

Cummins India Limited



WE ARE CUMMINS YOU CAN DEPEND ON US



Annual Report 2007

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

WE ARE CUMMINS YOU CAN DEPEND ON US

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DEPENDABILITY

• PEOPLE • PRODUCTS • SERVICES

Respected Shareholders,

PEOPLE



SERVICES

I am very pleased to report that 2006-2007 has been another year wherein Cummins India Limited (CIL) has delivered record results. Macroeconomic conditions in India were positive and this certainly had a positive impact on our business. Cummins employees worked very effectively to take full advantage of these market conditions. CIL's annual sales grew by 26 percent to Rs. 18,410 million and the corresponding profit before tax grew by 41 percent to Rs. 3,460 million. Our domestic business grew by 33 percent to Rs. 12,358 million, and exports grew by 14 percent to Rs. 6,050 million.

We have made significant progress in establishing ourselves as 'The New Cummins - A More Dependable Cummins,' which is less cyclical, more diversified, more result-oriented and



committed to turning a greater share of sales into profits. We believe in demonstrating DEPENDABILITY through our people, products and services. Our new branding and logo is already visible across the country. All Cummins entities in India now carry the new Cummins branding - reflecting our global strategy of presenting '**One Face to the Customer.**'

Our aftermarket sales and service support subsidiary 'Cummins Diesel Sales & Service

(India) Limited' has changed its name to 'Cummins Sales & Service India Limited.' This change reflects our offerings which are not limited to diesel technology but embrace various Cummins technologies including natural gas and alternate fuels, filtration systems, fuel systems, turbo technologies, lubrication, power generation technologies etc.

As always, we have grown our business profitably while keeping in mind our Vision of 'Making people's lives better by unleashing the

Power of Cummins.' This Vision together with our Mission Statements, Values and Company Personality have been the bedrock for guiding us towards sustaining success. I am very proud to state that Cummins is a value based institution and our Core Values are - *Integrity, Innovation, Delivering Superior Results, Diversity, Global Involvement and Corporate Responsibility.* The company personality that we aspire to achieve is *Decisive, Driven to Win, Agile, Passionate and Caring.* I will touch on some key progress areas that highlight our mission statements:

Motivating People to Act like Owners Working Together



PRODUCTS

SERVICES

We sustained our 4 business unit structure, as the primary approach of creating a sense of ownership within employees, for customers and results.

The Automotive Business worked closely with the Tata Cummins Jamshedpur plant as well as the CIL plants in Daman & Pune; to offer an unmatched line up of diesel and natural gas engines along with related systems to commercial vehicle OEMs in India. This business doubled during the fiscal year.

The Industrial Engine Business made significant improvement in productivity, which enabled us to increase engine output from 2,002 to 2,788 engines per year with minimal capital.

The Power Generation Business grew by 40 percent.

The Distribution Business through Cummins Sales & Service India Ltd. grew its service business by 26.65 percent.

Aside from our organization structure which promotes a sense of employee ownership, Six Sigma is another major approach towards creating a sense of ownership via cross-functional improvement teams, working across all functions and areas of the company. In addition to helping us reduce costs, this approach is our primary method of building leadership skills across the organization and creating a more data



18th launch of Six Sigma Training

based & analytical performance driven culture. We now have 4 Six Sigma Master Black Belts, 9 Black Belts and over 200 Green Belts in the company. We executed 122 Six Sigma projects in the fiscal year.

We continued our journey of motivating employees by investing in their capability building with particular emphasis on leadership skills. For example, we partnered closely with the **Indiana University Kelly School** to pioneer in launching an International eMBA Programme.

We achieved 100% online Cummins Performance Management System (CPMS) compliance to ensure a performance-oriented work environment. Our CPMS assessment confirmed the use of online system with documented work plans, individual development

plans and a healthy working relationship with supervisors. Our Annual Employee Satisfaction Survey had excellent participation and showed improved trends as well as certain areas of concern which are being addressed.

The 'CMD Awards' for 2006 which is the highest level of recognition within the company was held with much excitement. Over 200 employees were recognized in the presence of their families,



'CMD Awards' for 2006

PEOPLE



SERVICES



'CMD Awards' for 2006

as the best examples of displaying Cummins Core Values and conducting Six Sigma projects, as they relate to helping our customers.

We are convinced that business success rests not merely by being an equal opportunity employer but by consciously promoting visible and invisible employee diversity in our company. Our global experience of more than 85 years demonstrates the value of diversity to produce

superior business results. Diversity embraces differences in gender, region and age along with invisible differences in experiences, styles, religions etc. to bring diverse perspectives and knowledge to solve today's complex problems more effectively. Over the fiscal we have significantly improved the participation of women and employees from all parts of the country. Our results bear testimony to the success of this approach.

Exceeding Customer Expectations By Always Being First To Market With The Best Offerings

Our 3 business units - Power Generation, Industrial Engine Business and Automotive Engine Business made significant progress in increasing their market shares by introducing new products and aligning product offerings to customer demand. For example, we introduced the Lean Burn Natural Gas bus engine on various OEM applications with successful indigenization and at competitive prices.

The company made several investments in capacity expansion to enable business units to meet their growth plans. Our Kothrud plant achieved its target of increasing its KV engine capacity from 10 to 12 per day in January this year.

We are setting up a new plant for small generators & generator drives at Pirangut near Pune, which will more than triple the capacity available at the current Daman location. The civil



Proposed plant for small generators & generator drives at Pirangut

work for the new facility has commenced. We plan to commission the Export Oriented Units (EOU) section of this facility in the 3rd quarter of the current fiscal.

The new C 250 kVA product launched for power generation applications has made strong inroads by providing the best power density package in the country for this node. Export of generator sets has expanded to over 30 countries. The Confederation of Indian Industry (CII) bestowed



PRODUCTS

SERVICES



C 250 kVA

the '**National Award for Innovative Energy Saving Product**' to RealComp - our product for Real Time Power Factor Correction cum Harmonic Filtration System. This breakthrough product helps customers save significantly on their energy costs.

The Industrial Engine Business grew across market segments. The Rail Business saw high demand for Power Cars, Diesel Electric Multiple Units, new LHB type Rajdhani & Shatabdi trains



Chief Guest, *Shri. Thiru Arcot N Veeraswami, Hon'ble Minister for Electricity and Rural Industries, Govt of Tamil Nadu (C)* presenting the award to CPG's *Rampraveen Swaminathan (L)* and *S. Ravichandran (R)*



J&K HHP DEMU powered with our KTA50L for traction and engine



Indian Navy's Project "P-15A" - Cummins 1 MW DG set undergoing tilt test at Kothrud plant

and shunting locomotives. Old engine models for the pump and compressor segments were phased out and new models were introduced that offered better value to customers. Several

projects were successfully executed for the Indian Navy and Coast Guard. Several mining tender orders were received from local OEMs some of which included exports to African countries. ONGC's Rig revamp program boosted the Oilfield segment performance.

Our Automotive business undertook product quality improvements to ensure customer satisfaction. For example, work was done on the CNG Stoichiometric Engine Cylinder Head to make it more fuel and maintenance efficient. We started selling BS III compliant CNG engines and the BS II compliant 300 HP C-series engines.



Crawler Drill Package powered by Cummins 6CTA8.3C



Excavator powered by Cummins 6BT

Partnering With Our Customers To Make Sure They Succeed

PEOPLE



SERVICES

We measure our performance by improving the operation, quality and cost of the vehicle or equipment used by our customers. This goes beyond the engine and components supplied by us. Our path to success in the Indian commercial vehicle market lies in forging deep and lasting ties with major OEMs and aligning our strategies and offerings in a manner that ensures OEM success - all the way from helping them make, sell and support their vehicles.

We follow a globally standardized, rigorous, cross-functional new product introduction process referred to as **Value Package Introduction** (VPI). A VPI Senior Management Oversight Committee has been set up to ensure the process of VPI is implemented correctly. Cummins worldwide experts are engaged for

support; and a local VPI training as well as coaching plan has been established.

We continued with one of our most successful initiatives - 'Voice of the Customer' (VOC) which is in its 6th year. This involves inviting a customer into our facilities each month along with the involved OEM and dealer. The customer addresses a broad group of cross-functional managers. This feedback is converted into an action plan for measurable improvements. Six Sigma is applied as the primary approach for making improvements.

Demanding That Everything We Do Leads To a Cleaner, Healthier and Safer Environment

*BGI engine for
High capacity (CNG)
buses*

We are proud of the role *Cummins Stoichiometric CNG* engines have played in improving the environment in Delhi and NCR region. Demand for CNG engines continues to grow in other metropolitan areas around the country.

A significant development during this year was, an agreement with the Indian Institute of Science (IISc) Bangalore, for commercialization of bio-mass gasification power generation systems. These have been jointly developed over the last few years. Under the agreement, we will work

together with IISc for continuing integrated development & release of power generation systems, based on 'Open Down Draft Biomass Gasification Systems' developed by ABETS, IISc. The generator sets will be available in a range of ratings starting with 25 kWe and extending to multiple unit power plants over 1.5 MWe.



Professor N Balakrishnan, Associate Director, IISc, Bangalore hands over a glass model of a gasifier to Rampraveen Swaminathan

Within our own premises, we started implementation of an Environmental Management System (EMS) this year. We organized 5 sessions



PRODUCTS

SERVICES

on EMS that were attended by 120 participants, of these 42 have been trained as internal auditors for the EMS.

Aside from this Mission Statement related to the environment, **Corporate Responsibility** is one of our 6 core values and we proactively look for opportunities to positively impact the communities in which we operate. The 3 priority areas that the Cummins India Foundation (CIF) focuses on are Higher Education, Energy, Local Community Infrastructure. Some of the major projects that our employees contributed to in terms of their time and with CIF funds this fiscal year include the following:

Cummins College of Engineering for Women - CIF committed to provide financial assistance to the College for starting a new Mechanical Engineering Branch. All one time expenses such

as building, labs etc. are being funded by CIF. This would be the *first all women mechanical engineering program in the country*. We are proud to state that many of our stakeholders including suppliers, dealers, OEMs and employees donated to this cause. The Foundation has been associated with Cummins College which in turn is run under the auspices of the Maharshi Karve Stree Shikshan Sanstha, since its inception in 1991.



Cummins Scholarship - In the first year of this initiative we sponsored the undergraduate engineering education for 13 very deserving students who did not have the economic means to do so. Each of these students also have a senior Cummins employee assigned as a mentor.



13 Cummins Scholars with Mentors : Batch of 2006-07

Indian Institute of Technology Bombay -

Through CIF, the Company has contributed towards establishing the Cummins Lab which is a training-cum-research facility at the campus in

Powai, for increasing awareness amongst IIT students on alternative fuel based power generation systems.

Public Concern for Governance Trust Pune -

In line with our priority of local community infrastructure which includes law and order, CIF also supports this Trust which works towards promoting honesty, transparency and accountability in our government.

Creating Wealth For All Stakeholders

PEOPLE

SERVICES

All our business units have contributed to the profitable growth of CIL. We received the prestigious *Engineering Export Promotion Council's Export Award*. This is the 17th consecutive year our exports have been recognized by this body.

This year we took a decision to exit the Cummins Auto Services Limited (CASL), highway solutions business since the market dynamics were not attractive, with fierce competition from the unorganized sector.

Our automotive business continues to grow profitably. Aside from providing the best engines from a price, performance and emissions standpoint, we are uniquely positioned to leverage the complimentary Cummins components businesses viz. Air Intake Systems, Filtration Systems, Exhaust Systems, Emission Solutions, Turbochargers, Lubricants to offer a very competitive one-stop value package.

We have been under considerable cost pressure in all our businesses due to commodity price increase. However, we have very proactively been able to offset them using Six Sigma as well as a disciplined approach of reducing the *Total Cost of Ownership (TCO)* of direct materials, which involves close partnering with suppliers. We refer to this as the *Accelerated Cost Efficiency (ACE)* initiative.



Value Engineering workshop for ACE program

We are in the process of rolling out Oracle application 11i Enterprise Resource Planning information systems to deploy standard

processes across all Cummins entities in India. This state of the art web enabled system will enable us to drive significant operational efficiencies.

In Closing

Looking ahead, we are very excited about the enormous potential we have to grow & develop our businesses. While we are currently seeing some concerning signs of inflation and hence a tightening in our monetary policy, we continue to be bullish about the medium to long term prospects of the growth in the Indian economy. Infrastructure and energy continues to be focus areas for the government regardless of political affiliation. Our presence in these sectors are large and growing. With its 45 years as an Indian citizen, Cummins India is in a strong and unique position to support the economic growth of the country while benefitting all its stakeholders.

Cummins India is receiving tremendous support

from its parent - Cummins Inc., in terms of technology, people expertise and capital investment. The Cummins Inc. Board along with the Senior Leadership Team visited India in February 2007 for an entire week and held their Board meeting during the visit. The visit resulted in very positive impressions of the local opportunities and the board offered wholehearted support to pursue our strategic plans aggressively.



Cummins Inc. Board visited India in February 2007

Going forward, we will continue with our objective to significantly increase our business

profitably, while continuing to earn the respect of all our stakeholders including customers, channel partners, employees, shareholders, suppliers and community. Our fourfold strategy to achieve these objectives for the 3rd successive year continues to be:

- **Retain/Grow Domestic Market Share Leadership**
- **Become a Low Cost Producer in the segments in which we operate**
- **Grow Exports**
- **Create a Great Place to Work**

Our approach will be to focus on achieving **Zero Defect** by strengthening the design of our products and processes in every area of the company. This, in true measure and spirit, will help us achieve the Cummins brand promise of **Dependability**.

I would like to thank all our shareholders for their continued support and commitment to our company. You have my full assurance that we will stay committed to the Cummins Vision of **Making people's lives better by unleashing the Power of Cummins.**

Sincerely
Anant Talaulicar



*Anant Talaulicar
Chairman and Managing Director*

BOARD OF DIRECTORS



Rajeev Bakshi
Director



J M Barrowman
Alternate Director



S M Chapman
Director



P S Dasgupta
Director



M A Levett
Director



Sean Milloy
Alternate Director



Nasser Munjee
Director



Glyn Price
Director



B H Reporter
Director



Venu Srinivasan
Director



Anant J. Talaulicar
Chairman and
Managing Director



Dr. John Wall
Director

Cummins India Limited

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 Bank Limited

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) 25963838
Fax : (022) 25946969

Cummins India Limited

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Website : www.cumminsindia.com

Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Total income	1,926.12	1,539.97	1,271.47	1,009.10	877.64
Raw material	1,207.24	968.88	795.94	607.66	511.41
Employee cost	120.04	105.92	86.62	98.97	96.62
Mfg. exps. and overheads	129.60	109.69	98.72	69.75	68.92
Adm.,selling and other exps.	89.23	75.10	67.90	62.71	50.17
Interest	1.41	0.90	1.23	2.03	3.04
Depreciation	32.60	33.64	35.72	29.89	26.58
Net profit before tax	346.00	245.86	185.35	138.10	120.92
Tax provision on income (Net of Excess/Short provision for prior years)	103.95	70.16	48.11	28.83	26.61
Net profit after tax	242.05	175.70	137.23	109.27	94.31
Dividend	79.20	79.20	79.20	79.20	79.20
Additional Income tax on dividend	12.28	11.11	10.73	10.15	10.15
Earnings in foreign exchange	619.74	544.90	402.39	227.40	176.21
Dividend %	200.00	200.00	200.00	200.00	200.00
Earning per share (Face value of Rs. 2)	12.22	8.87	6.93	5.52	4.76

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-Sixth Annual Report and the audited accounts of the Company for the year ended March 31, 2007.

1. FINANCIAL RESULTS :

During the year under review, net sales turnover was Rs. 18,408 million (Rs. 1,841 crore) as against Rs. 14,628 million (Rs. 1,463 crore) during the corresponding previous year (26 % higher). Export earnings were Rs. 6,197 million (Rs. 620 crore) as against Rs. 5,449 million (Rs. 545 crore) during the corresponding previous year (14 % higher). Profit after tax was Rs. 2,420 million (Rs. 242 crore) against Rs. 1,757 million (Rs. 176 crore) for the previous year (38 % higher).

