii) Total Expenditure	10,861,334
iii) Profit before tax	1,853,389
iv) Profit after tax	1,372,262
v) Earning per share (See Note 2) (face value of Rs. 2)	6.93
vi) Dividend rate (%)	200%

V. PRODUCTS OF THE COMPANY :

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

<u>Item code no. (ITC Code)</u>	<u>Product description</u>
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. 6,593 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.

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune :
Date : June 2, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
I. Cash flows from operating activities :			
Cash generated from operations	180,239		1,035,494
Tax paid (net of refunds)	(537,123)		(448,719)
Net cash provided by operating activities		(356,884)	586,775
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(433,012)		(335,802)
Sale	20,273		7,562
Interest received	81,891		150,167
Dividend received	274,208		299,311
Investments			
Purchase	(4,321,357)		(5,558,031)
Sale/redemption	5,509,760		5,958,357
Net cash used for investing activities		1,131,763	521,564
III. Cash flows from financing activities :			
Bank Overdraft (Net)	103,066		156,767
Finance Lease Liability	(22,157)		45,316
Loans repaid	(1,857)		(32,270)
Interest paid	(12,095)		(25,139)
Dividend paid (including tax on dividend)	(894,537)		(1,333,889)
Net cash used for financing activities		(827,580)	(1,189,215)
IV. Net change in cash and cash equivalents (I+II+III)		(52,701)	(80,876)
V. Cash and cash equivalents at the beginning of the year		70,469	151,345
Cash and cash equivalents at the end of the year (IV+V)		17,768	70,469

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005 (Contd.)

Notes :	Rupees '000	Rupees '000	Previous year Rupees '000
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		1,853,389	1,381,005
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	357,297		298,936
Interest expense	12,340		20,261
Interest income (gross)	(81,461)		(139,892)
Dividend earned (gross)	(274,208)		(299,311)
Loss on assets sold, discarded etc;	50,009		26,400
Gain on redemption /sale of investments	(100,546)		(159,835)
Provision for doubtful debts	(8,147)		2,657
		(44,716)	(250,784)
b) Changes in working capital and other provisions :-			
Sundry debtors	(705,930)		(206,594)
Inventories	(694,425)		(165,919)
Loans and advances	(560,142)		(95,788)
Other current assets	34		3,527
Current liabilities	263,584		374,157
Provisions	68,445		(4,110)
		(1,628,434)	(94,727)
Total adjustments (a+b)		(1,673,150)	(345,511)
Cash generated from operations		180,239	1,035,494

- 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.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005 (Contd.)

	Rupees '000 2004-05	Rupees '000 2003-04	Rupees '000 2002-03
3) Cash and cash equivalents comprise :			
Cash in hand	345	240	222
Balances with bank on current account :			
Unclaimed dividend account (restricted)	11,490	10,522	4,199
Other current accounts	5,933	9,707	46,924
Balances with bank on deposit account	—	50,000	100,000
Total	17,768	70,469	151,345

- 4) The figures in brackets represent outflows of cash and cash equivalents.
- 5) Previous year's figures have been regrouped/reclassified, wherever necessary.

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number : 17866

Pune
Date: June 2, 2005

Anant J. Talaulicar
Chairman &
Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune
Date: June 2, 2005

Nasser Munjee
Director

Cummins India Limited

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

Name of the Subsidiary	Cummins Diesel Sales and Service (India) Limited (CDS&S)	Cummins Auto Services Limited (CASL)	MRC Autosolutions Private Limited (MRC)	Fourstroke Automotive Private Limited (FAPL)
1. The Financial year / Period of the subsidiary company ended on	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005
2. Holding Company's Interest (a) The number paid are held of Equity shares held	600,000 Equity shares of Rs.100 each fully paid are held by Cummins India Limited (100%) and its nominees.	9,999,800 Equity shares of Rs.10 each fully paid are held by CDS&S(99.99%) and its nominees. CDS&S is subsidiary of Cummins India Ltd. Therefore, CASL, is subsidiary of Cummins India Limited in terms of Section 4(1)(c) of the Companies Act, 1956.	1,800,000 Equity shares of Rs. 10 each fully paid are held by CASL (100%) and its nominees. CASL is wholly owned subsidiary of CDS&S. CDS&S is subsidiary of Cummins India Limited. Therefore, MRC is subsidiary of Cummins India Limited in terms of Section 4(1)(c) of the Companies Act, 1956.	1,500,000 Equity shares of Rs. 10 each fully paid are held by CASL(100%) and its nominees. CASL is wholly owned subsidiary of CDS&S. CDS&S is subsidiary of Cummins India Limited. Therefore, FAPL 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	100%	—	—	—

**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)	MRC Autosolutions Private Limited (MRC)	Fourstroke Automotive Private Limited (FAPL)
3. The net aggregate amount so far as it concerns members of the holding Company and is not dealt with in the Company's accounts of the subsidiary's profits/ (losses)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
i) for the financial year/period of the subsidiary as aforesaid	47,105	(85,163)	(6,848)	(4,857)
ii) for the financial year/ period of the subsidiary since it became the holding Company's subsidiary.	1,019,201	(307,105)	(12,876)	(10,098)

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)	MRC Autosolutions Private Limited (MRC)	Fourstroke Automotive Private Limited (FAPL)
4. Net aggregate amounts of the profits/(losses) of the subsidiary dealt with in the Company's account.	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
i) for the financial year/ period of the subsidiary	235,000	Nil	Nil	Nil
ii) for the financial year/period of the subsidiary since it became the holding Company's subsidiary.	744,200	Nil	Nil	Nil

Anant J. Talaulicar
Chairman & Managing Director

Nasser Munjee
Director

M.M. Godse
Vice President Legal
& Company Secretary

Pune :
Date : June 2, 2005

Cummins India Limited and its Subsidiaries

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF CUMMINS INDIA LIMITED

1. We have audited the attached consolidated Balance Sheet of Cummins India Limited, its subsidiaries, joint ventures and associates as at March 31, 2005, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of an associate namely Valvoline Cummins Limited and two subsidiaries, MRC Auto Solutions Private Limited and Fourstroke Automotive Private Limited, whose financial statements reflect total assets of Rs. 706,585 ('000) as at March 31, 2005 and total revenues of Rs. 1,823,679 ('000) for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in respect of this associate / subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27– Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cummins India Limited, its subsidiaries, joint ventures and associates included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Cummins India Limited, its subsidiaries, joint ventures and associates, in our opinion, *subject to approval of the Central Government for excess managerial remuneration paid amounting to Rs. 1,195 ('000) in respect of subsidiary, Cummins Auto Services Limited*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of Cummins India Limited, its subsidiaries, joint ventures and associates as at March 31, 2005;
 - (b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Cummins India Limited, its subsidiaries, joint ventures and associates for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of Cummins India Limited, its subsidiaries, joint ventures and associates for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Vasant Gujarathi
Partner

Membership Number 17866

Place : Pune
Date : June 2, 2005

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule Number	Rupees '000	As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	<u>7,240,908</u>		<u>6,842,791</u>
			7,636,908	<u>7,238,791</u>
Loan funds :				
Secured loans	3	340,485		232,192
Unsecured loans	4	<u>324,715</u>		<u>264,498</u>
			665,200	<u>496,690</u>
Deferred Taxation				
Deferred tax Liability	5	271,337		313,569
Deferred tax Asset		<u>(216,565)</u>		<u>(222,877)</u>
			54,772	90,692
Finance Lease Liability				
			<u>43,411</u>	<u>68,246</u>
			<u>8,400,291</u>	<u>7,894,419</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	6	5,424,697		5,255,926
Less : depreciation		<u>3,308,714</u>		<u>3,136,517</u>
Net block			2,115,983	2,119,409
Goodwill			12,939	9,830
Investments				
	7		2,300,992	3,360,641
Current assets, loans and advances :				
Inventories	8	2,806,354		2,112,052
Sundry debtors		3,363,172		2,578,161
Cash and bank balances		107,035		185,832
Other current assets		93,666		84,849
Loans and advances		<u>1,164,144</u>		<u>643,822</u>
		<u>7,534,371</u>		<u>5,604,716</u>
Less : Current liabilities and provisions :				
Current liabilities	9	2,599,702		2,351,891
Provisions		<u>964,292</u>		<u>848,286</u>
		<u>3,563,994</u>		<u>3,200,177</u>
Net current assets				
			<u>3,970,377</u>	<u>2,404,539</u>
			<u>8,400,291</u>	<u>7,894,419</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 and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Vasant Gujarathi
Partner
Membership Number : 17866

M. M. Godse
Vice President Legal &
Company Secretary

Pune
Date: June 2, 2005

Pune
Date: June 2, 2005

Cummins India Limited and its Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			14,711,445	11,777,915
Other Income			602,233	555,804
			<u>15,313,678</u>	<u>12,333,719</u>
Share in Associates' profit after tax (net)			69,188	57,262
EXPENDITURE :	11			
Cost of sales and other expenses		12,917,488		10,514,986
Lumpsum compensation under voluntary retirement scheme		22,782		105,523
Depreciation		406,443		340,122
INTEREST :				
on fixed loans	20,205			15,012
others	<u>21,096</u>			<u>29,484</u>
			41,301	44,496
Amortisation of goodwill		7,723		7,252
			<u>13,395,737</u>	<u>11,012,379</u>
PROFIT BEFORE TAX			1,987,129	1,378,602
PROVISION FOR TAX:				
Current Tax (including net excess provision in for earlier years Rs. ('000) 65,856 (previous year Rs. ('000) 15,842)		688,792		453,710
Deferred Tax		<u>(35,920)</u>		<u>(41,951)</u>
			652,872	411,759
NET PROFIT FOR THE YEAR			1,334,257	966,843
Balance carried forward from last balance sheet			565,632	703,425
Addition on acquisition			(679)	65
APPROPRIATIONS :				
I Proposed final dividend			396,000	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			143,461	140,959
IV Transferred to general reserve			500,834	171,742
Balance carried to balance sheet			<u>462,915</u>	<u>565,632</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs 2)			<u>6.74</u>	<u>4.88</u>

Notes : 12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Vasant Gujarathi
Partner
Membership Number : 17866

M. M. Godse
Vice President Legal &
Company Secretary

Pune
Date: June 2, 2005

Pune
Date: June 2, 2005

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
200,000,000 equity shares of Rs. 2 each (<i>previous year 200,000,000 equity shares of Rs. 2 each</i>)	<u>400,000</u>	<u><i>400,000</i></u>
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each (<i>previous year 198,000,000 equity shares of Rs. 2 each</i>)	<u>396,000</u>	<u><i>396,000</i></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

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account:			
Balance as per last account		7,000	<i>7,000</i>
General reserve:			
Balance as per last account	6,270,154		<i>6,098,412</i>
Add : transferred from profit and loss account	<u>500,834</u>		<u><i>171,742</i></u>
		6,770,988	<i>6,270,154</i>
Capital reserve on consolidation		5	<i>5</i>
Profit and loss account		<u>462,915</u>	<u><i>565,632</i></u>
		<u>7,240,908</u>	<u><i>6,842,791</i></u>

Reserves and Surplus include the Group's share in post acquisition reserves of joint ventures amounting to Rs. ('000) 24,059 (*previous year Rs.('000) 8,807*)

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2005 Rupees '000	As at 31st March, 2004 Rupees '000
SCHEDULE NO.3		
SECURED LOANS :		
From banks -		
Of the above, loans aggregating Rs. ('000) 310,820 (previous year Rs. ('000) 207,754) are secured by hypothecation of inventories, all receivables, investments (excluding investments in units of Unit Trust of India), rights, assets, etc. of Cummins India Limited and second charge on immovable properties situated at Kothrud, Pune and Rs. ('000) 17,642 (previous year Rs. ('000) 12,344) are secured by first charge on inventories and book debts of Cummins Auto Services Limited and Rs. ('000) 1,984 (previous year Rs. ('000) 2,739) are secured by first charge on inventories of MRC Autosolutions Private Limited and Rs. ('000) 2,328 secured by first charge on inventories and book debts of Fourstroke Automotive Private Limited	332,774	222,837
Term loans from banks (secured against respective fixed assets)	7,711	9,355
	<u>340,485</u>	<u>232,192</u>

SCHEDULE NO. 4

UNSECURED LOANS :

Fixed Deposits (including interest accrued and due Rs. ('000) 522; previous year Rs. ('000) 339)	2,026	3,721
From Banks (payable within one year)		
Short term loans (including interest accrued and due Rs. ('000) 313 (previous year Rs. ('000) Nil)	285,884	244,593
Others	—	16,184
From Others		
Short term loans	36,805	—
	<u>324,715</u>	<u>264,498</u>

The short term loans from banks include foreign currency loan of US\$ ('000) 1,300 (Rs. ('000) 57,571) (previous year US\$ ('000) 2,300 (Rs. ('000) 104,373))

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 5			
DEFERRED TAXATION			
Deferred Tax liability			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961		271,337	313,569
Deferred Tax asset			
Provision for doubtful debts	(33,495)		(31,291)
Provision others	(108,948)		(59,104)
Provision for voluntary retirement scheme	(27,749)		(45,858)
Provision for employee benefits	(13,310)		(29,637)
Disallowances under section 43B	(27,201)		(30,964)
Preliminary expenses	(66)		(36)
Current liabilities	—		(18,470)
Unabsorbed depreciation	(5,796)		(7,517)
		(216,565)	(222,877)
		<u>54,772</u>	<u>90,692</u>

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2004	Additions on Acquisitions	Additions	Deductions	Gross block (at cost) as at 31st March, 2005	Depreciation as per schedule 6A	Net block as at 31st March, 2005
Tangible Assets							
Land							
-Freehold	31,302	3,790	2,509	75	37,526	—	37,526
-Leasehold	18,426	—	—	18,426	—	—	—
Roads	6,850	—	—	—	6,850	4,682	2,168
Buildings	280,596 *	12,030	15,682	6,026	302,282 *	102,626	199,656
Leasehold improvements	641	—	7	—	648	593	55
Plant and machinery	4,631,784 #	4,418	217,936	277,318	4,576,820	#3,080,827	1,495,993
Furniture and fittings	88,323	1,321	22,349	7,722	104,271	35,410	68,861
Vehicles	96,237 **	365	12,616	18,499	90,719 **	29,064	61,655
Intangible assets							
Technical Knowhow	42,000	—	—	—	42,000	10,489	31,511
Global Sourcing Consideration	—	—	214,327	—	214,327	42,865	171,462
Software	3,116	61	7,783	—	10,960	2,158	8,802
	<u>5,199,275</u> <u>(4,931,420)</u>	<u>21,985</u> <u>(42,211)</u>	<u>493,209</u> <u>(401,244)</u>	<u>328,066</u> <u>(175,600)</u>	<u>5,386,403</u> <u>(5,199,275)</u>	<u>3,308,714</u> <u>(3,136,517)</u>	<u>2,077,689</u> <u>(2,062,758)</u>

Buildings, plant and machinery
etc., under erection including
advances for capital expenditure

38,294	38,294
(56,651)	(56,651)
<u>5,424,697</u>	<u>2,115,983</u>
<u>(5,255,926)</u>	<u>(3,136,517)</u>

NOTES:

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

Includes

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

(ii) power generating equipment costing Rs. ('000) 170,523 (previous year Rs. ('000) 149,653) and net block Rs. ('000) 125,802 (previous year Rs. ('000) 119,313) given under operating lease arrangements and office equipment costing Rs. ('000) 110,241 (previous year Rs. ('000) 99,199) and net block Rs. ('000) 56,369 (previous year Rs. ('000) 79,641), acquired under finance leases.