	2006-2007 (Rs.'000)	2005-2006 (Rs.'000)
PROFIT :		
Profit before taxation	3,460,023	2,458,596
Net Profit for the year after tax but before tax on proposed dividend	2,420,468	1,756,997
Tax on dividend	122,839	111,078
Dividend	792,000	792,000
Transferred to General Reserve	605,117	440,000
Balance carried to Balance Sheet	2,114,431	1,213,919

2. DIVIDEND :

Your Directors have recommended a final dividend of 100 % on the Equity share capital of Rs. 396 million for the year ended March 31, 2007, in addition to the interim dividend of 100 % declared on January 25, 2007, aggregating to 200 % for the year.

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, 2007, 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. 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. SUBSIDIARIES :

- **Cummins Sales and Service India Limited : (CSS)** [Formerly known as Cummins Diesel Sales and Service (India) Limited]

The name of Cummins Diesel Sales and Service (India) Limited was changed to Cummins Sales and Service India Limited (CSS) effective August 25, 2006. The sales and other income of CSS for the year ended March 31, 2007, was Rs. 4,793 million (Rs. 479 crore) as against Rs. 4,601 million (Rs. 460 crore) during the corresponding previous year. CSS declared dividend of 183% during the year ended March 31, 2007. The paid-up share capital of CSS is Rs. 60 million which is held by your Company. CSS is engaged in the business of sale of and providing after-sales-service for engines and generators manufactured by your Company.

The Highway Solutions Business i.e. servicing and maintenance of vehicles, of Cummins Auto Services Limited (CASL) was merged into CSS, pursuant to order of the Hon'ble Bombay High Court

Cummins India Limited

passed on 12th January 2007, the Appointed Date being April 1, 2005. During the year, CSS discontinued operations at its four Suraksha Stops engaged in servicing and maintaining of vehicles at Thane, Baroda, Gurgaon and Jaipur, as the same were economically unviable and CSS is in the process of disposing the assets at the said Suraksha Stops.

- **Cummins Auto Services Limited : (CASL)**

The sales and other income of Cummins Auto Services Limited (CASL) for the year ended March 31, 2007, was Rs. 42 million (Rs. 4 crore) as against Rs. 197 million (Rs. 20 crore) during the corresponding previous year. CASL is engaged in the business of retailing in parts and accessories for commercial vehicles. During the year, the Highway Solutions business of CASL was merged with its holding company CSS as stated above and hence, the results of CASL are not comparable with that of the previous year.

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

Fourstroke Automotive Private Limited (Fourstroke) has merged into CSS on March 2, 2007, vide orders of the Hon'ble Bombay High Court and the Hon'ble Madras High Court, the appointed date being April 1, 2005.

- **Annual Reports of subsidiaries :**

The Company has obtained approval of the Central Government vide letter dated March 22, 2007, under Section 212 (8) of the Companies Act 1956, exempting the Company from attaching the Annual Reports of its subsidiaries for the financial year 2006-2007 to this Annual Report. However, the Annual Reports 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 Reports of the subsidiary companies will be kept open for inspection by any investor of the Company, during business hours on any working day at the (i) Registered Office of the Company and (ii) Registered Office of the concerned subsidiary company.

5. JOINT VENTURES :

- **Cummins Exhaust India Limited : (CEIL)** (Formerly known as Nelson Engine Systems India Limited)

The name of Nelson Engine Systems India Limited was changed to Cummins Exhaust India Limited (CEIL) with effect from September 12, 2006. The sales and other income of CEIL, a 50:50 Joint Venture between Cummins Filtration Inc., USA (formerly known as Fleetguard Inc., USA) and your Company, for the year ended March 31, 2007, was Rs. 339 million (Rs. 34 crore) as against Rs. 227 million (Rs. 23 crore) during the corresponding previous year (49 % higher). CEIL has paid an interim dividend of 40% and CEIL Board of Directors have recommended a final dividend of 35%, taking the total dividend to 75% for the year ended March 31, 2007. The paid-up share capital of CEIL is Rs. 40 million. CEIL is engaged in the business of manufacture and sale of exhaust silencers and mufflers for Internal Combustion Engines.

- **Cummins Research and Technology India Limited : (CRTI)**

The sales and other income of Cummins Research and Technology India Limited (CRTI), a 50:50 Joint Venture between Cummins Inc., U.S.A. and your Company, for the year ended March 31, 2007, was Rs. 249 million (Rs. 25 crore) as against Rs. 183 million (Rs. 18 crore) during the corresponding previous year (36 % higher). CRTI is engaged in providing Information Technology (IT) Enabled Mechanical Engineering Development Services to Cummins Inc., its subsidiaries and joint ventures across the world and has a Research and Technology Centre at Pune.

6. MANAGEMENT DISCUSSION & ANALYSIS/ CORPORATE GOVERNANCE REPORT :

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 part of the Directors' Report.

7. CODE OF CONDUCT COMPLIANCE :

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the declaration signed by the Chairman and Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the Financial Year 2006-2007 is annexed and forms 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 the 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 on March 31, 2007 and of the profit for the period April 1, 2006 to March 31, 2007;
- (iii) that the 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 the Directors have prepared the annual accounts on a going concern basis.

9. CONSERVATION OF ENERGY :

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

- Reduction of ETP operation from 3 shifts to 1 shift through several Effluent Reduction initiatives;
- Energy efficient motors for the administration building and CNC HMT A/C plants;
- Energy efficient lighting for Unit-4 FPS stores, tool planning area and KV upfit facility.

IMPACT OF THE ABOVE MEASURES:

These energy conservation initiatives/ projects generated savings of about 0.28 million of energy units during the year.

Apart from this, use of alternate fuel for power house engines have generated annual savings of Rs. 17 million.

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.

Cummins India Limited

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 the products.

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

a) New Product Development :

1. Developed new 50 KVA CNG engine for power generation market.
2. Developed new 14 liter engine for gas compression market.
3. Development of alternate fuel engines (Producer Gas) through joint project with Indian Institute of Science, Bangalore.

b) Conformity of production emissions testing on Automotive and Genset engines to demonstrate compliance with emission norms.

c) Completed source approval testing of various engine components.

d) Extensive use of computer simulation, modelling and analysis led design for development of all new engines and current product support.

e) Early life field failure investigation of engine components through Finite Element Analysis.

f) Indigenization of various engine components by validation testing on engines and on experimental applied mechanics rigs.

g) Started Phase II of the Cummins Engine Research Facility at Indian Institute of Technology, Mumbai for supporting research projects.

h) Completed several "Design for Six Sigma" projects using six sigma principles and methodologies.

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

- Complete range of fuel efficient and emission compliant products available to the customers in the shortest time at the lowest development cost thereby enhancing value to customers.
- Quality, reliability, durability improvement and performance enhancement of engines and critical engine components.
- Significant cost savings through engine component indigenization.
- Reduction in product development cost to enable profitable business growth.

C. Future plans :

- Introduction of various full authority electronic engines for Power Generation, Industrial and Automotive markets.
- Development of slow speed engine for domestic Oil & Gas market.
- Indigenization, cost reduction, ACE (Accelerated Cost Efficiency) initiatives and alternate source development for various engine components.
- Continued use of Analysis Led Design (computer simulation) approach for development of all new engines and current product support.
- Development of advanced emissions compliant engines for global and domestic Power Generation, Industrial and Automotive markets.
- Continuous up-gradation of Technical Center facilities to world class levels.

D. Your Company continues to focus on deriving the benefits of state-of-the-art technology assistance from Cummins Inc., U.S.A. With strong support from Cummins Inc., U.S.A., your Company is committed to develop advanced fuel efficient and emissions compliant engines to comply with forthcoming stringent worldwide emissions regulations. Your Company is also committed to introduce environment friendly engines running on alternate fuels. Your Company is confident of absorbing a wide and diverse set of technologies in Internal Combustion engines to effectively cater to the market dynamics.

E. Expenditure on R & D :

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

	2006-2007 (Rs.'000)	2005-2006 (Rs.'000)
a) Capital	25,127	10,710
b) Recurring	187,819	214,932
c) Total	212,946	225,642
d) Total R&D expenditure as a percentage of total sales turnover	1.16%	1.54%

11. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 4,850 engines and 2,856 gensets thereby achieving export earnings of Rs. 6,050 million (Rs. 605 crore).

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

		2006-2007 (Rs.'000)	2005-2006 (Rs.'000)
(a) Earnings		6,197,407	5,449,034
(b) Outgo:			
- Raw Materials/components	3,228,483	2,648,848	
- Capital equipment	61,289	3,014	
- Others	913,110	907,444	
		4,202,882	3,559,306

12. PARTICULARS OF EMPLOYEES :

Information as per Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the statement, may write to the Assistant Company Secretary at the Registered Office of the Company.

Cummins India Limited

13. DIRECTORS :

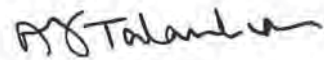
Mr. Sean Milloy has been appointed as an Alternate Director to Dr. John Wall effective December 5, 2006 (Mr. S. D. Hires, previously Alternate Director to Dr. John Wall, ceased to be a Director effective December 5, 2006).

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, M/s. Nasser Munjee, B. H. Reporter and John Wall, Directors of the Company, retire by rotation and are eligible for re-appointment.

14. AUDITORS:

The Auditors, Price Waterhouse, Chartered Accountants, retire and are eligible for re-appointment.

On behalf of the Board of Directors,



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 31, 2007

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

1. Industry Structure and Developments

1.1 Economic Trends and Implications

- Strong growth with positive macroeconomic fundamentals has characterized developments in the Indian economy in 2006-07, with a strong GDP of 9.2 per cent in 2006-07. The industrial growth during 2006-07 stood at 11.3% compared with 8.2% registered in the previous year – the highest since 1995-96.
- During 2006-07, after a slow start, exports gained momentum to grow by an estimated 36.3 % in the first nine months. Buoyancy of exports was driven by the resurgence in the manufacturing sector and sustained demand from major trading partners.
- Cumulative Foreign Direct Investment (FDI) inflows during 2006-07, jumped almost three fold to \$ 16 Billion from last year. The Indian Government has set a target of \$ 25 Billion for the fiscal year 2007-08. Foreign exchange reserves stood at \$ 200 Billion (as on April 6, 2007), with India holding the fifth largest reserves among the emerging market economies.
- Though inflation rate in the recent past has been fluctuating and reached a level of 5.5 – 6.5%, monetary measures have been taken to contain inflation in the range of 4.5 – 5%.
- The overall macroeconomic fundamentals are robust, particularly with tangible progress towards fiscal consolidation, all having positive impact on our business.

1.2 Power Generation

- Power deficits continued (peak and seasonal) in various geographic regions including key industrial regions in India, which will continue to drive demand for back-up and captive power plant solutions. We expect the market will grow by 15-18% per annum over the medium term.
- Demand from non residential construction, manufacturing, Information Technology (IT)/ Information Technology Enabled Services (ITES), and Telecommunications was strong during 2006-07 with a positive forecast through 2007-08.
- With increase in fuel prices, many customers are focused on demand side management and reduction in power intensity. This along with incentives for Combined Heat & Power (CHP) and power management is likely to support strong demand for power consulting services, power quality products and system integration solutions.
- Lower import duties and appreciation of the Indian Rupee are resulting in an increased inflow of internationally manufactured products into India. We expect this trend to continue over the next few years.

1.3 Industrial

- With infrastructure identified as a key focus area for the Government, development and construction of Roads and Highways, Ports and Airports continue, while rural Infrastructure and Irrigation projects also gained significant momentum. The Construction industry is expected to grow at 15-20% over the next few years.

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- Efforts to improve production levels and to meet domestic demand are driving growth in coal production. This has led to new tenders for higher capacity mining trucks, which indicates the intent of coal companies to increase production and expand further, as more than 50% of India's need for power is met by coal.
- The Indian Railways budget has reported excess cash reserves for the second consecutive year which increases the likelihood of expansion projects by Railways.
- Indian port traffic handling is growing at around 10 %, which is driving expansion plans of existing ports and an increase in the number of minor ports. The global ship building industry has grown at a rate of 15-20% in the past 4 to 5 years and the boom is expected to sustain for the next 5 to 6 years. India's share in new ship building orders is expected to rise in the near future due to surge in global demand.

1.4 Automotive

- After the slowdown witnessed by the commercial vehicle industry in 2005-06 which was primarily due to the change in emission norms and implementation of legislation preventing overloading, the commercial vehicle industry revived strongly in 2006-07, witnessing double digit growth rate of more than 20%.
- The Medium & Heavy Commercial Vehicle segment that had witnessed almost flat growth in the year 2005-06 has grown at phenomenal rates of 30% in the year 2006-07. This is largely driven by growth in the Heavy Commercial Vehicle (HCV) Segment. This trend of higher growth in HCV Segment translates into demand for higher HP engines.
- CNG engine demand continues to grow steadily as more and more cities make provisions for availability of CNG for vehicles.

2. Opportunities and Threats

Key **Opportunities** include

Power Generation

- India's peak power demand continues to grow at approximately 8% per annum. This will continue to drive demand for power generation equipment.
- Demand for captive power plants will increasingly be served by gas generator sets / power plants due to continued rise in diesel prices. Aside from natural gas based generator sets, the Company is currently piloting several projects on genset and gasification systems for producer gas ranging from 20 kW – 300 kW power plants.
- New norms for emissions and acoustic enclosures of generators will continue to help our end customers and the environment. Cummins is well positioned to participate in the same. The Company has launched several initiatives to engineer lower cost enclosed generator set packages with enhanced customer satisfaction.
- Renewed focus of our parent company, Cummins Inc., on leveraging low cost capacities across the world has created a long term opportunity, for exporting engines and generator sets to the global Cummins Engine and Power Generation businesses.

Industrial

- There continues to be a huge opportunity for the Company's engines in the non-residential construction sector, as a result of the increasing focus on infrastructure development in the country in recent years.
- A partial revival of the water well rig market after a prolonged lull has made a positive impact on the demand in the compressor segment. The Company has developed new packages for Original Equipment Manufacturers (OEMs) to meet the increasing demand and growth in the portable compressor segment.
- Growth in coal production has led to new tenders for higher capacity mining trucks. The mining industry in general and the coal industry in particular have started seeking emission compliant products, thus driving the demand for electronic engines.
- The Government's continued focus on improving the rail network in States like Jammu & Kashmir in 2007 would bolster demand.
- The current focus on port and shipping sectors in India, coupled with the surge in global demand is expected to result in a significant increase in the ship building order book of Indian Shipyards, which will increase demand for the Company's engines and generators in this area.
- Increase in high horsepower engine demand would be triggered by major public and private sector rig revamp programs and addition of new fleet. Continued outsourcing of drilling activity to private drillers on new oil patches and coal bed methane would also result in increased demand from the private sector.
- There is a renewed opportunity for continuous duty low horsepower pump applications in port upgrade infrastructure projects. The Company is geared up to be a major player in this market with B & C series engines.

Automotive

- The Company has proactively engineered products which are compliant with stringent emission norms that are expected to be implemented from 2010 (country-wide implementation of BS III norms and 11 major cities with BS IV norms). This provides the Company with an opportunity to cater to a larger share of existing customers demands, as well as with new customers.
- The improvement of road infrastructure and the shift to higher HP engines to meet regulatory requirements provides the Company with an opportunity to grow its share at the higher end of the market.
- There is an increasing opportunity for the Company to supply its engines to global OEMs who are entering India and with whom the Company already does business with.

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Key **Threats** include

- Reduction in import duties will facilitate imports of equipments/ engines and is likely to increase competition. At the same time it will provide opportunity for the Company to aggressively promote global platforms.
- Increases in prices of fuel, crude and commodities remain a key challenge. The Company continues to take stringent cost reduction measures without compromising on quality or technology.

3. Segment-wise and Product-wise Performance

3.1 Power Generation

- During the year, the power generation business grew across its various lines of businesses, resulting in an overall growth of over 40%.
- The Company continued to make progress on various new products launched in the past 24-36 months. The new C 250 KVA product launched by the Company, has made strong inroads through its improved reliability, genset design and fuel efficiency.
- During the year, the Company strengthened its position by winning several key customers accounts in the fast growing ITES segment by satisfactorily addressing customer requirements.
- The Company's customer-focused initiatives on key accounts/segments, customer relationship management, stronger channel integration and quality improvement resulted in strong growth in sales of generator sets. During the year, the Company initiated quarterly measurement of customer satisfaction, and has initiated an IT based system for tracking and satisfactorily addressing customer requirements.
- Export of generator sets and power generation equipment made progress. The Company has expanded its reach to almost 35 countries and anticipates good growth during the next 2 to 3 years.
- The Company has continued to focus on launching globally best in class products in India. The Company will be further expanding the sale of imported diesel and natural gas generators in the next 2 years.

3.2 Industrial

- Introduction of new engines improved the profitability of the compressor segment and has strengthened the Company's position. It also provided added value to the OEM and end user in terms of total cost of ownership.
- The Company captured business from all of the leading oil majors in the high horsepower fire pump segment. The Company also successfully launched seeding units in the 100-300 HP pump market which marked the re-entry of the company in this segment.
- The construction industry boom created opportunities for significant growth in real estate, road construction, water & port projects and this had a positive impact on the demand for the Company's engines.

- Timely execution of critical contracts for various mines helped sales grow in the mining segment.
- The Company continued its leadership position in all the segments for the Indian Railways, like DEMU, Power Cars etc. Indian Railways exclusively used Cummins for power cars as a part of its “Garib Rath” initiative.
- The Defense and Navy in particular have been consistently working on their equipment upgrade programs. Cummins enjoys a strong position in this market and has come out with complex value packages such as 1 MW Diesel Alternator (DA) sets for stealth destroyers and anti-submarine warfare ships. The Company has made forays in propulsion packages for re-fitting old vessels such as Landing Crafts.
- In commercial marine, the conventional segments like Barges/ Cargo Carriers / Passenger Ferries are moving towards high horsepower engines & the Company has already entered this segment with 600 HP/ 900 HP range offerings for main propulsion. In the lower end also, the Company is making forays with contemporary products in the fishing trawler segment.
- Performance in the oilfield segment was boosted due to opportunities in re-powering and replacing drilling engines. Exploration/ extraction by public and private sector market players further helped boost high horsepower engine sales in this segment.

3.3 Automotive

- The Automotive Business grew significantly with sales comprised of BS III compliant CNG engines and BS II compliant 300 HP C-series engines.

3.4 Exports

Export Sales Performance 2006-07

- Exports grew by 14% over the last year as a result of successful efforts to meet and exceed diverse customer expectations across the globe by capacity enhancements and complex and timely new product introductions.
- KV engine capacity increased from 6 units to 12 units per day, which was a major part of the capacity enhancement (without any additional investment) for export business. Increased capacity, coupled with demonstration of cost-leadership and efficient management of Supply Chain resulted in significant improvement in on time delivery performance for the Exports Market.
- Demand for high horsepower products from overseas markets continued to remain strong throughout the year. This resulted in significant growth which the Company capitalized on by expanding capacity and the product portfolio.

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New Business Initiatives 2006-2007

Marine

- Consistent with its initiative of expanding the product portfolio, the Company successfully developed and launched complex configurations such as the KTA38M product primarily for North America and Europe. This product, built to the Global Specifications, backed up by world class quality and superior cost efficiency, was well received by the Company's customers across the globe.
- Having successfully capitalized on global market opportunity in 2006-07, the Company also initiated a Value Package Introduction Project for meeting more stringent Tier II emission requirements in North America.

Genset

- Consistent with North American emission certification requirements, the Company has identified an opportunity of developing the 50 Litre QSK50 Modular Common Rail System product which meets Tier II emission requirements.

Rail

- After successfully supplying N14 mechanical products to the Korean and Japan Rail, development of the N14 electronic rail engine has been completed. The Company has already secured an order from Japan Rail and similar opportunities exist in Indonesia, Korea and other countries. The prototype units are planned for manufacture and delivery to Japan Rail during the year.

Achievements

- **Growth in Export Turnover**

The Company's Export performance continued to grow during the year 2006-07 and touched an all time high of Rs. 6,050 million.

- **Star performer Award for 2004-05**

During the year the Company received the Engineering Export Promotion Council's (EEPC) All India Award for its outstanding export performance for the year 2004-05 under the category: STAR PERFORMER IN 2004-05: IC PISTON ENGINES AND PARTS: LARGE ENTERPRISE.

The Company has been receiving EEPC awards consecutively for the past 17 years, for its excellence in Export Performance. EEPC honors meritorious exporters for their export excellence every year with such awards. In order to achieve this recognition, the product should be the best or second best item of production /export during the preceding year, for three successive years.

4. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

- The Company is in the process of building a new facility near Pune to expand the capacity for Power Generation unit. This will significantly improve the capacity to meet the demands in the domestic as well as export sectors, while improving the logistics and management control.
- The Company has made significant investments in making its entire product line for power generation equipment, ranging from 15KVA to 2000 KVA emissions compliant. These efforts will continue during the year as new products get introduced and older ones get upgraded, thereby creating substantial differentiation and improving competitiveness in the future.

Industrial

- The Company will leverage on the expansion plans of the mining sector and existing relationships to grow further in this sector.
- Greater mechanization for speed and efficiency has spurred growth in equipment and tools used in the construction segment. With global construction players setting up their manufacturing base in India, the demand for locally manufactured engines is expected to increase.
- The Company has taken steps to maximize its market share in new/revamp oil drilling rig programs with private rig drillers.
- In the Rail segment, there is a likelihood of expansion projects such as Exclusive Freight Corridors, Low Cost Air Conditioned Trains, more focus on track safety and increased in-house production capacities for coaches and locomotives. The Indian Government's commitment to improve the rail network for better connectivity would trigger increased demand for equipment.
- India's share in new ship building orders is expected to rise significantly (from \$1Billion to about \$ 3 Billion) in the near future due to surge in global demand. The order book of Indian Shipyards is expected to increase 3 times (by value) over the next 4 years, which in turn will drive the demand for the Company's engines.

Automotive

- In the Automotive segment, the Company is planning to expand capacity to meet the expected growth in demand for the 300HP and higher power nodes in the Commercial Vehicle market. The Company is investing in developing capability for manufacturing High Pressure Common Rail engines in these segments as the country migrates to BS III and BS IV emission levels.
- The program with Cummins Westport Inc. to develop the new B Gas International range of natural gas commercial vehicle engines is expected to give the Company a very strong presence in the Indian CNG Bus market.

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5. Risks and Concerns the Management Perceives

- Tightening of monetary policy and increase in the interest rates could affect demand primarily in the automotive industry leading to reduction in growth rates.
- Increase in commodity prices such as steel, copper etc. is likely to exert pressure on margins.
- Delay in availability of Gas would impact the progress of critical CNG package installations.
- Continued fuel price increases will have a negative impact on operating hours and replacement demand for the Company's power generation product, spare parts and service.

Measures to mitigate Risks:

- The Company's focus on continuous technology development coupled with stringent cost reduction measures will address the risks and concerns of 2007-2008 to a great extent.
- The Company's focus on Six Sigma continues to be higher than ever before and this data based analytical approach to strengthen business processes will be applied for problem solving across the Company at every level of management.

6. Internal Control Systems and their Adequacy

The Company has instituted adequate internal control procedures, 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 program 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 & Audit Committee. The Finance and Audit Committee met six 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 judgments relating to the financial statements have been made on a reasonable basis, in order that the financial statements reflect 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

During the year under review, the Company achieved domestic sales of Rs. 12,358 million (last year Rs. 9,315 million), showing an increase of 33% over the last year. Exports grew 14% to Rs. 6,050 million as against Rs. 5,313 million during the last year. Total sales grew 26% to Rs.18,408 million as against Rs. 14,628 million for the last year.

The Company's market share and demand for its products in the domestic market remained strong. Demand has led to growth in power generation, industrial and automotive segments. An increase in Exports by Rs. 737 million indicates success of the Company's strategy to promote India as a sourcing hub for global demand.

During the year, other income grew by 10% to Rs. 853 million from Rs. 772 million during the last year. This was mainly due to increase in treasury related income and commission earned over the last year.

7. A.2 Expenses and Margins

The Company's cost cutting measures through a major three year initiative of Total Cost of Ownership, reduction of direct materials 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.

Total Employee Cost increased from Rs. 1,059 million during the previous year to Rs. 1,200 million during the year under review mainly due to increase in compensation to employees over the last year. Depreciation charge marginally decreased from Rs. 336 million during the previous year to Rs. 326 million during the year under review. Interest expenses increased marginally to Rs. 14 million as against Rs. 9 million in the previous year.

7. A.3 Profit before Tax (PBT)

Profit before Tax (PBT) showed a growth of 41% over previous year mainly due to increase in sales volume and cost reduction initiatives.

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.

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7. A.5 Net profit for the year

Net profit for the year increased from Rs. 1,757 million during the previous year to Rs. 2,420 million during the year under review. Consequently, earnings per share (EPS) for a face value of an equity share of Rs. 2 each, during the year ended March 31, 2007 was Rs. 12.22 as against Rs. 8.87 during the previous year ended March 31, 2006, a growth of 38%.

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. 1,453 million to Rs. 8,900 million as a result of profit appropriation and transition impact of Rs. 53 million due to adoption of revised Accounting Standard (AS) 15 on Employee Benefits during the year under review.

7.B.3 Loan funds

The Company continues to enjoy an almost debt free status with total loans reducing from Rs. 88 million to Rs. 25 million for the year ended March 31, 2007. The debt equity ratio as at March 31, 2007 was 0.003.

7.B.4 Fixed Assets

Additions to Fixed Assets block during the year ended March 31, 2007, were Rs. 288 million (Rs. 139 million in the previous year). The addition of Rs. 288 million consist mainly of plant & machinery of Rs. 254 million for augmenting various manufacturing facilities, furniture and fittings of Rs. 1 million and vehicles of Rs. 4 million. The depreciation block as at March 31, 2007 was Rs. 3,620 million as against Rs. 3,397 million as at March 31, 2006. The deductions/disposals during the year amounted to Rs. 118 million against previous year's Rs.32 million. Consequently, the net fixed assets block increased marginally to Rs. 1,817 million as at March 31, 2007 against Rs. 1,621 million as at March 31, 2006.

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2007 was Rs. 436 million and the Company believes that it will be able to fund them from its investments in liquid assets.

7.B.5 Investments

Investments increased to Rs. 2,826 million as at March 31, 2007 as against Rs. 2,489 million as at March 31, 2006. The net increase was due to investment of liquid funds in Government bonds/ securities, units of mutual funds etc.

7.B.6 Current Assets, Loans and Advances

i. Inventories

Inventories increased to Rs. 2,814 million as at March 31, 2007 against Rs. 2,334 million as at March 31, 2006. The increase was mainly in raw materials and finished goods.

ii. Sundry Debtors

Sundry debtors, net of provision for doubtful debts, increased to Rs. 4,185 million as at March 31, 2007 as against Rs. 3,614 million as at March 31, 2006. These are considered good and realisable. The Sundry Debtors in terms of days of sales based on certain assumptions has decreased to 83 days as at March 31, 2007 as compared to 90 days as at March 31, 2006.

The need for cumulative provision for doubtful debts as at March 31, 2007 of Rs. 49 million (previous year Rs. 43 million) is assessed, based on various factors including collectability of specific dues, risk perception etc.

iii. Cash and Bank Balances

Cash and Bank balances increased to Rs. 389 million as at March 31, 2007 as against Rs. 56 million as at March 31, 2006. They represent the year end cash and bank balances with scheduled banks in current and deposit accounts.

iv. Other Current Assets

Other current assets decreased to Rs. 33 million as at March 31, 2007 against Rs. 47 million as at March 31, 2006. Other current assets include interest accrued on investments and lease rentals receivable.

v. Loans and Advances

Loans and Advances increased to Rs.1,446 million as at March 31, 2007 against Rs. 1,217 million as at March 31, 2006. 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 etc.

7. B.7 Current Liabilities and Provisions

i. Current Liabilities

Acceptances represent bills of exchange drawn for a period by the suppliers and accepted by the Company. Acceptances increased to Rs. 550 million as at March 31, 2007 as against Rs. 470 million as at March 31, 2006. 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. 2,263 million as at March 31, 2007 from Rs. 1,983 million as at March 31, 2006, as a result of increase in volume of operations. The total current liabilities increased to Rs. 3,009 million as at March 31, 2007 against Rs. 2,542 million as at March 31, 2006.

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ii. Provisions

The total provisions increased to Rs. 1,219 million as at March 31, 2007 as against Rs. 887 million as at March 31, 2006. This includes the provisions on account of pension and leave entitlement, warranty, engine overhauls for service contracts etc.

8. Human Resources Development and Industrial Relations

The total strength of employees was 2,586 on March 31, 2007.

A critical part of our Business Strategy is to make Cummins “**A GREAT PLACE TO WORK**” where our diverse set of employees respect and trust each other, take pride in their work and are able to perform at their peak, and are able to contribute in increasingly greater ways as they build their careers here. We strongly believe that our people are our greatest assets and it is through them and for them that we are committed to making Cummins “A Great Place to Work”.

“A company that is most open and most inclusive in terms of accepting people and also providing an environment where everyone can grow to their fullest potential, is an environment that will be most successful in the market place than any other environment and we as a Corporation should put all our efforts to make it happen”.

Tim Solso
Chairman & CEO – Cummins Inc.

Leadership Development and Capability Building

The Company continued on its journey of imparting employee training and capability building. All the Strategic and Tactical leaders have undergone the first four modules of the Cummins Leadership Development System (CLDS) Training, a global initiative that improves Company’s performance through improved leadership skills.

Employee Satisfaction

An Employee Satisfaction Survey (ESS) was conducted in the month of December 2006. While the results were encouraging, the process of designing action plans for the areas of improvement identified in the survey has begun.

Compensation, Benefits and Recognition

In line with our global compensation philosophy, we continued to align our compensation structure to bring it at par with the Market while recognizing performance, potential and critical skills. A well known Human Resource Consulting Firm was hired to provide market compensation data to help us be market driven in our compensation philosophy and design and provide competitive compensation and benefits to our employees, so as to attract and retain key and critical talent.

Chairman’s Awards for 2006 now in its third year, were received very well by the employees. This year about 190 employees were recognized under the categories of Integrity, Innovation and Delivering Superior Results, Global Involvement, Diversity, Corporate Responsibility and Six Sigma.

Performance Management

- Cummins Performance Management System (CPMS) was introduced in 2000 to connect the employee performance to pre-planned deliverables, stakeholder expectations and the Company's core values.
- Currently 100% of the Company's Managers are part of the on-line CPMS system and this system has been instrumental in helping an employee plan his/ her work and also receive regular feedback on his / her performance as well as focus on his / her developments in order to drive a strong performance based ethics across the organization.

Diversity

At Cummins we strongly believe that employee diversity in all its aspects leads to the best business results. It is consistent with the "Great Place To Work" strategy and principle of workforce equity. It provides the Company competitive advantage by:

- Improving the quality and creativity of the organization.
- Helping Company solve today's complex problems in the best possible ways by harnessing diverse perspectives.
- Enabling access to new markets with diverse customer base.

The focus of the Company's Diversity initiative is to recognize the unique aspects of every employee, value the contribution that each can make and create an *inclusive work environment* where these different backgrounds help lead to the most innovative business solutions. Diversity supported by proper training and implementation of CPMS has enhanced the Company's business performance.