** includes vehicles costing Rs. ('000) 1,394 (previous year Rs. ('000) 3,644) and net block Rs. ('000) 943 (previous year Rs. ('000) 2,905), acquired under finance leases.

Figures in brackets are in respect of the previous year.

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2004	Additions on Acquisitions	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2005
Tangible Assets					
Land					
-Freehold	—	—	—	—	—
-Leasehold	539	—	107	646	—
Roads	4,615	—	67	—	4,682
Buildings	93,432	1,139	8,935	880	102,626
Leasehold Improvements	465	—	128	—	593
Plant and machinery #	2,977,520	1,471	327,608	225,772	3,080,827
Furniture and fittings	30,122	353	7,560	2,625	35,410
Vehicles	27,516	191	8,875	7,518	29,064
Intangible assets					
Technical Knowhow	2,089	—	8,400	—	10,489
Global Sourcing Consideration	—	—	42,865	—	42,865
Software	219	41	1,898	—	2,158
	<u>3,136,517</u> <u>(2,920,981)</u>	<u>3,195</u> <u>(1,913)</u>	<u>406,443</u> <u>(340,122)</u>	<u>237,441</u> <u>(126,499)</u>	<u>3,308,714</u> <u>(3,136,517)</u>

includes depreciation of Rs. ('000) 15,747 (previous year Rs. ('000) 14,429) on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 7			
INVESTMENTS :			
LONG TERM INVESTMENTS			
TRADE INVESTMENTS			
Investment in Associates			
(Refer Note 19, Schedule 12)			
Newage Electrical India Limited	197,685		<i>188,575</i>
Valvoline Cummins Limited	140,708		<i>125,665</i>
Fourstroke Automotive Private Limited	—		<i>774</i>
		338,393	<i>315,014</i>
OTHER THAN TRADE INVESTMENTS AT COST			
Tax free redeemable bonds	470,735		<i>503,302</i>
Government of India Bonds	250,694		<i>298,914</i>
Corporate bonds	270,727		<i>171,662</i>
Units of mutual funds	237,185		<i>1,721,221</i>
Others	41,300		<i>41,300</i>
		<u>1,270,641</u>	<u><i>2,736,399</i></u>
Total Long term investments	(A)	1,609,034	<i>3,051,413</i>

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 7 (Contd.)			
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE			
OTHER THAN TRADE INVESTMENTS			
Tax Free Redeemable / Non-cumulative Bonds		—	2,606
Corporate bonds		—	16,413
Units of mutual funds		691,951	274,652
Securitisation pass through certificates		7	15,557
Total Current Investments	(B)	<u>691,958</u>	<u>309,228</u>
Total Investments	(A+B)	<u><u>2,300,992</u></u>	<u><u>3,360,641</u></u>
Aggregate cost of quoted investments		1,033,421	1,031,556
Aggregate cost of unquoted investments		1,179,942	2,269,694
Aggregate market value of quoted investments		1,378,035	1,161,279

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories :			
Stores and Spares		50,685	45,777
Loose tools and gauges		59,361	50,382
Stock-in-trade :			
Raw materials and components	1,193,829		996,860
Work-in-progress	653,604		353,403
Finished goods	397,435		392,460
Service stocks	38,444		63,395
Materials in transit	412,996		209,775
		<u>2,696,308</u>	<u>2,015,893</u>
		2,806,354	2,112,052
Sundry debtors :			
Secured : considered good			
Debts outstanding for a period exceeding six months	37,327		9,690
Other debts	101,239		118,993
			<u>128,683</u>
Unsecured :			
Debts outstanding for a period exceeding six months			
Considered good	106,932		100,527
Considered doubtful	99,165		87,012
Other debts -			
Considered good	3,117,674		2,348,951
Considered doubtful	7,075		4,377
	<u>3,330,846</u>		<u>2,540,867</u>
Less: Provision for doubtful debts	106,240		91,389
		<u>3,224,606</u>	<u>2,449,478</u>
		<u>3,363,172</u>	<u>2,578,161</u>
Carried forward		6,169,526	4,690,213

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 8 (Contd.)			
Brought forward		6,169,526	<i>4,690,213</i>
Cash and bank balances :			
Cash on hand	532		<i>459</i>
Cheques on hand	3,925		<i>3,534</i>
Balances with scheduled banks :			
on current account	98,950		<i>129,662</i>
on deposit account	3,628		<i>52,177</i>
	<u> </u>	107,035	<i>185,832</i>
Other current assets :			
Interest accrued on investments	23,074		<i>23,473</i>
Lease rent receivable	19,013		<i>16,968</i>
Other receivables	51,579		<i>44,408</i>
	<u> </u>	93,666	<i>84,849</i>
Loans and advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good	986,931		<i>531,460</i>
Considered doubtful	212		<i>270</i>
	<u>987,143</u>		<i>531,730</i>
Less: provision for doubtful advances	<u>212</u>		<i>270</i>
	986,931		<i>531,460</i>
Balance with Excise Department	29,228		<i>34</i>
Taxation (net of provisions)	<u>147,985</u>		<i>112,328</i>
		<u>1,164,144</u>	<i>643,822</i>
		<u>7,534,371</u>	<i>5,604,716</i>

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	419,808		348,770
Sundry creditors* (Refer Note 5, Schedule 12)	1,965,376		1,843,942
Advances from customers	65,730		19,728
Dealer deposits	137,047		128,682
Dividend warrants posted but not encashed*	11,490		10,522
Interest accrued but not due on loans	251		247
		2,599,702	2,351,891
Provisions :			
Proposed dividend	396,000		396,000
Tax on dividend	55,539		50,995
Pension and leave entitlement	137,669		115,488
Others	375,084		285,803
		964,292	848,286
		<u>3,563,994</u>	<u>3,200,177</u>

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

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	15,902,749		12,887,922
Less : Excise duty	1,000,274		963,902
Net sales	14,902,475		11,924,020
Less :			
Commission	191,030		146,105
		14,711,445	11,777,915
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. ('000) 1,705; <i>previous year Rs. ('000) 1,473</i>)	37,662		53,058
Miscellaneous income (including design and development charges Rs. ('000) Nil; <i>previous year Rs. ('000) 23,975</i> and refund from custom authorities Rs. ('000) 27,644; <i>previous year Rs. ('000) 35,130</i>)	169,909		150,896
Export benefits	205,122		73,231
Income from investments			
Long term investments-			
Trade investments	20		2,659
Other investments (tax deducted at source Rs. ('000) 4,203; <i>previous year Rs. ('000) 1,483</i>)	87,856		86,277
		87,876	88,936
Current investments - other than trade (tax deducted at source Rs. ('000) NIL; <i>previous year Rs. ('000) 1,519</i>)	481		27,928
Gain on sale/redemption of long term investments	88,155		155,882
Gain on sale/redemption of current investments	13,028		5,873
		602,233	555,804
		<u>15,313,678</u>	<u>12,333,719</u>