Industrial Relations (IR) and other Initiatives

Relations between employees and the management continued to be cordial. Some initiatives taken include:

- The Company signed a Memorandum of supplementary settlement with the Union w.r.t. 85 MOST (Maynard's Operation Sequence Technique) Associates.
- The Company successfully organized 'Excellence Day' for the Industrial Engine Business Unit, which was very well attended and received.

Other Initiatives

- Execution of NH/NT conveyor belt process - Process improvement activity was carried out in the NH/NT (Assembly line) at the Company's Kothrud Plant and an improved line balancing was achieved.
- Achieved "Zero Discharge" of Treated Effluent applying Six Sigma. The entire treated water is now used for gardening.
- There has been a significant reduction in the Safety Incidence Rate for the year.

Corporate Responsibility

At Cummins, Corporate Responsibility is one of the core values and we proactively look for opportunities to impact the community and seize EVERY opportunity to MAKE A DIFFERENCE.

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The Company and its employees participate in several humanitarian projects, through the Cummins India Foundation (CIF). The three core areas that CIF focuses on are Higher Education, Energy and Local Community Infrastructure Development. CIF is involved in several projects in each of these areas. Senior Company personnel get personally involved in supporting and sponsoring these projects, some of these projects include:

Cummins College of Engineering for Women - CIF is committed to provide financial assistance to the College for starting a new Mechanical Engineering Branch. CIL has also partnered with its stakeholders like suppliers, Dealers, OEMs and employees in this cause. The Foundation has been associated with the Cummins College since its inception in 1991, run under the auspices of the Maharshi Karve Stree Shikshan Sanstha.

Indian Institute of Technology, Mumbai - Through CIF, the Company has contributed for establishment of Training cum Research facility at IIT campus at Powai for increasing awareness amongst the IIT students on alternative power generation systems. This year CIF provided for Cummins Engine Research facility (Phase II) and also for running expenses for two academic years (2005-06 and 2006-07).

Ramkrishna Charities - CIF has supported this NGO, established with the purpose of promoting awareness of the importance of education, amongst rural / tribal children in the district of Satara. Assistance is being extended towards establishment of a school along with hostel building for the rural children.

Door Step School - CIF annually sponsors all expenses for the "School on Wheels" program which brings education to the doorstep of children who do not have the means to undergo formal schooling.

Poona school and Home for the blind - In the course of its continued association with this school, CIF funded the school for refurbishing of the hostel and also provided the school with one Braille printer for specialized training and education for the blind students. CIF also provided for one of the blind student's surgery so that she could learn Braille.

Snehalaya - CIF provides financial assistance to Snehalaya, which works for victims of commercial sexual exploitation and trafficking in Ahmednagar.

Swabhimaan - CIF extends quarterly support to this public Charitable Trust which is dedicated to bringing up girl children of deserted mothers. This is used for the children's education and welfare needs.

Public Concern for Governance Trust, Pune - In keeping with the commitment to improving communities, CIF also supports this Trust which works towards promoting honesty, transparency and accountability in governance.

9. Cautionary Statement

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

Corporate Governance Report (Annexure to Directors' Report)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is a set of principles, processes and systems to be followed by the directors, management and all employees of the Company for enhancement of shareholders value, keeping in view interests of other stake holders. Integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on Code of Corporate Governance. Your Company continues to adopt and practice all these principles while ensuring integrity, transparency and accountability at all levels in the organisation.

2. BOARD OF DIRECTORS :

Composition of the Board of Directors :

The Board of Directors of the Company has an optimum combination of Promoter and Independent Directors. The Board comprises of 10 Directors, with 5 Promoter Directors and 5 Independent Directors.

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

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

Mr. Sean Milloy has been appointed as an Alternate Director to Dr. John Wall effective December 5, 2006 (Mr. S. D. Hires previously Alternate Director to Dr. John Wall ceased to be a Director effective December 5, 2006).

Board Meetings :

During the financial year, meetings of the Board of Directors were held on April 21, 2006, June 8, 2006, July 27, 2006, September 15, 2006, October 30, 2006, December 5, 2006 and January 25, 2007.

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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 27, 2006
		Chairman	Member	Chairman	Member		
Mr. Anant J.Talaulicar	Promoter Executive	2	7	—	1	7/7	Present
Mr. S. M. Chapman	Promoter Non-Executive	—	3	—	—	1/7	Absent
Mr. M. A. Levett	Promoter Non-Executive	—	—	—	—	3/7	Present
Dr. John Wall	Promoter Non-Executive	1	—	—	—	1/7	Absent
Mr. Glyn Price	Promoter Non-Executive	—	1	—	—	4/7	Absent
Mr. Rajeev Bakshi	Independent Non-Executive	—	2	—	2	4/7	Present
Mr. P. S. Dasgupta	Independent Non-Executive	—	5	—	5	7/7	Present
Mr. Nasser Munjee	Independent Non-Executive	1	13	3	6	6/7	Present
Mr. B.H. Reporter	Independent Non-Executive	1	1	—	—	7/7	Present
Mr. Venu Srinivasan	Independent Non-Executive	3	10	2	2	1/7	Absent
Mr. J.M.Barrowman	Alternate Director to Mr. M.A.Levett	—	—	—	—	1/7	Present
Mr. Samuel D. Hires (Resigned effective December 5, 2006)	Alternate Director to Dr. John Wall	—	—	—	—	0/6	Absent
Mr. Sean Milloy (Effective December 5, 2006)	Alternate Director to Dr. John Wall	—	1	—	—	0/1	—

Note 1: As on March 31, 2007, Mr. B.H.Reporter jointly with Mrs. A. B. Reporter held 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.

3. COMMITTEES OF THE BOARD :

(A) FINANCE AND AUDIT COMMITTEE :

The Finance and Audit Committee consists of 4 Independent, 1 Promoter/Executive and 1 Promoter/ Non-Executive Director. During the year, meetings of the Finance and Audit Committee were held on April 21, 2006, June 8, 2006, July 27, 2006, September 15, 2006, October 30, 2006 and January 25, 2007. The Committee reviewed the balance sheet, audited financial results for the year ended March 31, 2006 and unaudited financial results for the quarters ended June 30, 2006, September 30, 2006 and December 31, 2006. The Committee also reviewed (i) the Cost Audit Report for the year 2005-2006 (ii) acquisition/ sale of assets (iii) Related Party transactions (iv) Foreign Exchange Policy (v) Investment Policy (vi) recommendation of dividend to the shareholders (vii) donation to Cummins India Foundation (viii) investments of material subsidiary companies (ix) appointment Internal, Statutory, Cost and VAT Auditors of the Company and (x) Reports of the Internal Auditor. The Committee had regular interaction with the Internal, Statutory and Cost Auditors of the Company. The composition, names of members 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, 2006 to March 31, 2007.

Sr. No.	Name of Director	No. of Meetings attended
1	Mr. Nasser Munjee (Chairman)	5/6
2	Mr. Rajeev Bakshi (Member)	4/6
3	Mr. P.S.Dasgupta (Member)	6/6
4	Mr. B.H.Reporter (Member)	6/6
5	Mr. Anant J. Talaulicar (Member)	6/6
6	Mr. Glyn Price (Member)	4/6

Terms of reference to the Finance and Audit Committee in brief :

The Finance and Audit Committee of the Company primarily oversees the Company's financial reporting process and ensures that the financial statements are correct, sufficient and credible. The Committee reviews the annual and quarterly financial statements before submission to the Board for approval. The Committee also reviews Related Party Transactions of the Company, Investments by the Company and its subsidiaries.

The Committee has been entrusted with the responsibility of reviewing Internal Audit findings and ensuring 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, Statutory Auditors and the Chief Financial Officer of the Company are regularly invited for the meetings of the Committee.

Cummins India Limited

(B) COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE :

The Compensation and Management Development Committee of the Board of Directors was constituted to review the remuneration package of Executive/ Non-Executive Directors and the Officers immediately below the Board level. The matters pertaining to remuneration and welfare of Directors and Officers are of significant importance to the Company's success, the same are periodically discussed and deliberated upon at the Meetings of the Board of Directors of the Company. It was thus decided by the Board of Directors, at their Meeting held on October 30, 2006, to dissolve the Committee with effect from October 30, 2006.

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 have an Employee Stock Option Plan.

Remuneration of Directors :

The Non-Executive Independent Directors are paid sitting fees and commission. The Commission is paid on equal basis to all Non-Executive Independent Directors. The Chairman and Managing Director is paid remuneration as approved by the shareholders.

Details of Sitting Fees and Commission to Non Whole-time Directors for the year April 1, 2006 to March 31, 2007:

(In Rs.)

Name of the Director	Sitting fees	Commission	Total
Mr. Rajeev Bakshi	40,000	275,000	315,000
Mr. P.S.Dasgupta	85,000	275,000	360,000
Mr. Nasser Munjee	55,000	275,000	330,000
Mr. B.H.Reporter	85,000	275,000	360,000
Mr. Venu Srinivasan	5,000	275,000	280,000

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2006 to March 31, 2007:

(In Rs.)

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	12,012	—	4,064,805	105,602	—	—	4,182,419

Notes:

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of any of the Executive Directors.
3. The Central Government has approved payment of commission to non Whole-time Directors vide its approval dated February 20, 2007.
4. The Company pays fees for professional services rendered by a law firm of which a Non-Executive Director is a Partner (Rs. 13,73,900 /- during the financial year 2006-2007). The same are not material in nature.

(C) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

During the year, meetings of the Shareholders/Investors Grievance Committee were held on June 8, 2006, July 27, 2006, October 30, 2006 and January 25, 2007. The composition, names of members 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, 2006 to March 31, 2007.

Sr. No.	Name of Director	No. of Meetings attended
1.	Mr. B. H. Reporter (Chairman)	4/4
2.	Mr. P. S. Dasgupta (Member)	4/4
3.	Mr. Anant J. Talaulicar (Member)	4/4

Broad terms of Reference to the 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. Dinesh Castellino
Vice President Legal & Company Secretary

Number of shareholder complaints received during the year April 1, 2006 to March 31, 2007 :

Sr. No.	Nature of complaint	No. of complaints	Status of complaints
1.	Non-receipt of Annual Reports	9	Resolved
2.	Non- receipt of Dividend Warrants	18	Resolved
3.	Non-receipt of Share Certificates	6	Resolved
	Total	33	

Cummins India Limited

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.

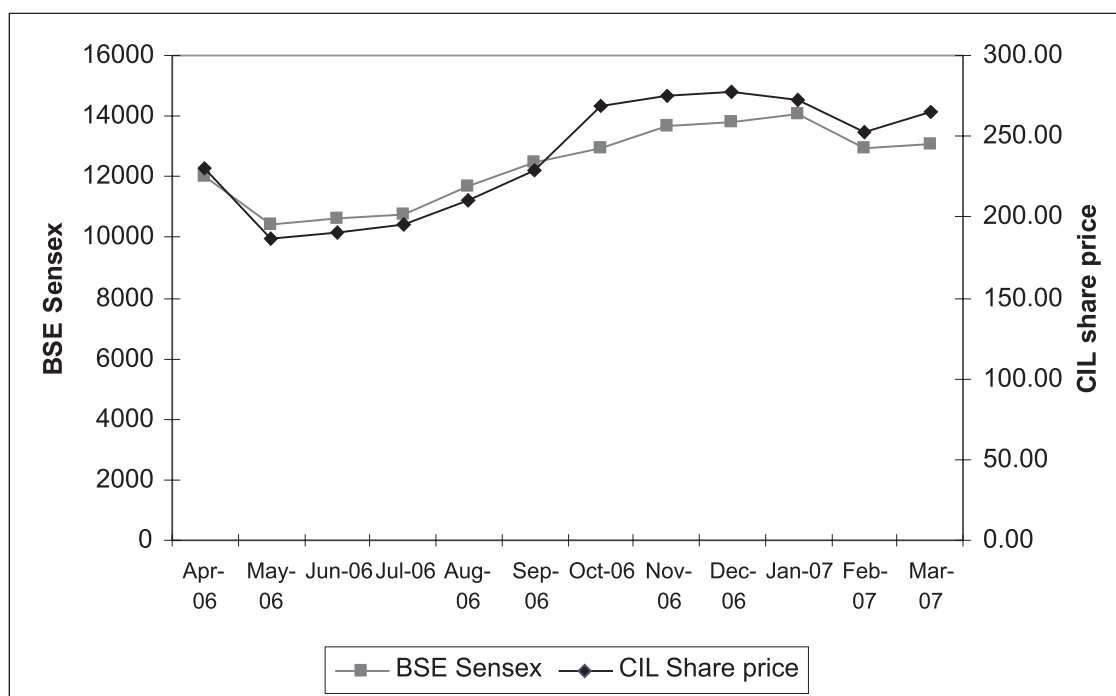
4. GENERAL SHAREHOLDER INFORMATION :

Registered Office	Kothrud, Pune 411 038. Phone No. : (020) 2538 5435, 2538 0240 Fax No. : (020) 2538 0125 Website : www.cumminsindia.com	
Annual General Meeting	Date and Time : July 26, 2007 at 12:00 noon Venue : Hotel Le Meridien Majestic Hall, 1 st Floor, Raja Bahadur Mill Road, Pune 411 001	
Financial Year	The Financial Year of the Company is 1 st April to 31 st March.	
Financial calendar (Tentative)	<ul style="list-style-type: none"> • Results for quarter ending June 30, 2007 -Last week of July 2007 • Results for quarter and half year ending September 30, 2007- Last week of October 2007. • Results for quarter and nine months ending December 31, 2007- Last week of January 2008. • Results for the year ending March 31, 2008 – by June 15, 2008 	
Dates of Book Closure	July 21, 2007 to July 26, 2007 (both days inclusive)	
Interim Dividend Payment date	February 21, 2007	
Final Dividend payment date	August 20, 2007	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. Bombay Stock Exchange Limited (BSE) P J Towers, Dalal Street, Mumbai : 400 001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra –Kurla Complex, Bandra (E), Mumbai : 400 051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges above for the Financial Year 2007-2008.	

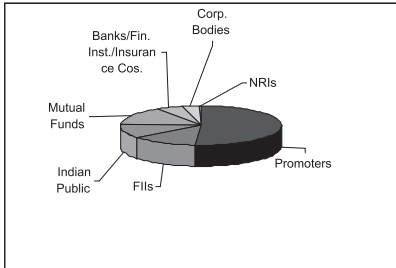
Market price data: High, Low during each month in the financial year 2006-2007:

BSE			NSE		
Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2006	260.05	205.00	April 2006	260.25	204.00
May 2006	243.00	142.65	May 2006	243.85	141.00
June 2006	195.80	150.00	June 2006	195.55	150.70
July 2006	202.20	153.00	July 2006	202.40	158.00
August 2006	218.00	186.00	August 2006	218.60	185.55
September 2006	231.00	198.00	September 2006	231.00	197.10
October 2006	272.90	226.10	October 2006	273.00	226.55
November 2006	294.00	260.05	November 2006	293.50	257.00
December 2006	286.00	240.00	December 2006	285.90	239.50
January 2007	287.45	260.00	January 2007	287.30	259.10
February 2007	305.50	236.00	February 2007	305.95	235.00
March 2007	272.00	231.50	March 2007	271.00	205.00
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 BSE Sensex, during the year ended March 31, 2007.				

Chart A: Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex)- 2006-07.



Cummins India Limited

Registrar and Transfer agent	<p>The Company has appointed Intime Spectrum Registry Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are being attended to and processed at the office of Registrar and Transfer Agent at the following address:-</p> <p>Intime Spectrum Registry Limited Unit : Cummins India Limited C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai : 400 078 Phone Nos. (022) 2596 3838 /Fax No. (022) 2594 6969 Contact Person : Mr. N. Mahadevan Iyer E-mail: mahadevan.iyer@intimespectrum.com Timings : 1000 Hrs. to 1600 Hrs. (Monday to Friday excluding Public Holidays)</p>		
Share Transfer System	Share Transfer requests in physical form are processed within 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.		
Distribution of shareholding as on March 31, 2007.	Category	No. of shares of Rs.2 each	% of shareholding
	Promoters	100,980,488	51.00
	Mutual Funds	29,582,487	14.94
	Banks/Financial Institutions/Insurance Companies	9,969,671	5.04
	Foreign Institutional Investors (FIIs)	26,954,998	13.61
	Corporate Bodies	7,518,717	3.80
	Indian Public	22,558,168	11.39
	NRIs	435,471	0.22
	TOTAL	198,000,000	100.00
	Distribution of shareholding within various categories (as on March 31, 2007).		
Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	22,735	2,882,831	1.46
501-1,000	2,161	1,726,887	0.87
1,001- 5,000	2,808	6,713,215	3.39
5,001-10,000	798	5,501,953	2.78
10,001- 50,000	340	6,779,479	3.42
50,001- 100,000	32	2,356,891	1.19
100,001 and above	83	172,038,744	86.89
Total	28,957	198,000,000	100.00

Dematerialisation of shares and liquidity (as on March 31, 2007)	46.51 % shares are in demat form. It may be noted that the Promoters, Cummins Inc., USA, owns 51% of the Company's shares and the same are held in Physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 94.91%.
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity.	The Company has not issued any GDRs / ADRs/ Warrants or any Convertible instruments.
Plant locations	1. Kothrud, Pune 411 038. 2. Village Loni Kand, Nagar Road, Pune. 3. Plot No. 206/2, Off. Nagar Road, Haveli, Pune. 4. Plot No. 19/25A, Silver Industrial Estate, Bhimpore, Daman 396 210.
Address for correspondence	Registered Office : Kothrud, Pune 411 038 Tel: (020) 2538 5435/ Fax : (020) 2538 0125 1) Mr. Pradip Phansalkar, Sr. Manager Secretarial Email – pradip.s.phansalkar@cummins.com 2) Mr. Amit Atre, Assistant Company Secretary Email- amit.g.atre@cummins.com 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 Contact Person : Mr. N. Mahadevan Iyer E-mail: mahadevan.iyer@intimespectrum.com

5. ANNUAL GENERAL MEETINGS (AGMs) :

Particulars	FY 2003-2004	FY 2004-2005	FY 2005-2006
Date and Time	29.07.2004 at 11.00 a.m.	28.07.2005 at 12.00 noon	27.07.2006 at 12.00 noon
Venue	Cummins Sales and Service India Ltd. 35A/1/2, Erandawana, Pune 411 038	Cummins Sales and Service India Ltd. 35A/1/2, Erandawana, Pune 411 038	Hotel Le Meridien, Raja Bahadur Mill Road, Pune 411 001

- **Special resolutions passed in the last 3 AGMs** : No special resolution was passed during the years 2004 and 2005. Special resolution approving payment of commission to non Whole-time Directors of the Company was passed at the Annual General Meeting held on July 27, 2006.
- **Postal Ballot** : No resolution was passed through Postal Ballot during the financial year 2006-2007 or is being proposed at the ensuing Annual General Meeting.

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 materially significant 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 financial year 2003-2004. No person has been denied access to the Finance and Audit Committee under the Whistle Blower Policy.

- iv) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.

7. MEANS OF COMMUNICATION :

- The quarterly / half-yearly unaudited and annual audited financial results were published in :
 - Maharashtra Times
 - Economic Times - year ended March 2006 and quarters ended June and September 2006
 - Business Standard - quarter ended December 2006.
- The quarterly shareholding pattern and quarterly / half-yearly/ yearly unaudited/ audited financial results were posted on SEBI website www.sebiedifar.nic.in as well as on the Company's website www.cumminsindia.com.
- The official news releases of the Company were displayed on the Company's website www.cumminsindia.com.
- Transcript of Conference calls with the Analysts made on June 9, 2006, October 31, 2006 and January 29, 2007 were displayed on the Company's website www.cumminsindia.com.

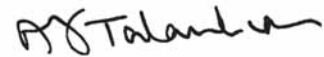
8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

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

Declaration – Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the financial year 2006-2007.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 31, 2007

Cummins India Limited

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Cummins India Limited

We have examined the compliance of conditions of Corporate Governance by Cummins India Limited, for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to 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 opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We 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.

Place: Pune
Date: May 31, 2007

Vasant Gujarathi
Partner
Membership Number 17866
For and on behalf of
Price Waterhouse
Chartered Accountants

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, 2007 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;
 - (e) On the basis of written representations received from the directors as on March 31, 2007 and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2007 from being appointed as a director as referred to in Section 274(1)(g) of the Act;

Cummins India Limited

- (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, 2007;
 - (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.

Place : Pune
Date : May 31, 2007

Vasant Gujarathi
Partner
Membership Number 17866
For and on behalf of
Price Waterhouse
Chartered Accountants

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, 2007]

- 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 been received in majority cases.

(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.
- 5 (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and having regard to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of a party during the year are of special nature, hence the question of comparability with the prevailing market prices at the relevant time does not arise.
- 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

Cummins India Limited

which have matured and are remaining unpaid as at March 31, 2007. 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 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, 2007 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	Disallowance of Sales Tax declaration forms for technical defects, disallowances of set off claimed under rule 41D and 42H	14,250	1999-00 & 2000-01	Maharashtra Sales Tax Tribunal, Mumbai
The Central Sales Tax Act, 1956	Disallowance of Sales Tax declaration forms, disallowances of set off claimed under rule 41D and 42H and interest thereon	27,445	2001-02	Joint Commissioner of Sales Tax (Appeals) I, Pune Division
The Central Excise Act, 1944	Interest on CENVAT credit availed on inventory shortages and disallowance of credit taken on inputs	1,671	2002-03, 2003-04 & 2004-05	Central Excise and Service Tax Appellate Tribunal (Mumbai)
The Central Excise Act, 1944	Interest and penalty on CENVAT credit availed on inventory shortages	133	2004-05 & 2005-06	Commissioner of Central Excise (Appeals), Pune
The Central Excise Act, 1944	Penalty for alleged non payment of duty on goods cleared and failure for filing D3 intimation	33	2004-05	Commissioner of Central Excise (Appeals), Surat

Name of the statute	Nature of dues	Amount (Rs.'000)	Financial years to which the amount relates	Forum where the dispute is pending
The Bombay Provincial Municipal Corporations Act, 1949	Demand for non payment of octroi on certain consignments	142	2000-01	District Court, Pune

- 10 The Company has no accumulated losses as at March 31, 2007 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. 1,973 ('000) were noticed and reported during the year.*

Vasant Gujarathi
Partner
Membership Number 17866
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Pune
Date : May 31, 2007

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule Number	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	8,899,531		7,446,806
			9,295,531	7,842,806
Loan funds :				
Secured loans	3	24,064		85,919
Unsecured loans	4	1,218		1,576
			25,282	87,495
Deferred Taxation :				
Deferred tax Liability	7	—		200,255
Deferred tax Asset		—		(182,757)
				17,498
Finance Lease Liability			59,450	949
			<u>9,380,263</u>	<u>7,948,748</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	5,436,332		5,018,014
Less : depreciation		3,619,831		3,397,208
Net block			1,816,501	1,620,806
Investments	6		2,825,789	2,488,936
Deferred Taxation :				
Deferred tax Asset	7	264,606		—
Deferred tax Liability		(165,673)		—
			98,933	—
Current assets, loans and advances :				
Inventories	8	2,814,354		2,334,076
Sundry debtors		4,185,246		3,613,972
Cash and bank balances		388,526		56,332
Other current assets		33,458		46,600
Loans and advances		1,445,868		1,216,724
		<u>8,867,452</u>		<u>7,267,704</u>
Less: Current liabilities and provisions :				
Current liabilities	9	3,009,098		2,541,914
Provisions		1,219,314		886,784
		<u>4,228,412</u>		<u>3,428,698</u>
Net current assets			<u>4,639,040</u>	<u>3,839,006</u>
			<u>9,380,263</u>	<u>7,948,748</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

Vasant Gujarathi
Partner
Membership Number : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 31, 2007

Pune
Date: May 31, 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			18,407,804	14,627,715
Other Income			853,394	772,028
			<u>19,261,198</u>	<u>15,399,743</u>
EXPENDITURE :				
Cost of sales and other expenses	11	15,461,095		12,595,755
Depreciation		326,020		336,361
INTEREST :				
on fixed loans		3,705		1,377
others		<u>10,355</u>		<u>7,654</u>
			<u>14,060</u>	<u>9,031</u>
			15,801,175	12,941,147
PROFIT BEFORE TAX			3,460,023	2,458,596
PROVISION FOR TAX:				
Current Tax (including net excess provision for earlier years Rs. ('000) 9,040 (previous year Rs. ('000) 32,109)		1,114,346		718,452
Deferred Tax		(89,240)		(46,907)
Fringe Benefit Tax		<u>14,449</u>		<u>30,054</u>
			1,039,555	701,599
NET PROFIT FOR THE YEAR			2,420,468	1,756,997
Balance carried forward from last balance sheet			1,213,919	800,000
APPROPRIATIONS :				
I Proposed final dividend			396,000	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			122,839	111,078
IV Transferred to general reserve			605,117	440,000
Balance carried to balance sheet			<u>2,114,431</u>	<u>1,213,919</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			12.22	8.87

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

Vasant Gujarathi
Partner
Membership Number : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Nasser Munjee
Director

Pune
Date: May 31, 2007

Pune
Date: May 31, 2007

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
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>400,000</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>396,000</u>

Of the above equity shares;

- i) 190,500,000 shares of Rs. 2 each (*previous year 190,500,000 shares of Rs.2 each*) are allotted as fully paid bonus shares by capitalisation of reserves.
- ii) 100,980,000 shares of Rs. 2 each (*previous year 100,980,000 shares of Rs.2 each*) are held by the holding company, Cummins Inc.,USA.

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account		7,000	7,000
General reserve:			
Balance as per last account	6,225,887		5,785,887
Less: Transitional effect on account of AS 15 (revised 2005) - "Employee Benefits". (Refer Note 22 of Schedule 12)	52,904		—
Add: transferred from profit and loss account	<u>605,117</u>		<u>440,000</u>
		6,778,100	6,225,887
Profit and loss account		<u>2,114,431</u>	<u>1,213,919</u>
		<u>8,899,531</u>	<u>7,446,806</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, receivables and movable assets of the Company.	24,064	85,919
	24,064	85,919
	24,064	85,919
 SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. ('000) 289; <i>previous year Rs. ('000) 400</i>)	1,218	1,576
	1,218	1,576
	1,218	1,576

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2006	Additions	Deductions	Gross block (at cost) as at 31st March, 2007	Depreciation as per Schedule 5A	Net block as at 31st March, 2007
Tangible Assets:						
Land						
— Freehold	10,226	24,834	—	35,060	—	35,060
Roads	11,737	1,216	—	12,953	4,383	8,570
Buildings	218,819 *	1,884	—	220,703 *	100,378	120,325
Plant and machinery	4,329,151 #	254,400	98,440	4,485,111 #	3,325,216	1,159,895
Furniture and fittings	62,841	1,409	4,792	59,458	24,008	35,450
Vehicles	38,689	4,026	14,610	28,105	9,962	18,143
Intangible Assets:						
Technical Knowhow	42,000	—	—	42,000	27,289	14,711
Global Sourcing Consideration	214,326	—	—	214,326	128,595	85,731
	<u>4,927,789</u> <u>(4,821,594)</u>	<u>287,769</u> <u>(138,652)</u>	<u>117,842</u> <u>(32,457)</u>	<u>5,097,716</u> <u>(4,927,789)</u>	<u>3,619,831</u> <u>(3,397,208)</u>	<u>1,477,885</u> <u>(1,530,581)</u>

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

	338,616	—	338,616
	<u>(90,225)</u>	<u>—</u>	<u>(90,225)</u>
	<u>5,436,332</u>	<u>3,619,831</u>	<u>1,816,501</u>
	<u>(5,018,014)</u>	<u>(3,397,208)</u>	<u>(1,620,806)</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) 175,706 (*previous year Rs. ('000) 174,729*) (net block Rs. ('000) 95,724 (*previous year Rs. ('000) 112,860*)) given under operating lease arrangements and office equipment and computers costing Rs. ('000) 75,412 (*previous year Rs. ('000) 71,433*) (net block Rs. ('000) 64,540 (*previous year Rs. ('000) 9,464*)), acquired under finance leases.

Figures in brackets are in respect of the previous year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5 A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2006	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2007
Tangible Assets:				
Land				
— Freehold	—	—	—	—
Roads	4,245	138	—	4,383
Buildings	93,438	6,940	—	100,378
Plant and machinery ##	3,158,607	261,067	94,458	3,325,216
Furniture and fittings	22,595	3,878	2,465	24,008
Vehicles	13,704	2,732	6,474	9,962
Intangible Assets:				
Technical Knowhow	18,889	8,400	—	27,289
Global Sourcing Consideration	85,730	42,865	—	128,595
	<u>3,397,208</u>	<u>326,020</u>	<u>103,397</u>	<u>3,619,831</u>
	<u>(3,081,730)</u>	<u>(336,361)</u>	<u>(20,883)</u>	<u>(3,397,208)</u>

includes depreciation of Rs. ('000) 18,112 (previous year Rs. ('000) 17,853) on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6				
INVESTMENTS :				
Number	Face value Per unit Rupees			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
600,001	100	Cummins Sales and Service India Limited (Formerly Cummins Diesel Sales and Service (India) Limited)	19,062	19,062
100	10	Cummins Auto Services Limited	1	1
			19,063	19,063
TRADE INVESTMENTS				
Fully paid ordinary / equity shares				
1,999,800	10	Cummins Exhaust India Limited (Formerly Nelson Engine Systems India Limited)	19,998	19,998
779,997	10	Cummins Generator Technologies India Limited (Formerly Newage Electrical India Limited)	171,989	171,989
114,600	10	Cummins Research & Technology India Limited	1,146	1,146
			193,133	193,133
OTHER THAN TRADE INVESTMENTS EQUITY SHARES				
5,091,330	2	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	253,496

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)			Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
Number	Face value Per unit Rupees				
		Brought forward		253,496	253,496
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS			
		10.5 % Nuclear Power Corporation Limited *	—		16,775
200	100,000	10.4 % Nuclear Power Corporation Limited *	22,330		39,078
100	100,000	10.25% Housing & Urban Development Corporation Limited*	11,435		11,435
		9.50% National Textile Corporation Limited *	—		21,100
400	100,000	5.75% National Housing Bank*	41,410		41,410
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
500,000	100	6.60% ARS Bonds 2009 U T I *	52,404		52,404
				330,660	385,283
		GOVERNMENT OF INDIA BONDS			
		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
		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		56,575
		7.49% Government of India 2017 * (Face Value Rs.5,000,000)	5,540		5,540
				250,665	250,665
		Carried forward		834,821	889,444

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)			Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
Number	Face value Per unit Rupees				
		Brought forward		834,821	889,444
CORPORATE BONDS					
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		49,825
50	1,000,000	5.85% HDFC Bonds 2009 *	49,240		49,240
				164,702	164,702
UNITS OF MUTUAL FUNDS					
Debt Fund (Growth Option)					
3,000,000	10	HDFC 13M 1 Institutional Plan Dividend	30,000		40,027
715,706	10	HDFC FMP 13M MARCH 2006- Institutional Plan-Growth	7,157		—
10,000,000	10	HDFC FMP 13M June 2006- IP-Growth	100,000		—
5,000,000	10	DWS Fixed Term Fund Series 26- Growth	50,000		—
5,000,000	10	HSBC Fixed Term Series IX - Growth	50,000		—
				237,157	40,027
Debt Fund (Dividend Option)					
		Prudential ICICI Long Term Plan - Dividend	—		103,225
				—	103,225
		Carried forward		1,236,680	1,197,398