Cummins India Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		8,138,504	5,993,733
Purchase of goods for resale		2,072,005	1,751,573
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	966,519		878,538
Company's contribution to provident and other funds	70,727		323,509
Welfare expenses	120,088		103,203
		1,157,334	1,305,250
Operation and other expenses :			
Stores, spares, consumable materials, etc.	325,116		221,203
Tools and gauges	41,941		49,357
Repairs to buildings	56,486		49,115
Repairs to machinery	34,761		32,564
Other repairs	36,007		38,464
Power and fuel	177,834		135,635
Rent	41,069		27,450
Rates and taxes	54,115		15,650
Insurance	28,648		35,268
Outside processing charges	114,748		80,212
Other expenses	744,848		645,431
Donations and contributions	10,718		10,000
Net loss on fixed assets sold or discarded	50,418		4,767
		1,716,709	1,345,116
Technical fees and royalties		158,623	75,167
Carried forward		13,243,175	10,470,839

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Cummins India Limited and its Subsidiaries

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		Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11 (Contd.)				
Brought forward			13,243,175	10,470,839
(Increase)/decrease in inventories of finished goods and work-in-progress :				
Closing inventories :				
Finished goods	397,435			392,460
Work-in-progress	653,604			353,403
		1,051,039		745,863
Opening inventories :				
Finished goods	394,899			429,779
Work-in-progress	353,403			360,656
		748,302		790,435
			(302,737)	44,572
			12,940,438	10,515,411
Less : expenses capitalised			22,950	425
			<u>12,917,488</u>	<u>10,514,986</u>

Cummins India Limited and its Subsidiaries**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.****SCHEDULE NO. 12****1. 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.

2. Principles of consolidation

- a) The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS 21) on 'Consolidated Financial Statements', Accounting Standard 23 (AS 23) on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 (AS 27) on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cummins India Limited ('CIL') and its subsidiaries, joint ventures and associates. Reference in the notes to 'Group' shall mean to include CIL and its subsidiaries, joint ventures and associates consolidated in these financial statements unless otherwise stated.
- b) The consolidated financial statements have been prepared on the following basis
 - i) The financial statements of the Group are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 (AS 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
 - ii) In case of joint ventures, the Group's share in the assets, liabilities, income and expenses has been accounted for using the proportionate consolidation method, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 27 (AS 27) on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India.
 - iii) In case of associates, where the Group directly or indirectly holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard 23 (AS 23) on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
 - iv) The difference between the cost of investment in the subsidiaries/joint ventures/associates, over the net assets at the time of acquisition of the investment in the subsidiaries/joint ventures/associates is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

- v) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any have been made in the consolidated financial statements.

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

Name of the company	Relationship	Shareholding
Cummins Diesel Sales and Service (India) Limited ('CDS&S')	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
MRC Autosolutions Private Limited	Subsidiary	100%
Fourstroke Automotive Private Limited @	Subsidiary	100%
Nelson Engine Systems India Limited	Joint Venture	50%
Cummins Research and Technology India Limited	Joint Venture	50%
Newage Electrical India Limited	Associate	48.5%
Valvoline Cummins Limited	Associate	49%

Each of the above companies is incorporated in India.

The list of companies included in consolidation in the previous year, relationship with CIL and CIL's shareholding therein is as under:

Name of the company	Relationship	Shareholding
Cummins Diesel Sales and Service (India) Limited ('CDS&S')	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
MRC AutoSolutions Private Limited #	Subsidiary	100%
Nelson Engine Systems India Limited	Joint Venture	50%
Cummins Research and Technology India Limited	Joint Venture	50%
Newage Electrical India Limited	Associate	48.5%
Valvoline Cummins Limited	Associate	49%
Fourstroke Automotive Private Limited @	Associate	50%

@ CASL has acquired the balance 50% equity in Fourstroke Automotive Private Limited (FAPL) on November 30, 2004, thus making FAPL its subsidiary effective that date.

CASL had acquired the balance 50% equity in MRC Autosolutions Private Limited (MRC) on June 10, 2003, thus making MRC its subsidiary effective that date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

3. Significant accounting policies

a) Fixed assets and depreciation

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.
- ii) Goodwill arising on acquisition of subsidiaries/joint ventures/associates is amortised over a period of 10 years from the year of acquisition.
- iii) Depreciation is provided using the straight-line method in the manner specified in Schedule XIV to the Companies Act, 1956 and at rates prescribed therein or based on the useful life of assets, whichever is higher. Computers and related assets are depreciated over four years. Leasehold land and other assets acquired under finance lease are amortised over the period of lease. Intangible assets are amortised over a period of five years.

b) Investments

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

c) Inventories

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

d) 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 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 from a country outside India, which are adjusted to cost of fixed assets.

e) Revenue recognition

- i) Sale of goods is recognised as per the terms of sale. Sales exclude amounts recovered towards excise duty and sales tax.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

- ii) The Group enters into agreements that transfer the right to use equipment, though substantial services by the Group may be called for in connection with the operation or maintenance of such assets. As such agreements convey to the customer the right to use the equipment, they meet the definition of a lease and are accounted for based on their classification into finance leases and operating leases. The agreement is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership and agreements not meeting this 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 under job contracts is recognised upon completion of service and delivery to customer. Income from services is recognised either proportionately over the period of contract or on completion of services as per the terms of specific contracts.
- iv) Profits from certain long term composite supply and service contracts are recognised proportionately over the period of contract based on the contracted revenues and estimated cost to completion.
- v) Revenue from information technology enabled engineering services are recognized based on the time spent and services rendered as per contract.
- vi) Dividend income from investments is recognised when the right to receive payment is established.

f) Lease charges under operating leases

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

g) 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:

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

i) Cost of product warranty is included in 'Raw materials and components consumed' for free replacement of spares. Accrual for warranties towards replacement of spares, labour charges etc. are included in 'Other expenses'.

ii) New Engine Performance Inspection fee is included under 'Other expenses'.

h) Retirement benefits

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

i) Leave encashment entitlement

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

j) 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.

k) 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.

l) Provisions

A provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

4. Capital Commitments

	Rupees '000	<i>Previous year Rupees '000</i>
Capital Commitments	64,949	26,664

5. Sundry creditors include

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
i) Amounts due to small scale industrial undertakings	119,425	113,312
ii) Amounts due to Directors	—	10

6. (a) Out of the total land admeasuring 17,199.93 sq. meters, 4,636.93 sq. meters has been reserved by Pune Municipal Corporation.
- (b) Buildings include 10 unquoted shares of Rs. 200 each fully paid, at cost, in Sesa Ghor Premises Holders' Co-operative Society Limited, Goa.