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value Per unit Rupees			
		Brought forward	1,236,680	1,197,398
		Monthly Income Plan (Growth Option)		
		HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	—	23,285
		Reliance Monthly Income Plan - Growth Plan	—	20,000
		Sundaram Monthly Income Plan - Growth	—	10,000
		HDFC Multiple Yield Fund - Plan 2005 - Growth	—	30,000
		HDFC Multiple Yield - HDFC Multiple Yield - Growth	—	20,000
			—	103,285
		Equity Fund (Dividend Option)		
450,106	10	DSP Merrill Lynch Top 100 Equity Fund-Dividend	10,000	—
977,995	10	Fidelity India Special Situations Fund-Growth Option	10,000	—
277,316	10	Franklin India Bluechip Fund - Dividend	10,000	—
605,934	10	HSBC India Opportunities Fund-Dividend	10,829	—
497,085	10	ICICI Prudential Dynamic Plan-Dividend Option	10,000	—
488,998	10	Prudential ICICI Infrastructure Fund - Dividend	5,000	5,000
67,916	10	Reliance Growth Fund - Dividend Plan (D)	2,500	2,500
1,000,000	10	Standard Chartered Enterprise Equity Fund-A-Dividend	10,000	—
			68,329	7,500
		Carried forward	1,305,009	1,308,183

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6 (Contd.)				
	Face value Per unit Rupees			
	Number			
		Brought forward	1,305,009	1,308,183
		Equity Fund (Blended)		
1,000,000	10	ICICI Prudential Equity & Derivatives Fund-Income Optimiser Plan-Retail Dividend Option	10,000	—
5,562,190	10	Prudential ICICI Blended Plan A - Dividend Option	55,958	54,600
			65,958	54,600
		Total Long term investments	(A) 1,370,967	1,362,783
		CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS		
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS		
		9.50% National Textile Corp. Tax Free Bond *	—	51,555
			—	51,555
		UNITS OF MUTUAL FUNDS		
		Fixed Maturity Plan		
15,000,000	10	ABN AMRO Fixed Term Plan Series 6: Quarterly Plan C - Dividend On Maturity Option	150,000	—
		Birla Fixed Maturity Plan - Quarterly Series II - Growth	—	20,011
9,971,084	10	Birla Fixed Term Plan-Quarterly Series 2 - Growth	100,000	30,000
1,000,000	10	Birla Fixed Term Plan-Quarterly Series 6 - Dividend	10,000	—
		Carried forward	—	51,555

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value Per unit Rupees			
		Brought forward	—	51,555
		DSP Merrill Lynch Fixed Term Plan - Series 1B - Dividend	—	20,082
		DSP Merrill Lynch Fixed Term Plan - Series 1C - Dividend	—	20,260
		DSP Merrill Lynch Fixed Term Plan - Series 2 - Dividend	—	20,131
14,792,151	10	HDFC FMP 90D March 2007 (4) - Wholesale Plan Dividend Payout	147,922	—
2,000,000	10	HSBC Fixed Term Series - III - Growth	20,000	20,000
		HSBC Fixed Term Series - VII - Dividend	—	20,118
		HSBC Fixed Term Series - VIII - Dividend	—	20,016
10,000,000	10	ICICI Prudential FMP series 37 - 3 Months Plan A - Retail Dividend Option	100,000	—
20,361,386	10	Pru ICICI FMP series 34 - 3 Months Plus Plan A - Retail Dividend Option	203,614	—
		Kotak FMP - Series - X VI (Dividend)	—	20,185
		Kotak FMP Series XVIII - (Dividend)	—	20,095
		Prudential ICICI FMP - Sr 27 Monthly Plan - Dividend Plan	—	40,011
		Reliance Fixed Maturity Fund-Monthly Plan-11-Series-2 - Monthly Plan-11 (Monthly Dividend Option)	—	20,000
10,000,000	10	SBI Magnum Debt Fund Series - 180 Days - 2 - Dividend	100,000	—
		Carried forward	—	51,555

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
Number	Face value Per unit Rupees			
		Brought forward	—	51,555
5,000,000	10	Sundaram BNP Paribas Fixed Term Plan Series XVII Dividend	50,000	—
		Tata Fixed Horizon Fund Series 5 Scheme A - Dividend	—	25,000
10,000,000	10	Tata Fixed Horizon Fund Series 27 Scheme B - Growth Institutional Plan	100,000	—
			981,536	295,909
		Liquid Fund (GROWTH)		
9,654	10	HDFC Cash Management Savings Plus - Growth Plan	141	141
			141	141
		Liquid Fund (DIVIDEND)		
50,544	1,000	DSP Merrill Lynch Liquidity Fund- Institutional Plan-Daily Dividend	50,554	—
		Birla Cash Plus - Institutional - Weekly Dividend	—	20,021
		Birla Cash Plus - Institutional Premium - Weekly Dividend	—	50,892
		Deutsche Insta Cash Plus Fund - Institutional Plan (Weekly Dividend)	—	61,971
		DSP Merrill Lynch Liquidity Fund- Institutional Plan - Weekly Dividend	—	127,268
1,905,521	10	Grindlays Cash Fund-Dividend (Daily)	20,164	—
1,235	10	HDFC Cash Management Fund - Savings Plan-Daily Dividend Option	13	—
9,603,282	10	HDFC Cash Management Fund - Call Plan-Daily Dividend Plan	100,130	—
		HSBC Cash Fund - Institutional Plan (Dividend Option - Weekly)	—	32,150
		Carried forward	981,677	347,605

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value Per unit Rupees			
		Brought forward	981,677	347,605
1,728,890	10	ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	17,289	—
		Kotak Cash Plus - (Dividend)	—	10,197
		Kotak Liquid - Institutional Premium Plan - (Dividend)	—	56,259
1,886	10	Magnum Insta Cash Fund - Daily Dividend	32	—
		Principal Cash Management - Liquid Option (Institutional Weekly Dividend Plan)	—	11,360
		Prudential ICICI Liquid Plan - Dividend (Institutional Plus - Weekly)	—	3,131
		Reliance Liquid Fund - Cash Plan (Dividend)	—	30,198
		Reliance Liquid Fund - Institutional Plan (Weekly Dividend)	—	17,148
31,353	1,000	Standard Chartered Liquidity Manager Plus-A-Dividend Daily	31,356	—
20,256,039	10	Standard Chartered Liquidity Manager (SCLM)-A-Dividend Daily	202,581	—
		Tata Liquid Super High Investment Plan - Weekly	—	12,334
50,972	1,000	Templeton India Short-Term Income Plan-Institutional Plan - Weekly Dividend	51,026	—
		UTI- Liquid Fund - Cash Plan (Institutional Weekly)	—	11,284
			473,145	444,213
		Carried forward	1,454,822	791,818

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st	
		March, 2007	March, 2006
		Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)			
Number	Face value Per unit Rupees		
	Brought forward	1,454,822	791,818
	Floating Rate Plan (Growth) Fund		
	Birla Floating Rate Fund - Long Term Plan (Growth)	—	35,625
	Deutsche Floating Rate Fund - (Growth Plan)	—	40,000
	DSP Merrill Lynch Floating Rate Fund - Growth	—	10,788
	HDFC Floating Rate Income Fund-Long Term Plan - GROWTH	—	21,877
	Kotak Floater Long - Term (Growth)	—	20,000
	Prudential ICICI Long Term Floating Rate Plan A - (Growth)	—	45,217
	Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	—	31,765
	Reliance Floating Rate Fund - Growth (Growth Option)	—	31,767
		—	237,039
	Floating Rate Plan (Dividend) Fund		
	Deutsche Floating Rate Fund - Dividend Plan (Monthly Dividend)	—	10,144
	DSP Merrill Lynch Floating Rate Fund - Institutional Plan - Weekly Dividend Reinvest	—	17,183
	HSBC Floating Rate Fund - Short Term Plan - Institutional Option (Dividend - Monthly)	—	10,272
	JM Floater Fund - Short Term Plan - Dividend Option	—	25,794
	Carried forward	1,454,822	1,028,857

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31st	
		March, 2007	As at 31st March, 2006
		Rupees '000	Rupees '000
SCHEDULE NO. 6 (Contd.)			
Number	Face value Per unit Rupees		
	Brought forward	1,454,822	1,028,857
	Kotak Floater Short Term - (Monthly Dividend)	—	10,188
	Prudential ICICI Long Term Floating Rate Plan - Plan C (Dividend)	—	10,198
	Tata Floater Fund Weekly Dividend	—	10,223
	Short Term Plan (Dividend) Fund		
	Templeton India Short-Term Income Plan - Weekly Dividend	—	3,294
		—	97,296
	Total Current Investments	(B) 1,454,822	1,126,153
	Total Investments	(A+B) 2,825,789	2,488,936
	Aggregate cost of quoted investments*	787,292	893,471
	Aggregate cost of unquoted investments	2,038,497	1,595,465
		2,825,789	2,488,936
	Aggregate market value of quoted investments	1,567,095	1,101,075

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

Notes

	Nos.	Cost (Rs.)	Face Value (Rs.)
I) Sale / Redemption :-			
Tax Free Bonds			
10.5 % Nuclear Power Corporation Limited	150	16,775,000	15,000,000
10.4 % Nuclear Power Corporation Limited	150	16,747,500	15,000,000
9.50% National Textile Corporation Limited	200	21,100,000	20,000,000
9.50% National Textile Corporation Limited	500	51,555,000	50,000,000
UNITS OF MUTUAL FUNDS			
Debt Fund (Growth Option)			
Floating 13M 1 Institutional Plan Dividend	1,002,708	10,027,083	10,027,083
Debt Fund (Dividend Option)			
Prudential ICICI Long Term Plan - Dividend	9,817,835	103,224,514	98,178,349
Monthly Income Plan (Growth Option)			
HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	2,258,593	23,284,512	22,585,930
Reliance Monthly Income Plan - Growth Plan	1,971,706	20,000,000	19,717,060
Sundaram Monthly Income Plan - Growth	977,699	10,000,000	9,776,990
HDFC Multiple Yield Fund - Plan 2005 - Growth	2,711,766	30,000,000	27,117,664
HDFC Multiple Yield - HDFC Multiple Yield - Growth	2,000,000	20,000,000	20,000,000
Fixed Maturity Plan			
Birla Fixed Maturity Plan - Quarterly Series II - Growth	1,997,933	20,011,292	19,979,325
Birla Fixed Term Plan-Quarterly Series 2 - Growth	3,000,000	30,000,000	30,000,000
DSP Merrill Lynch Fixed Term Plan - Series 1B - Dividend	20,082	20,081,673	20,081,600
DSP Merrill Lynch Fixed Term Plan - Series 1C - Dividend	20,260	20,259,852	20,259,852
DSP Merrill Lynch Fixed Term Plan - Series 2 - Dividend	2,013,062	20,130,676	20,130,616
HSBC Fixed Term Series - VII - Dividend	2,011,804	20,118,040	20,118,040
HSBC Fixed Term Series - VIII - Dividend	2,001,566	20,015,664	20,015,664
Kotak FMP - Series - X VI (Dividend)	2,018,516	20,185,200	20,185,163
Kotak FMP Series XVIII - (Dividend)	2,009,458	20,094,600	20,094,577
Prudential ICICI FMP - Sr 27 Monthly Plan - Dividend Plan	4,001,133	40,011,334	40,011,334
Reliance Fixed Maturity Fund -Monthly Plan-11- Series-2 - (Monthly Dividend Option)	2,000,000	20,000,000	20,000,000
Tata Fixed Horizon Fund Series 5 Scheme A - Div	2,500,000	25,000,000	25,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE NO. 6 (Contd.)**

	Nos.	Cost (Rs.)	Face Value (Rs.)
Liquid Fund - Dividend			
Birla Cash Plus - Institutional - Weekly Dividend	1,851,304	20,021,094	18,513,040
Birla Cash Plus - Institutional Premium - Weekly Dividend	5,067,829	50,835,176	50,678,292
Birla Cash Plus - Institutional Premium - Weekly Dividend	5,626	56,385	56,258
Deutsche Insta Cash Plus Fund - Institutional Plan (Weekly Dividend)	6,154,186	61,971,170	61,541,859
DSP Merrill Lynch Liquidity Fund- Institutional Plan - Weekly Dividend	127,157	127,267,521	127,156,587
HSBC Cash Fund - Institutional Plan (Dividend Option - Weekly)	1,912,119	19,993,042	19,121,190
HSBC Cash Fund - Institutional Plan (Dividend Option - Weekly)	1,162,659	12,156,714	11,626,591
Kotak Cash Plus - (Dividend)	1,019,691	10,197,417	10,196,908
Kotak Liquid - Institutional Premium Plan - (Dividend)	5,605,395	56,258,692	56,053,955
Principal Cash Management - Liquid Option (Institutional Weekly Dividend Plan)	1,134,895	11,360,323	11,348,945
Prudential ICICI Liquid Plan - Dividend (Institutional Plus - Weekly)	264,099	3,131,473	2,640,989
Reliance Liquid Fund - Cash Plan (Dividend)	2,764,471	30,198,391	27,644,709
Reliance Liquid Fund - Institutional Plan (Weekly Dividend)	1,120,570	17,148,394	11,205,697
Tata Liquid Super High Investment Plan - Weekly	10,820	12,333,648	10,819,639
UTI- Liquid Fund - Cash Plan (Institutional Weekly)	11,077	11,284,017	11,077,162
Floating Rate Plan (Growth) Fund			
Birla Floating Rate Fund - Long Term Plan (Growth)	3,258,645	35,624,779	32,586,447
Deutsche Floating Rate Fund - (Growth Plan)	3,775,223	40,000,000	37,752,232
DSP Merrill Lynch Floating Rate Fund - Growth	983,162	10,787,937	9,831,615
HDFC Floating Rate Income Fund-Long Term Plan - Growth	2,001,009	21,876,830	20,010,089
Kotak Floater Long - Term (Growth)	1,955,684	20,000,000	19,556,842
Prudential ICICI Long Term Floating Rate Plan - Prudential ICICI Long Term Floating Rate Plan A (Growth)	4,412,946	45,217,201	44,129,457
Templeton Floating Rate Income Fund - Long Term Plan (Growth Option)	2,658,508	31,764,907	26,585,080
Reliance Floating Rate Fund - Growth (Growth Option)	3,088,320	31,767,384	30,883,198

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Floating Rate Plan (Dividend) Fund			
Deutsche Floating Rate Fund - Dividend Plan (Monthly Dividend)	991,452	10,144,453	9,914,521
DSP Merrill Lynch Floating Rate Fund - Institutional Plan - Weekly Dividend Reinvest	17,173	17,183,308	17,173,138
HSBC Floating Rate Fund - Short Term Plan - Institutional Option (Dividend - Monthly)	1,022,814	10,272,367	10,228,141
JM Floater Fund - Short Term Plan - Dividend Option	2,561,177	25,793,600	25,611,768
Kotak Floater Short Term - (Monthly Dividend)	1,018,071	10,188,062	10,180,706
Prudential ICICI Long Term Floating Rate Plan - Plan C (Dividend)	1,019,268	10,198,233	10,192,678
Tata Floater Fund Weekly Dividend	1,022,224	10,222,550	10,222,240
Short Term Plan (Dividend) Fund			
Templeton India Short-Term Income Plan - Weekly Dividend	3,020	3,293,661	3,020,490
II) Purchased and sold / redeemed during the year:-			
Debt Fund (Growth Option)			
FLOATER-LT-DIVIDEND			
DWS Floating Rate Fund-Dividend Plan-Monthly Dividend	11,675	119,498	116,754
Prudential ICICI Long Term Floating Rate Plan- Plan C-Dividend	11,288	113,449	112,876
Tata Floater Fund Weekly Dividend	4,105	41,159	41,047
FLOATER-ST-DIVIDEND			
DSP Merrill Lynch Floating Rate Fund - Institutional Plan-Weekly Dividend Reinvest	75	74,993	74,916
HSBC Floating Rate Fund - Short Term Plan-Institutional Plus-Dividend Monthly	7,954	79,606	79,541
JM Floater Fund - Short Term Plan-Dividend Option	20,501	206,648	205,006
Kotak Floater Short Term-(Monthly Dividend)	8,280	82,835	82,801
INCOME-DIVIDEND			
Prudential ICICI Long Term Plan-Dividend	38,508	400,568	385,080