7. Contingent liabilities

	As at 31st March, 2005 Rupees '000	<i>As at 31st March, 2004 Rupees '000</i>
a) Bills discounted not matured	46,420	—
b) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Group	57,393	56,459
c) Central excise duty/customs duty / Sales tax – demands not accepted by the Group	10,394	74
d) Civil liability / secondary civil liability in respect of suits filed against the Group	65	50
e) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	27,500	37,500

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

	As at 31st March, 2005 Rupees '000	As at <i>31st March, 2004</i> <i>Rupees '000</i>
f) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
g) Claims against the Group not acknowledged as debts and Customs Show Cause Notices against the Group	500	<i>Amounts if any, not ascertainable</i>
h) Advances include Rs. Nil (<i>previous year Rs. ('000) 1,696</i>) in respect of which a third party has made claims against the Group, which are not acknowledged as debts by the Group.		
i) Pursuant to an order of the Honorable Supreme Court, restraining the State Government, from recovering sales tax, one of the Group's supplier has not charged sales tax of Rs. ('000) 72,320 (<i>previous year Rs. ('000) 60,429</i>) (including interest @ 9% p.a. from October 2000 to December 2003) on supplies made by it. In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Group will need to reimburse the above amounts to the supplier.		
j) The arbitration matter between the Group and Hindustan Shipyard Ltd. (HSL) is subjudice in the court of Principal Senior Civil Judge at Visakhapatnam. In the event the matter is finally decided in favour of HSL, the Group would have to pay the sum of Rs. ('000) 1,944 (<i>previous year Rs. ('000) 1,944</i>) with interest @ 8% p.a. and also waive recovery of Rs. ('000) 330 (<i>previous year Rs. ('000) 330</i>) from HSL.		

8. 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

b) Transactions with related parties as per the books of account during the year ended 31st March 2005

Rs '000

	Name of the Party	Holding Company	Fellow Sub-sidiaries	Joint Ventures	Asso- ciates	Key Manage- ment Perso- nnel	Enter- prises with common Key Manage- ment Personnel	Total
Purchases of goods	Cummins Inc	1,021,329	—	—	—	—	—	
	Cummins Engine Company Limited	—	758,707	—	—	—	—	
	Tata Cummins Limited	—	—	—	—	—	721,051	
	Others	—	597,022	12,436	205,146	—	—	3,315,691
		(285,985)	(870,295)	(7,461)	(123,808)	(—)	(—)	(1,287,549)
Sale of goods	Cummins Engine Company Limited	—	2,246,556	—	—	—	—	
	Cummins Power Generation Limited	—	1,028,509	—	—	—	—	
	Others	35,664	536,236	—	—	—	2	3,846,967
		(42,352)	(2,220,503)	(—)	(252)	(—)	(—)	(2,263,107)
Purchase of fixed assets		—	—	—	—	—	—	—
		(—)	(144)	(—)	(—)	(—)	(—)	(144)
Sale of fixed assets		—	—	—	—	—	—	—
		(—)	(—)	(50)	(663)	(—)	(—)	(713)
Services rendered	Cummins Inc	75,196	—	—	—	—	—	
	Newage Electrical India Limited	—	—	—	18,834	—	—	
	Fleetguard Inc.	—	12,448	—	—	—	—	
	Valvoline Cummins Limited	—	—	—	13,295	—	—	
	Others	—	2,701	36	71	—	513	123,094
		(8,547)	(26,685)	(—)	(29,827)	(—)	(—)	(65,059)
Remuneration paid	Anant Talaulicar	—	—	—	—	3,687	—	
	Vinod Dasari	—	—	—	—	2,972	—	6,659
		(—)	(—)	(—)	(—)	(6,016)	(—)	(6,016)

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

Rs '000

	Name of the Party	Holding Company	Fellow Sub-sidiaries	Joint Ventures	Asso- ciates	Key Manage- ment Perso- nnel	Enter- prises with common Key Manage- ment Personnel	Total
Services received	Cummins Diesel Sales Corporation	—	232	—	—	—	—	
	Cummins Engine Company Limited	—	94	—	—	—	—	
	Others	12	9	—	—	—	—	347
		(174)	(464)	(—)	(1,370)	(—)	(—)	(2,008)
Transfer of technology	Cummins Inc.	156,420 (114,214)	— (12,870)	— (—)	— (—)	— (—)	— (—)	156,420 (127,084)
Global Sourcing Consideration	Cummins Engine Company Limited	— (—)	214,326 (—)	— (—)	— (—)	— (—)	— (—)	214,326 (—)
IT Service charges	Cummins Inc.	51,621 (77,538)	— (—)	— (—)	— (—)	— (—)	— (—)	51,621 (77,538)
Interest on inter- corporate deposits	Cummins Research and Technology India Limited	—	—	1,851	—	—	—	
	Fourstroke Automotive Pvt Ltd	— (—)	— (—)	— (—)	576 (233)	— (—)	— (—)	2,427 (233)
Commission Received	Valvoline Cummins Limited	— (—)	— (—)	— (—)	5,200 (5,200)	— (—)	— (—)	5,200 (5,200)
Miscellaneous Income	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	211 (—)	211 (—)
Dividend Received	Newage Electrical India Limited	—	—	—	30,420	—	—	
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	4,655 (61,166)	— (—)	— (—)	35,075 (61,166)
Inter-corporate deposits	Cummins Research and Technology India Limited	— (—)	— (—)	35,000 (—)	— (4,747)	— (—)	— (—)	35,000 (4,747)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

Rs '000

	Name of the Party	Holding Company	Fellow Sub-sidiaries	Joint Ventures	Asso- ciates	Key Manage- ment Perso- nnel	Enter- prises with common Key Manage- ment Personnel	Total
Interest income	Cummins Engine Company Limited	— (—)	17,464 (6,379)	— (—)	— (—)	— (—)	— (—)	17,464 (6,379)
Dividend paid	Cummins Inc	403,920 (605,880)	— (250)	— (—)	— (—)	— (—)	— (—)	403,920 (606,130)
Equity contributions		— (—)	— (—)	— (573)	— (—)	— (—)	— (—)	— (573)

c) Amounts outstanding as at 31st March 2005.

Rs '000

	Name of the Party	Holding Company	Fellow Sub-sidiaries	Joint Ventures	Asso- ciates	Key Manage- ment Perso- nnel	Enter- prises with common Key Manage- ment Personnel	Total
Sundry Debtors	Cummins Engine Company Limited	—	1,163,144	—	—	—	—	
	Cummins Power Generation Limited	—	244,427	—	—	—	—	
	Others	11,552 (—)	120,949 (910,679)	333 (34)	7,075 (7,021)	— (—)	1,198 (—)	1,548,678 (917,734)
Loans and advances	Cummins Inc	—	407	—	—	—	—	
	Fleetguard Inc.	—	374	—	—	—	—	
	Others	— (—)	19 (—)	— (—)	— (9,374)	— (—)	— (—)	800 (9,374)
Sundry Creditors	Cummins Engine Company Limited	—	71,744	—	—	—	—	
	Cummins Inc.	238,754	—	—	—	—	—	
	Tata Cummins Limited	—	—	—	—	—	49,866	
	Others	— (217,905)	81,446 (148,705)	1,118 (1,048)	40,899 (18,480)	— (—)	— (—)	483,827 (386,138)
Inter Corporate Balance Receivable	Cummins Research and Technology India Limited	— (—)	— (—)	35,000 (—)	— (—)	— (—)	— (—)	35,000 (—)

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

Notes :

- i) The names of the related parties under the appropriate relationship included in Notes 8 (b) and (c) above are as follows:

- | | |
|------------------------|---|
| 1. Holding Company | i) Cummins Inc. |
| 2. Fellow Subsidiaries | <ul style="list-style-type: none"> i) Consolidated Diesel Company ii) Cummins Brasil iii) Cummins Diesel N.V. iv) Cummins Diesel Sales & Service – Denmark v) Cummins Diesel Sales & Service – Korea vi) Cummins Diesel Sales Corporation vii) Cummins Diesel South Africa Pvt Ltd viii) Cummins Diesel, Australia ix) Cummins Engine (Beijing) x) Cummins Engine (Shanghai) Trading – China xi) Cummins Engine Co Diesel xii) Cummins Engine Co., Australia xiii) Cummins Engine Company Limited xiv) Cummins Japan Ltd. xv) Cummins Middle East FZE xvi) Cummins Natural Gas Engines, Inc. xvii) Cummins Power Generation xviii) Cummins Power Generation, Australia xix) Cummins Power Generation, Singapore xx) Cummins Power Generation, U.K. xxi) Cummins Power Service & Parts Corporation – Taiwan xxii) Cummins S De R.L. De C.V. xxiii) Diesel Recon Co. xxiv) Fleetguard Inc. xxv) Fleetguard Singapore xxvi) Holset Engineering Co. Limited xxvii) Holset Engineering Company, Inc. xxviii) Nelson Burges Limited xxix) Onan Corporation |
| 3. Joint Ventures | <ul style="list-style-type: none"> i) Nelson Engine Systems India Limited ii) Cummins Research & Technology India Limited |
| 4. Associates | <ul style="list-style-type: none"> i) Valvoline Cummins Limited ii) Newage Electrical India Limited iii) Fourstroke Automotive Private limited
(upto November 29, 2004) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

5. Key Management Personnel
- i) Anant Talaulicar
 - ii) Vinod Dasari (Upto March 01,2005)
6. Enterprise with common Key Management personnel
- i) Tata Cummins Limited (w.e.f. April 8, 2004)
- ii) Reimbursement of expenses incurred by related parties for and on behalf of the Group and vice versa have not been included above.
- iii) The information given above, have been reckoned on the basis of information available with the Group.
- iv) Figures in brackets are in respect of the previous year.

9. Segmental Information

a) Primary Segment

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

b) Secondary Segment

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

Information about Primary Segments				Rs. '000
	Engine Business	Others	Elimination	Total
i) Segment revenue @	15,437,639 (12,840,773)	1,278,737 (774,827)	-1,808,803 (-1,684,577)	14,907,573 (11,931,023)
ii) Segment result	1,675,594 (1,009,912)	47,005 (-16,866)	-246,219 (-9,256)	1,476,380 (983,790)
Other Income				552,049 (439,310)
Interest				41,301 (44,496)

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

Information about Primary Segments (contd.)				Rs. '000
	Engine Business	Others	Elimination	Total
Profit before tax				1,987,129 (1,378,604)
Provision for tax				
Current tax				688,792 (453,710)
Deferred tax				-35,920 (-41,951)
Net profit for the year				1,334,257 (966,846)
iii) Segment assets	9,040,605 (7,371,783)	803,364 (667,802)	— (—)	9,843,969 (8,039,585)
Common assets				2,120,316 (3,055,011)
Enterprise Assets				11,964,285 (11,094,596)
iv) Segment liabilities	3,418,395 (3,150,202)	365,971 (223,110)	— (—)	3,784,366 (3,373,312)
Common Liabilities				543,011 (482,493)
Enterprise Liabilities				4,327,377 (3,855,805)
v) Capital expenditure	416,817 (356,091)	61,439 (43,531)	— (—)	478,256 (399,622)
vi) Depreciation	357,814 (303,367)	48,629 (36,755)	(—) (—)	406,443 (340,122)
Information about geographical segments (Secondary segments)	Domestic	Export	Elimination	Total
vii) Segment revenue	12,668,421 (11,380,066)	4,047,955 (2,235,534)	-1,808,803 (-1,684,577)	14,907,573 (11,931,023)

@ Segment revenue from Other business includes Income from Lease Rs. ('000) 5,099 (previous year Rs. ('000) 7,004).

Notes:

- i) The Group's tangible assets are located entirely in India.
- ii) Figures in brackets are in respect of the previous year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

10 Disclosure on Provisions made, utilised and reversed during the year as per Accounting Standard 29 issued by The Institute of Chartered Accountants of India

	Rs. '000			
	Warranty	Service Costs and Overhaul	Statutory Matters	Total
Opening Balance	177,024 (184,608)	105,133 (64,476)	3,646 (3,646)	285,803 (252,730)
Additions	168,600 (108,168)	103,729 (76,053)	5,859 (—)	278,188 (184,222)
Utilisations	133,082 (115,752)	45,997 (32,123)	— (—)	179,079 (147,875)
Reversal	8,636 (—)	1,192 (3,274)	— (—)	9,828 (3,274)
Closing Balance	203,906 (177,024)	161,673 (105,133)	9,505 (3,646)	375,084 (285,803)

- i) The provision for warranty is on account of warranties given on products sold by the company. The provision is based on the historic data / estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- ii) The provision for Service Costs and overhaul is on account of comprehensive annual service contracts and gensets given on rent to various customers. The provision is based on the preventive maintenance schedules and estimated overhauls during the contract period for the various types of gensets . The timing and amount of the cash flows that will arise from these matters will be determined at the time of actual maintenance and overhauling of the gensets.
- iii) The provision for statutory matters is on account of legal matters where the company anticipates probable outflow. The amount of provision is based on estimate made by the company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

11. Lease income

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

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	6,545 (6,800)	17,608 (14,994)	24,153 (21,794)
Less : Unearned finance income	2,192 (1,945)	2,948 (2,881)	5,140 (4,826)
Present value of minimum lease payments receivable	4,353 (4,855)	14,660 (12,113)	19,013 (16,968)

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 7,041 (*previous year Rs. ('000) 7,600*).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. ('000) 7,421 (*previous year Rs. ('000) 21,920*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. ('000) 105,885 (*previous year Rs. ('000) 88,920*).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 1,796 (*previous year Rs. ('000) 160*).
- vi) Figures in brackets are in respect of the previous year.

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

12. Lease commitments

i) Finance lease :

The Group has acquired plant and machinery and vehicles under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2005 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	37,414 (33,354)	7,235 (37,340)	44,649 (70,694)
Less : Amount representing interest	992 (1,657)	246 (791)	1,238 (2,448)
Present value of minimum lease payments	36,422 (31,697)	6,989 (36,549)	43,411 (68,246)

ii) Future obligations as per lease agreements in respect of assets taken on finance lease prior to April 1, 2001 is Rs Nil (*previous year Rs. ('000) 298*). Lease rent of Rs. ('000) 298 (*previous year Rs. ('000) 756*) has been debited to the profit and loss account.

iii) Operating lease :

The Group 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, 2005 are as follows:

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Due beyond 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	21,504 (52,910)	60,030 (40,595)	33,870 (20,728)	115,403 (114,233)

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

The minimum lease payments recognized in the statement of profit and loss for the year are as follows.

Particulars	Rs.'000	Previous Year Rs.'000
Included in other expenses	23,883	40,004
Included in rent	16,208	8,202

iv) Figures in brackets are in respect of the previous year.

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

- Appropriately recognised in the profit and loss account – Rs. ('000) 18,908 (*previous year Rs. ('000) (30,971)*).
- Adjusted in the carrying amount of fixed assets – Rs. ('000) 12,342 (*previous year Rs. ('000) 352*).

14. Managerial Remuneration

	Rupees '000	Previous year Rupees '000
Salary	23	2,928
Perquisites	6,636	4,773
Commission – non-whole-time directors	1,375	1,375
Sitting fees	220	265
Total	8,254	9,341

The above remuneration consists of the remuneration to the directors of the holding company, Cummins India Limited.

Appointment of Mr. Anant J. Talaulicar as a whole-time director for the period April 25, 2003 to July 28, 2003 and as Joint Managing Director for the period July 29, 2003 to April 24, 2008 is subject to approval of Central Government in terms of provisions of Schedule XIII (Part I, Condition (e)) of the Companies Act, 1956.

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

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

15. Remuneration to Auditors :

	Rupees '000	<i>Previous year Rupees '000</i>
Audit fees	5,355	4,709
Limited review and consolidation of accounts	1,200	1,620
Tax audit	1,960	1,947
Other services	3,013	2,878
Reimbursement of out of pocket expenses	153	111
Total	<u>11,681</u>	<u>11,265</u>

The remuneration disclosed above is including taxes, as applicable.

16. Other expenses include provision for doubtful debts Rs. ('000) 21,616 (*Previous year Rs. ('000) 17,482*).

17. Research and development expenses aggregating Rs. ('000) 189,044, including Rs. ('000) 26,604 on capital account (*previous year Rs. ('000) 180,861 including Rs. ('000) 30,081 on capital account*) have been incurred by the Group. The expenses disclosed above include expenses incurred on development of parts, etc.

18. Earning Per share

	As at March 31, 2005	<i>As at March 31, 2004</i>
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)	1,334,257	966,843
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted)(Rupees)	6.74	4.88
Face value per share (Rupees)	2.00	2.00

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

19. The investment in Associates disclosed in Schedule 7 is arrived at as follows:

	Valvoline Cummins Limited	Rs. '000 Newage Electrical India Limited
	<u> </u>	<u> </u>
Carrying amount of investment as on March 31, 2004	125,665	188,575
Share in associates' results for the year	21,547	48,415
Dividends received during the year	(5,251)	(34,397)
Write off of goodwill for the year	(1,253)	(4,908)
Carrying amount of investment as on March 31, 2005	140,708	197,685

The carrying amount of investments as at March 31, 2005 includes goodwill arising on acquisition of Valvoline Cummins Limited of Rs. ('000) 2,509 (*previous year Rs. ('000) 3,762*), and Newage Electrical India Limited of Rs. ('000) 34,344 (*previous year Rs. ('000) 39,252*).

Cummins India Limited

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

20. The Group has 50% interest in Joint Ventures namely Nelson Engine Systems India Limited and Cummins Research and Technology India Limited, both incorporated in India. The following represents the Group's share of Assets and Liabilities as at 31st March, 2005 and Income and Expenses for the year ended on that date in the Joint Ventures incorporated in the financial statements before elimination of intra-group transactions:

	Rs. '000			
	Nelson Engine Systems India Limited		Cummins Research and Technology India Limited	
	As at March 31, 2005	<i>As at</i> <i>March 31, 2004</i>	As at March 31, 2005	<i>As at</i> <i>March 31, 2004</i>
Net assets				
Net Fixed Assets	14,604	<i>14,380</i>	27,237	<i>14,515</i>
Investments	12,721	<i>7,890</i>	—	—
Inventories	6,713	<i>3,255</i>	—	—
Debtors	11,506	<i>5,385</i>	13,041	<i>8,501</i>
Deferred Tax Asset	—	—	—	<i>5</i>
Cash & Bank Balances	1,713	<i>1,767</i>	5,789	<i>1,130</i>
Loans and Advances	1,387	<i>981</i>	13,625	<i>5,046</i>
Current Liabilities	(12,120)	<i>(6,765)</i>	(11,495)	<i>(7,838)</i>
Loans and Lease liability	—	—	(46,023)	<i>(24,695)</i>
Deferred tax liability	(2,117)	<i>(2,404)</i>	—	—
<i>Net Assets</i>	<u>34,407</u>	<u><i>24,489</i></u>	<u>2,174</u>	<u><i>(3,336)</i></u>
Profit & Loss Account				
Sales	53,286	<i>27,765</i>	66,286	<i>8,674</i>
Expenditure	(37,571)	<i>(20,116)</i>	(53,111)	<i>(4,263)</i>
Depreciation	(1,538)	<i>(1,179)</i>	(7,642)	<i>(801)</i>
Tax Provision	(837)	<i>(938)</i>	(25)	<i>5</i>
<i>Net Profit</i>	<u>13,340</u>	<u><i>5,532</i></u>	<u>5,508</u>	<u><i>3,615</i></u>

Cummins India Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2005.

- 21.** The Group has recognized goodwill arising on account of acquisition of balance 50% interest in the associate, Fourstroke Automotive Private Limited (now a subsidiary) amounting to Rs. ('000) 4,672 (amount amortised during the year Rs.('000) 467) in accordance with Accounting Standard 21 (AS 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
- 22.** The Board of Directors of Cummins Diesel Sales and Service (India) Ltd. (CDS&S), a subsidiary of Cummins India Limited, have, in their meeting held on 27th May 2005, passed a resolution approving demerger of the service business of its subsidiary, Cummins Auto Services Limited (CASL) into CDS&S with effect from 1st April 2005. The demerger will be subject to appropriate approvals, including that of the Hon'ble Bombay High Court. CASL has carried forward losses amounting to Rs. ('000) 307,105 as on 31st March, 2005. CDS&S, the holding company of CASL, continues to and is committed to support CASL financially and otherwise and accordingly financial statements of CASL have been prepared on a going concern basis.
- 23.** In the year 2003, the Board of Directors and shareholders of Cummins Auto Services Limited (CASL) had approved the amalgamation of its fully owned subsidiary, MRC Autosolutions Private Limited, into CASL. Accordingly, the necessary petitions were made to Hon'ble Bombay High Court and Hon'ble Gujarat High Court. The said amalgamation scheme has been sanctioned by the Hon'ble Bombay High Court and is pending for approval before the Hon'ble Gujarat High Court.
- 24.** Previous year's figures have been regrouped/reclassified wherever necessary.

Signatures to the Schedules 1 to 12.

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune :
Date : June 2, 2005

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005.

	Rupees '000	Rupees '000	Previous Year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	621,982		1,260,399
Tax paid (net of refunds)	(724,447)		(576,112)
Net cash provided by operating activities		(102,465)	684,287
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(482,346)		(386,776)
Sale	40,209		44,334
Interest received	81,860		178,855
Dividend received	46,544		71,661
Consideration paid for acquisition for balance shares in associate	(3,992)		(6,300)
Investment in Joint Venture	—		(1,146)
Investments			
Purchase	(4,768,461)		(5,954,026)
Sale/redemption	5,952,674		6,407,213
Net cash used for investing activities		866,488	353,815
III. Cash flows from financing activities :			
Short term borrowings	51,424		99,138
Bank Overdraft (Net)	109,937		143,318
Finance lease liability	(24,835)		53,482
Repayment of term loans	(6,841)		7,222
Repayment of fixed deposits (net)	(1,878)		(33,447)
Interest paid	(40,800)		(48,338)
Dividend paid (including tax on dividend)	(929,949)		(1,373,181)
Net cash used for financing activities		(842,942)	(1,151,806)
IV. Net change in cash and cash equivalents (I+II+III)		(78,919)	(113,704)
V. Cash and cash equivalents at the beginning of the year *		185,954	299,536
Cash and cash equivalents at the end of the year (IV+V)		107,035	185,832

* Includes cash and cash equivalents of subsidiary / joint venture acquired during the year Rs. ('000) 122 (previous year Rs. ('000) 805)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005.