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE NO. 6 (Contd.)**

	Nos.	Cost (Rs.)	Face Value (Rs.)
LIQUID-DIVIDEND			
Birla Cash Plus-Institutional - Daily Dividend	3,141,606	33,936,571	31,416,060
Birla Cash Plus-Institutional Premium - Weekly Dividend	2,598,874	26,061,720	25,988,742
Birla Cash Plus-Institutional Premium Plan - Daily Dividend	98,272,411	984,640,423	982,724,111
Birla Cash Plus-Retail (Dividend)	267,266	4,374,980	2,672,658
DSP Merrill Lynch Liquidity Fund- Institutional Plan-Daily Dividend	463,402	463,515,028	463,402,154
DWS Insta Cash Plus Fund-Institutional Plan-Daily Dividend	17,511,462	175,456,092	175,114,619
DWS Insta Cash Plus Fund-Institutional Plan- Weekly Dividend	5,223,374	52,620,513	52,233,742
Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	4,029,511	40,295,114	40,295,114
HDFC Cash Management Fund - Call Plan- Daily Dividend Plan	33,145,965	345,599,723	331,459,654
HDFC Cash Management Fund - Savings Plan- Daily Dividend Option	39,700,574	417,335,626	397,005,740
HSBC Cash Fund-Institutional Plan-Dividend Option - Daily	995,561	10,393,753	9,955,607
HSBC Cash Fund-Institutional Plan-Dividend Option - Weekly	1,988,377	20,798,178	19,883,771
HSBC Cash Fund-Institutional Plus-Dividend Option - Daily	105,250,815	1,052,995,787	1,052,508,147
ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	68,913,425	689,134,247	689,134,247
ING Vysya Liquid Fund-Institutional Daily Dividend Option	6,532,534	65,392,622	65,325,337
JM High Liquidity Fund-Institutional Plan - Daily Dividend	32,640,441	326,941,411	326,404,407
Kotak Cash Plus - Dividend	25,400	257,651	253,999
Kotak Liquid-Institutional Premium Plan - (Daily Dividend)	37,310,696	456,238,922	373,106,961
Kotak Liquid-Institutional Premium Plan - (Dividend)	22,431	225,113	224,306
LICMF Liquid Fund-Dividend	4,576,509	50,250,530	45,765,093
Magnum Insta Cash Fund - Daily Dividend	8,955,063	150,000,000	89,550,635
Magnum Insta Cash Fund - Dividend Option	23,566,058	250,715,256	235,660,580
Principal Cash Management-Liquid Option- Institutional Daily Dividend Plan	40,495,877	405,005,361	404,958,775

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET.

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Principal Cash Management-Liquid Option- Institutional Weekly Dividend Plan	10,101	101,024	101,006
Prudential ICICI Liquid Plan - Super Institutional Dividend Daily	31,049,644	310,496,444	310,496,444
Prudential ICICI Liquid Plan-Dividend- Institutional Plus - Weekly	577	6,844	5,773
Reliance Liquid Fund-Institutional Plan- Daily Dividend Option	1,633,397	24,961,248	16,333,969
Reliance Liquid Fund-Institutional Plan-Weekly Dividend	2,239,933	34,277,577	22,399,331
Reliance Liquidity Fund-Dividend Plan-Weekly Dividend Reinvestment	18,800	205,225	187,998
SBI Magnum Institutional Income Fund - Savings - Dividend(Upto 22/03/07) Renamed as SBI Premier Liquid Fund	14,953,840	150,024,398	149,538,399
Standard Chartered Liquidity Manager (SCLM)-A-Dividend Daily	20,276,100	202,781,280	202,761,004
Standard Chartered Liquidity Manager Plus-A-Dividend Daily	1,640,424	1,640,588,122	1,640,424,080
Sundaram BNP Paribas Money Fund-Institutional Plan-Daily Dividend Reinvestment	1,175,939	11,871,454	11,759,387
Tata High Investment Plan - Weekly	144,234	166,053,167	144,233,509
Tata Liquid High Investment Plan - Daily	306,065	341,116,105	306,065,485
Tata Liquid Super High Investment Plan - Weekly	13	15,325	13,395
Tata Super High Investment Plan - Daily	148,766	165,802,424	148,765,768
Templeton India Treasury Management Account- Liquid Plan - Weekly Dividend	40,010	40,052,039	40,009,607
Templeton India Treasury Management Account- Regular Plan - Daily Dividend	22,291	33,711,422	22,290,901
Templeton India Treasury Management Account- Regular Plan - Weekly Dividend	2,670	3,323,072	2,669,675
UTI- Liquid Fund-Cash Plan-INST - Income	29,615	30,190,752	29,614,870
UTI- Liquid Fund-Cash Plan-INST Weekly	295	300,578	294,699
LIQUID-FMP			
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan A - Dividend Option	20,070,861	200,709,302	200,708,610
ABN AMRO Fixed Term Plan Series 3: Quarterly Plan F - Dividend Option	15,228,767	152,287,665	152,287,665

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE NO. 6 (Contd.)**

	Nos.	Cost (Rs.)	Face Value (Rs.)
ABN AMRO Fixed Term Plan Series 3: Quarterly Plan G - Dividend Option	5,078,720	50,787,205	50,787,205
ABN AMRO Fixed Term Plan Series 4: Quarterly Plan B - Dividend On Maturity Option	15,266,323	152,663,226	152,663,226
DSP Merrill Lynch Fixed Term Plan - Series 1C-Dividend	607	607,509	607,400
DSP Merrill Lynch Fixed Term Plan - Series 2-Dividend	46,013	460,353	460,132
DSP Merrill Lynch Fixed Term Plan-Series 1F-Dividend	203,152	203,152,565	203,152,241
DWS Fixed Term Fund Series 13-Dividend Option	10,000,000	100,000,000	100,000,000
DWS Fixed Term Fund Series -22- Dividend Option	10,000,000	100,000,000	100,000,000
HDFC FMP 3M MAY 2006(1)- INSTITUTIONAL PLAN-Dividend	15,000,000	150,000,000	150,000,000
HSBC Fixed Term Series - VII-Dividend	18,278	182,781	182,781
HSBC Fixed Term Series - VIII-Dividend	34,479	344,788	344,788
JM Fixed Maturity Fund - Series III - Monthly Plan (FMF M3) - Dividend Plan	10,053,251	100,532,506	100,532,506
JM Fixed Maturity Fund Series III - Quarterly Plan (FMF Q3)- Dividend option	30,505,070	305,050,695	305,050,695
Kotak FMP 3M Series 4 - Growth	5,069,487	50,695,000	50,694,867
Kotak FMP 6M Series 1 - Dividend	5,000,000	50,000,000	50,000,000
Kotak FMP Series 26 - Dividend	2,000,000	20,000,000	20,000,000
Kotak FMP Series -XIV-Dividend	9,143	91,439	91,430
Kotak FMP Series XXI-Dividend	21,695	217,021	216,948
LICMF Fixed Maturity Plan Series 11 - Dividend Option	10,159,262	101,592,617	101,592,617
Pru ICICI FMP series 32 - 3 Months Plan A - Retail Dividend Option	10,130,545	101,307,000	101,305,447
Pru ICICI FMP series 32 - 3 Months Plan C - Retail Dividend Option	203,614,000	203,106,000	203,614,000
Pru ICICI FMP series 32 - 3 Months Plan D - Retail Dividend Option	8,637,190	86,371,900	86,371,900
Pru ICICI FMP series 32 - 3 Months Plan E - Retail Dividend Option	10,158,200	101,582,000	101,582,000
Prudential ICICI FMP - Sr 27 Monthly Plan-Dividend Plan	4,069,353	41,528,564	40,693,527
SBI Debt Fund Series - 180 days - 2 -D	5,000,000	50,000,000	50,000,000
SBI Debt Fund Series - 90 Days-2-Div.	15,000,000	150,000,000	150,000,000
SBI Debt Fund Series-180 Days-1-Dividend	10,000,000	100,000,000	100,000,000
SBI Debt Fund Series-60 Days-1-Dividend	20,000,000	200,000,000	200,000,000
SBI Debt Fund Series-90 Days-1-Dividend	15,000,000	150,000,000	150,000,000

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Standard Chartered Fixed Maturity 2nd Plan-A-Dividend	5,000,000	50,000,000	50,000,000
Standard Chartered Fixed Maturity 5th Plan-A-Dividend	5,000,000	50,000,000	50,000,000
Standard Chartered Fixed Maturity 9th Plan-Dividend	5,000,000	50,000,000	50,000,000
Standard Chartered Fixed Maturity Plan - Quarterly Series 1-Dividend	5,000,000	50,000,000	50,000,000
Sundaram BNP Paribas Fixed Term Plan Series VI Dividend	10,075,425	100,754,250	100,754,250
Sundaram BNP Paribas Fixed Term Plan Series VIII- Dividend	5,024,545	50,245,450	50,245,450
Sundaram BNP Paribas Fixed Term Plan Series XI- Dividend	5,000,000	50,000,000	50,000,000
Sundaram BNP Paribas Fixed Term Plan Series XVII Dividend	5,000,000	50,000,000	50,000,000
Tata Fixed Horizon Fund Series 5 Scheme A - Dividend	43,043	430,500	430,427
Tata Fixed Horizon Fund Series 5 Scheme D - Dividend	10,145,178	101,452,047	101,451,775

LIQUID-GROWTH

HDFC Cash Management Fund - Savings Plan- Growth Option	678,116	10,028,788	6,781,156
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SHORT TERM

Templeton India Short-Term Income Plan-Weekly Dividend	7	8,069	7,384
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III) Purchased during the year :-

BLENDED

ICICI Prudential Equity & Derivatives Fund- Income Optimiser Plan-Retail Dividend Option	1,000,000	10,000,000	10,000,000
ICICI Prudential Blended Plan A-Dividend Option	131,840	1,357,587	1,318,404

EQUITY

DSP Merrill Lynch Top 100 Equity Fund-Dividend	450,106	10,000,000	4,501,058
Fidelity India Special Situations Fund-Growth Option	977,995	10,000,000	9,779,951
Franklin India Bluechip Fund-Dividend	277,316	10,000,000	2,773,156
HSBC India Opportunities Fund-Dividend	605,934	10,828,903	6,059,343
Prudential ICICI Dynamic Plan-Dividend Option	497,085	10,000,000	4,970,846
Standard Chartered Enterprise Equity Fund-A-Dividend	1,000,000	10,000,000	10,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE NO. 6 (Contd.)**

	Nos.	Cost (Rs.)	Face Value (Rs.)
Debt Fund (GROWTH OPTION)			
HDFC FMP 13M MARCH 2006-Institutional Plan-Growth	715,706	7,157,056	7,157,056
HDFC FMP 13M June 2006-IP-Growth	10,000,000	100,000,000	100,000,000
HSBC Fixed Term Series IX Growth	5,000,000	50,000,000	50,000,000
DWS Fixed Term Fund Series 26-Growth	5,000,000	50,000,000	50,000,000
LIQUID-DIVIDEND			
DSP Merrill Lynch Liquidity Fund- Institutional Plan- Daily Dividend	50,544	50,554,204	50,544,095
Grindlays Cash Fund-Dividend (Daily)	1,905,521	20,164,031	19,055,208
HDFC Cash Management Fund - Savings Plan- Daily Dividend Option	1,235	13,137	12,351
HDFC Cash Management Fund - Call Plan- Daily Dividend Plan	9,603,282	100,129,579	96,032,819
Magnum Insta Cash Fund - Daily Dividend	1,886	31,583	18,855
ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	1,728,890	17,288,900	17,288,900
Standard Chartered Liquidity Manager Plus-A- Dividend Daily	31,353	31,356,462	31,353,326
Standard Chartered Liquidity Manager (SCLM)-A- Dividend Daily	20,257,877	202,580,706	202,578,774
Templeton India Treasury Management Account- Liquid Plan - Weekly Dividend	50,972	51,026,237	50,972,428
LIQUID-FMP			
ABN AMRO Fixed Term Plan Series 6: Quarterly Plan C - Dividend On Maturity Option	15,000,000	150,000,000	150,000,000
Birla FTP-Quarterly Series 6-Dividend	1,000,000	10,000,000	10,000,000
Birla Fixed Maturity Plan - Quarterly Series II-Dividend	9,971,084	100,000,000	99,710,839
SBI Magnum Debt Fund Series - 180 Days - 2 - Dividend	10,000,000	100,000,000	100,000,000
Tata Fixed Horizon Fund Series 27 Scheme B - Growth Instl Plan	10,000,000	100,000,000	100,000,000
Sundaram BNP Paribas Fixed Term Plan Series XVII Dividend	5,000,000	50,000,000	50,000,000
Pru ICICI FMP series 34 - 3 Months Plus Plan A - Retail Dividend Option	20,000,000	203,614,000	200,000,000
Pru ICICI FMP series 37 - 3 Months Plus Plan A - Retail Dividend Option	10,000,000	100,000,000	100,000,000
HDFC FMP 90D MARCH 2007 (4) - WHOLESALE PLAN DIVIDEND PAYOUT	14,792,151	147,921,512	147,921,512

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 7			
DEFERRED TAXATION :			
Deferred Tax Asset :			
Provision for doubtful debts	15,118		13,522
Provision others	153,376		98,941
Voluntary retirement scheme	7,678		14,204
Provision for employee benefits	64,952		25,987
Disallowances under Section 43B	<u>23,482</u>		<u>30,103</u>
		264,606	<u>182,757</u>
Deferred Tax Liability :			
Fixed Assets – Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961	<u>(165,673)</u>		<u>(200,255)</u>
		<u>(165,673)</u>	<u>(200,255)</u>
		<u>98,933</u>	<u>(17,498)</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		64,279	69,953
Loose tools and gauges		76,586	70,350
Stock-in-trade :			
Raw materials and components	1,400,011		1,133,472
Work-in-progress	738,052		622,238
Finished goods	159,660		38,823
Materials in transit	375,766		399,240
		<u>2,673,489</u>	<u>2,193,773</u>
		2,814,354	2,334,076
Sundry debtors : Secured			
Debts outstanding for a period exceeding six months			
Considered good	—		1,648
Other debts			
Considered good	7,306		3,263
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	46,634		54,957
Considered doubtful	48,444		43,227
Other debts			
Considered good	4,131,306		3,554,104
Considered doubtful	192		62
	<u>4,233,882</u>		<u>3,657,261</u>
Less: Provision for doubtful debts	48,636		43,289
		4,185,246	3,613,972
Cash and bank balances :			
Cash on hand	259		298
Cheques in transit	63,612		—
Balances with scheduled banks : on current account	324,655		56,034
		<u>388,526</u>	<u>56,332</u>
Carried forward		7,388,126	6,004,380

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 8 (Contd.)	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
Brought forward		7,388,126	6,004,380
Other current assets :			
Interest accrued on investments	19,692		22,434
Lease rent receivable	12,603		24,166
Other receivables	1,163		—
		33,458	46,600
Loans and advances :			
Unsecured considered good :			
Advances recoverable in cash or in kind or for value to be received	1,425,642		1,033,742
(Refer Note 3(a) of Schedule 12)			
Balance with Excise Department	20,226		21,874
Taxation (net of provisions)	—		161,108
		1,445,868	1,216,724
		<u>8,867,452</u>	<u>7,267,704</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 9	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	549,522		469,772
Sundry creditors			
(Refer Note 3 (b), (c) & (d) of Schedule 12)	2,262,699		1,982,982
Advances from customers	105,595		57,207
Dividend warrants posted but not encashed *	14,475		12,967
Other Liabilities	76,807		18,986
		3,009,098	2,541,914
Provisions :			
Taxation (net of advance payments)	60,796		—
Proposed dividend	396,000		396,000
Tax on dividend	67,300		55,539
Post retirement benefits and leave entitlement	235,069		119,695
Others (Refer Note 7 of Schedule 12)	460,149		315,550
		1,219,314	886,784
		4,228,412	3,428,698