	Rupees '000	Rupees '000	Previous Year Rupees '000
Notes :			
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		1,987,129	1,378,602
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	406,443		340,122
Interest expense	41,301		44,496
Interest income (gross)	(81,461)		(167,263)
Dividend earned (gross)	(6,896)		(2,659)
Loss/(gain) on assets sold,discarded etc;	50,418		4,767
Loss/(gain) on redemption /sale of investments	(101,183)		(161,755)
Share in profit of associates	(69,188)		(57,262)
Amortisation of goodwill	7,723		7,253
Provision for doubtful debts	14,698		17,482
Expenditure pending allocation written off	—		12,489
Miscellaneous expnediture written off	61		—
		261,916	37,670
b) Changes in working capital and other provisions :-			
Sundry debtors	(798,741)		(245,665)
Inventories	(691,799)		(135,219)
Loans and advances	(484,580)		(122,013)
Other current assets	(9,118)		(8,817)
Current liabilities	245,713		318,693
Provisions	111,462		37,148
		(1,627,063)	(155,873)
Total adjustments (a+b)		(1,365,147)	(118,203)
Cash generated from operations		621,982	1,260,399

Cummins India Limited

Cummins India Limited and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005.

Notes : (Contd)

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

3) Cash and cash equivalents comprise :	Rupees '000	Rupees '000	Rupees '000
	2004-05	2003-04	2002-03
Cash in hand	532	459	638
Cheques on hand	3,925	3,534	17,055
Balances with bank on current account :			
Unclaimed dividend account (restricted)	11,490	10,522	4,199
Other current accounts	87,460	119,140	174,855
Balances with bank on deposit account	3,628	52,177	101,984
Total	107,035	185,832	298,731

- 4) The figures in brackets represent outflows of cash and cash equivalents.
- 5) Previous years figures have been regrouped, wherever necessary to conform to the current year classification.

In terms of our report of even date

For PRICE WATERHOUSE
Chartered Accountants
Vasant Gujarathi
Partner
Membership Number : 17866
Pune
Date: June 2, 2005

For and on behalf of the Board

Anant J. Talaulicar Chairman & Managing Director	Nasser Munjee Director
M. M. Godse Vice President Legal & Company Secretary	
Pune Date: June 2, 2005	

Cummins India Limited and its Subsidiaries

The Company has obtained approval of the Central Government under Section 212(8) of the Companies Act, 1956 (Act), for not attaching documents of its subsidiaries referred to in Section 212 (1) (a) to (d) of the Act to the Annual Accounts of the Company. As per the said approval, the Company is giving the following information in respect of its four subsidiaries for the financial year ended March 31, 2005 and for the corresponding previous year ended March 31, 2004.

(Rs. '000)

Particulars	Cummins Diesel Sales and Service (India) Limited		Cummins Auto Services Limited		MRC Autosolutions Private Limited		Fourstroke Automotive Private Limited	
	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2005	As at 31st March, 2004
Share Capital								
Face Value (Rs. per share)	100	100	10	10	10	10	10	10
Authorised								
- Number of shares	1,200,000	1,200,000	20,000,000	20,000,000	2,000,000	2,000,000	1,500,000	1,500,000
- Amount	120,000	120,000	200,000	200,000	20,000	20,000	15,000	15,000
Issued, subscribed and paid up								
- Number of shares	600,000	600,000	10,000,000	10,000,000	1,800,000	1,800,000	1,500,000	1,500,000
- Amount	60,000	60,000	100,000	100,000	18,000	18,000	15,000	15,000
Reserves & Surplus	950,052	933,530	—	—	—	—	—	—
Assets								
Fixed Assets (Gross)	366,179	363,537	94,032	97,263	28,360	28,359	21,986	21,996
Less: Accumulated Depreciation	(175,784)	(153,006)	(29,284)	(21,444)	(3,925)	(2,618)	(3,573)	(2,440)
Net Fixed Assets	190,395	210,531	64,748	75,819	24,435	25,741	18,413	19,556
Investments (see note 1 below for details)	178,803	178,803	26,794	22,801	—	—	—	—
Deferred Tax	11,750	7,741	—	—	—	—	—	—
Current Assets, Loans and Advances	1,362,722	1,315,376	127,886	125,175	3,292	4,557	3,143	3,910
Total Assets:	1,743,670	1,712,451	219,428	223,795	27,727	30,298	21,556	23,466
Liabilities								
Secured Loans	—	—	20,611	17,191	4,735	7,247	4,321	6,279
Unsecured Loans	106	157	320,883	241,873	22,104	14,084	14,782	8,432
Current Liabilities and Provisions	727,517	707,143	84,710	85,705	5,550	6,822	6,237	7,721
Liability under finance lease	5,995	11,621	435	1,238	—	—	—	—
Total Liabilities:	733,618	718,921	426,639	346,007	32,389	28,153	25,340	22,432
Miscellaneous Expenditure (to the extent not written off or adjusted)	—	—	(107)	(270)	(42)	(83)	(41)	(81)
Profit and Loss Account	—	—	(307,105)	(221,942)	(22,620)	(15,771)	(18,743)	(13,886)

Cummins India Limited

Cummins India Limited and its Subsidiaries

(Rs. '000)

Particulars	Cummins Diesel Sales and Service (India) Limited		Cummins Auto Services Limited		MRC Autosolutions Private Limited		Fourstroke Automotive Private Limited	
	For the year ended		For the year ended		For the year ended		For the year ended	
	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004
Income								
Turnover	4,229,371	3,858,714	228,443	229,623	9,605	14,228	2,742	4,653
Other Income	70,943	110,478	15,415	8,991	—	—	—	—
Total Income:	4,300,314	3,969,192	243,858	238,614	9,605	14,228	2,742	4,653
Profit / (Loss) before Taxation	452,988	347,622	(85,163)	(85,319)	(6,848)	(6,028)	(4,857)	(5,241)
Provision for Taxation	170,883	122,529	—	—	—	—	—	—
Profit / (Loss) after Taxation	282,105	225,093	(85,163)	(85,319)	(6,848)	(6,028)	(4,857)	(5,241)
Dividend - Interim	235,000	245,000	—	—	—	—	—	—
	As at	As at	As at	As at	As at	As at	As at	As at
	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004
Note 1: Details of Investments:								
Trade Investments								
Kirloskar Oil Engines Limited	29	29	—	—	—	—	—	—
Investment in Joint Venture								
Valvoline Cummins Limited	78,775	78,775	—	—	—	—	—	—
Fourstroke Automotive Private Limited	—	—	—	7,500	—	—	—	—
Investment in Companies under the same management								
Nelson Engine Systems India Limited	1	1	1	1	—	—	—	—
Investment in subsidiaries								
Cummins Auto Services Limited	99,998	99,998	—	—	—	—	—	—
MRC Autosolutions Private Limited	—	—	15,300	15,300	—	—	—	—
Fourstroke Automotive Private Limited	—	—	11,493	—	—	—	—	—
Total:	178,803	178,803	26,794	22,801	—	—	—	—

Note 2:

Fourstroke Automotive Private Limited, the erstwhile 50:50 Joint Venture between Cummins Auto Services Limited and Fourstroke Diesels became a wholly owned subsidiary of Cummins Auto Services Limited and consequently, subsidiary of the Company with effect from November 30, 2004.



Cummins India Limited

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