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

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	20,709,664		16,406,414
Less: Excise duty	2,108,117		1,620,524
Net sales	18,601,547		14,785,890
Less: Commission	193,743		158,175
		18,407,804	14,627,715
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. ('000) 2,025; previous year Rs. ('000) 1,454)	70,923		52,973
Miscellaneous income	240,430		129,689
Export benefits	154,131		158,800
Income from investments			
Long term investments -			
Trade investments	66,358		49,800
Other investments (tax deducted at source Rs.('000) 3,520; previous year Rs. ('000) 6,064)	63,141		83,084
Dividend from subsidiary	110,000		250,000
	239,499		382,884
Current investments - other than trade	117,905		21,406
Gain on sale/redemption of long term investments (net)	29,728		16,235
Gain on sale/redemption of current investments	778		10,041
		853,394	772,028
		19,261,198	15,399,743

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE NO. 11	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		11,827,876	9,492,329
Purchase of goods for resale		506,043	155,983
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	991,030		860,355
Company's contribution to provident and other funds (Net)	87,350		107,890
Welfare expenses	122,019		90,912
		<u>1,200,399</u>	<u>1,059,157</u>
Operation and other expenses :			
Stores, spares, consumable materials, etc.	381,129		335,863
Tools and gauges	41,657		33,173
Repairs to buildings	40,506		40,087
Repairs to machinery	34,160		43,679
Other repairs	36,088		27,804
Power and fuel	251,641		193,382
Rent	20,401		14,261
Rates and taxes	40,557		48,147
Insurance	20,512		20,908
Outside processing charges	160,000		139,431
Other expenses	866,063		736,426
Donations and contributions	20,546		10,302
Net loss on fixed assets sold or discarded	5,693		4,231
		<u>1,918,953</u>	<u>1,647,694</u>
Technical fees and royalties		269,332	200,139
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	159,660		38,823
Work-in-progress	738,052		622,238
		<u>897,712</u>	<u>661,061</u>
Opening inventories :			
Finished goods	38,823		61,581
Work-in-progress	622,238		653,018
		<u>661,061</u>	<u>714,599</u>
		<u>(236,651)</u>	<u>53,538</u>
		15,485,952	12,608,840
Less : cost of plant and machinery manufactured		24,857	13,085
		<u>15,461,095</u>	<u>12,595,755</u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 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. Leasehold land is amortised over the period of lease. Computers (desktops, laptops) acquired under finance lease are amortised over the period of lease and those acquired subsequently and not covered by the lease are depreciated over the remaining period of the said computer lease. Other computers and related assets are depreciated over a period of four years. 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. Monetary foreign currency current assets and current liabilities are translated at the year-end exchange rates. The resulting profits and losses are appropriately recognised in the Profit and Loss Account. The premium or discount arising at the inception of a forward exchange contract is amortised over life of the contract.

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,

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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:
- 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) Employee benefits**
- i) Post-employment Benefits
 - a) Defined Contribution Plans:
The Company has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for management employees and Provident Fund for all employees which is administered by Life Insurance Corporation / Company managed Trust / Regional Provident Fund Commissioner. In case of Superannuation Fund for management employees and Provident Fund for non management employees the Company has no further obligation beyond making the contributions. In case of Provident Fund for management employees, the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company's contributions and such shortfall are charged to the Profit and Loss Account as and when incurred.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- b) **Defined Benefit Plans:**
- Funded Plan: The Company has defined benefit plans for Post-employment benefits in the form of Gratuity for all employees and pension for non management employees which are administered through trust and / or Life Insurance Corporation (LIC).
- Unfunded Plan: The Company has unfunded Defined Benefit plans in the form of Post Retirement Medical Benefits (PRMB) and Ex-gratia benefits as per the policy of the Company.
- Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.
- ii) **Other Long-term Employee Benefit:**
- Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Accrued Benefit method which is the same as the Projected Unit Credit method in respect of past service. Under this method, the Defined Benefit Obligation is calculated taking into account pattern of avilment of leave whilst in service and qualifying salary on the date of avilment of leave. In respect of encashment of leave, the Defined Benefit Obligation is calculated taking into account all types of decrement and qualifying salary projected up to the assumed date of encashment.
- iii) Termination benefits are recognized as an expense as and when incurred.
- iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortization.
- 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.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

2. Capital Commitments

	Rs. '000	Previous year Rs. '000
Capital Commitments	436,241	96,440

3. a) Advances recoverable in cash or kind include –

- i) An inter corporate deposit of Rs. ('000) 70,000 (*previous year Rs. ('000) 70,000*) placed with Cummins Research and Technology India Limited, a Joint Venture. Maximum amount due during the year Rs. ('000) 71,575 (*previous year Rs. ('000) 71,575*)
- ii) Interest Rs. ('000) 690 (*previous year Rs. ('000) Nil*) on inter corporate deposit placed with Cummins Generator Technologies India Limited, an Associate. Maximum amount due on account of Inter corporate deposit given and interest thereon during the year Rs. ('000) 50,801 (*previous year Rs. ('000) Nil*)
- iii) An amount of Rs. ('000) 93,010 (*previous year Rs. ('000) 24,234*) from holding Company for expenses incurred on their behalf.

b) Sundry creditors include –

	Rs. '000	Previous year Rs. '000
i) Amounts due to small scale industrial undertakings	187,160	130,300

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

AVS Traders	Laxmi Engineering Works
Alwin Corpn	M.D. Industries
American Bureau of Shipping	Mallcom (India) Ltd.
APT Pneumatics Pvt. Ltd	Paramount Seals & Packings
Asian Power Controls	Paranjape Autocast Pvt. Ltd.
Avcon Controls Pvt. Ltd.	Polycrafts
Babsons Hydraulics	Poona Pressings Pvt. Ltd.
Chem-Tech Specialities	Prakash Products
Clean Home	Ravikiran Engg. Works
Cotmac Electronics Pvt. Ltd.	Rohit Electricals
Craft & Technik Industries	Roshan Enterprises
Doright Engineering	S.P. Enterprises
Electrical Devices	S P Sales & Services
Fluid Dynamics Pvt. Ltd.	Space 'n' Style
GKW Ltd. (Powmex Steels Div.)	Spark Engineering
IMI Machine Tools Pvt. Ltd.	Spa-Tial Engineering Pvt. Ltd.
Indian Packing Industry	Super Flex Engg. Polymers Pvt. Ltd.
Kappa Consolidated Pvt. Ltd.	Twintech Control Systems Pvt. Ltd.
K.K. Industries	Vijay Engineering
Kubera Tools	Zaware Creative Enterprises Pvt. Ltd.

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

d) Dues to Micro, Small And Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force on October 2, 2006, certain disclosures are required to be made relating to micro, small and medium enterprises. The relevant information is not readily available with the Company and hence, it is not possible to disclose the same.

4. Contingent liabilities

	As at 31st March, 2007 Rs. '000	As at 31st March, 2006 Rs. '000
a) Bills discounted not matured	86,942	56,308
b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	18,384	24,389
c) Central excise duty/customs duty – demands not accepted by the Company	14,622	8,640
d) Sales Tax Matters pending in appeal	8,541	25,333
e) Octroi Matters	142	—
f) Civil liability / secondary civil liability in respect of suits filed against the Company	—	65
g) Guarantees given on behalf of subsidiary Company to its bankers	—	320,500
h) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	—	27,500
i) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	Amounts if any, not ascertainable

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

5. Related Party Disclosures

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

Name of the related party	Nature of relationship
Cummins Inc.	Holding Company
Cummins Sales and Service India Limited	Subsidiary company
Cummins Auto Services Limited	Subsidiary company

b) Transactions with related parties as per the books of account during the year ended 31st March, 2007.

									Rs. ('000)
Transaction	Name of the Party	Holding Company	Subsidiaries	Fellow subsidiaries	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total	
Purchases of goods	Cummins Inc	1,136,231 (1,028,599)	— (—)	— (—)	— (—)	— (—)	— (—)	1,136,231 (1,028,599)	
	Cummins Ltd	— (—)	— (—)	1,244,106 (1,109,738)	— (—)	— (—)	— (—)	1,244,106 (1,109,738)	
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	1,319,962 (675,640)	1,319,962 (675,640)	
	Others	— (—)	15,397 (12,420)	973,142 (417,940)	60,317 (37,834)	— (—)	— (—)	1,048,856 (468,194)	
Sale of goods	Cummins Ltd	— (—)	— (—)	2,539,430 (2,728,984)	— (—)	— (—)	— (—)	2,539,430 (2,728,984)	
	Cummins Power Generation, Kent	— (—)	— (—)	1,458,230 (987,012)	— (—)	— (—)	— (—)	1,458,230 (987,012)	
	Cummins Power Generation, Singapore	— (—)	— (—)	956,670 (566,211)	— (—)	— (—)	— (—)	956,670 (566,211)	
	Cummins Sales and Service India Limited	— (—)	1,885,863 (1,824,326)	— (—)	— (—)	— (—)	— (—)	1,885,863 (1,824,326)	
	Cummins Inc.	41,697 (35,007)	— (—)	— (—)	— (—)	— (—)	— (—)	41,697 (35,007)	
	Others	— (—)	— (—)	531,452 (725,190)	— (—)	— (—)	— (—)	531,452 (725,190)	
	Purchase of fixed assets	Cummins Inc	9,745 (763)	— (—)	— (—)	— (—)	— (—)	— (—)	9,745 (763)
	Cummins Sales and Service India Limited	— (—)	165 (252)	— (—)	— (—)	— (—)	— (—)	165 (252)	
Sale of Fixed Assets	Cummins Sales and Service India Limited	— (—)	— (1,281)	— (—)	— (—)	— (—)	— (—)	— (1,281)	
Services Rendered	Cummins Inc	66,578 (64,102)	— (—)	— (—)	— (—)	— (—)	— (—)	66,578 (64,102)	
	Cummins Power Generation, Singapore	— (—)	— (—)	32,560 (4,133)	— (—)	— (—)	— (—)	32,560 (4,133)	
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	22,896 (5,067)	22,896 (5,067)	
	Others	— (—)	3,956 (1,372)	23,911 (9,307)	— (—)	— (—)	— (—)	27,867 (10,679)	

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Rs. ('000)

Transaction	Name of the Party	Holding Company	Subsidiaries	Fellow subsidiaries	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Remuneration Paid	Anant Talaulicar	— (—)	— (—)	— (—)	— (—)	4,183 (3,794)	— (—)	4,183 (3,794)
Services Received	Cummins Sales and Service India Limited	— (—)	321,232 (310,713)	— (—)	— (—)	— (—)	— (—)	321,232 (310,713)
	Others	— (—)	— (—)	2,327 (218)	— (—)	— (—)	— (—)	2,327 (218)
Transfer of Technology including royalty	Cummins Inc	347,283 (200,139)	— (—)	— (—)	— (—)	— (—)	— (—)	347,283 (200,139)
	Cummins Westport	— (—)	— (—)	10,664 (5,135)	— (—)	— (—)	— (—)	10,664 (5,135)
Intercorporate Deposits Given and recovered	Cummins Generator Technologies India Ltd.	— (—)	— (—)	50,000 (—)	— (—)	— (—)	— (—)	50,000 (—)
Interest Received On inter corporate deposit	Cummins Reseach and Technology India Limited	— (—)	— (—)	6,300 (6,300)	— (—)	— (—)	— (—)	6,300 (6,300)
	Cummins Generator Technologies India Ltd.	— (—)	— (—)	1,060 (—)	— (—)	— (—)	— (—)	1,060 (—)
Interest Income	Cummins Ltd	— (—)	— (—)	12,567 (40,097)	— (—)	— (—)	— (—)	12,567 (40,097)
	Cummins Power Generation, Singapore	— (—)	— (—)	2,697 (—)	— (—)	— (—)	— (—)	2,697 (—)
IT Service Charges	Cummins Inc	35,282 (51,656)	— (—)	— (—)	— (—)	— (—)	— (—)	35,282 (51,656)
Sale of Scrap	Cummins Sales and Service India Limited	— (—)	235 (1,704)	— (—)	— (—)	— (—)	— (—)	235 (1,704)
Dividend Received	Cummins Exhaust India Ltd.	— (—)	— (—)	17,998 (46,800)	— (—)	— (—)	— (—)	17,998 (46,800)
	Cummins Sales and Service India Limited	— (—)	110,000 (250,000)	— (—)	— (—)	— (—)	— (—)	110,000 (250,000)
	Cummins Generator Technologies India Ltd.	— (—)	— (—)	48,360 (—)	— (—)	— (—)	— (—)	48,360 (—)
	Others	— (—)	— (—)	— (3,000)	— (—)	— (—)	— (—)	— (3,000)
Dividend paid	Cummins Inc	403,920 (403,920)	— (—)	— (—)	— (—)	— (—)	— (—)	403,920 (403,920)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

c) Amounts outstanding as at 31st March, 2007

								Rs. ('000)
Transaction	Name of the Party	Holding Company	Subsidiaries	Fellow subsidiaries	Associate	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Sundry Creditors	Cummins Inc	407,693 (278,262)	— (—)	— (—)	— (—)	— (—)	— (—)	407,693 (278,262)
	Cummins Ltd	— (—)	— (—)	126,588 (139,669)	— (—)	— (—)	— (—)	126,588 (139,669)
	Cummins Sales and Service India Limited	— (—)	50,578 (43,923)	— (—)	— (—)	— (—)	— (—)	50,578 (43,923)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	9,341 (7,084)	— (—)	— (—)	9,341 (7,084)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	38,874 (41,893)	38,874 (41,893)
	Others	— —	— —	47,476 (54,964)	— —	— —	— —	47,476 (54,964)
	Sundry Debtors	Cummins Ltd	— (—)	— (—)	566,283 (1,135,815)	— (—)	— (—)	— (—)
Cummins Power Generation, Kent		— (—)	— (—)	519,606 (260,981)	— (—)	— (—)	— (—)	519,606 (260,981)
Cummins Power Generation, Singapore		— (—)	— (—)	269,587 (255,073)	— (—)	— (—)	— (—)	269,587 (255,073)
Cummins Sales and Service India Limited		— (—)	680,330 (283,800)	— (—)	— (—)	— (—)	— (—)	680,330 (283,800)
Cummins Inc.		18,940 (40,911)	— (—)	— (—)	— (—)	— (—)	— (—)	18,940 (40,911)
Tata Cummins Limited		— (—)	— (—)	— (—)	— (—)	— (—)	6,848 (978)	6,848 (978)
Others		— —	1,690 (1,524)	124,850 (168,955)	— —	— —	— —	126,540 (170,479)
Guarantees Outstanding	Cummins Auto Services Limited	— (—)	— (320,500)	— (—)	— (—)	— (—)	— (—)	— (320,500)
Inter Corporate Deposit Receivable	Cummins Reseach and Technology India Limited	— (—)	— (—)	70,000 (70,000)	— (—)	— (—)	— (—)	70,000 (70,000)
Interest Receivable on ICD Balance	Cummins Generator Technologies India Ltd.	— (—)	— (—)	690 (—)	— (—)	— (—)	— (—)	690 (—)
Loans & Advances	Cummins Inc	93,010 (24,234)	— (—)	— (—)	— (—)	— (—)	— (—)	93,010 (24,234)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Notes:

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

Nature of Relationship	Name of the Party
Holding Company	Cummins Inc
Subsidiaries	Cummins Auto Services Limited Cummins Sales and Service India Limited
Fellow subsidiaries	Cummins Brasil Cummins Business Services, Nashville Cummins Comercializadora Cummins Diesel N.V. Cummins Diesel Sales Corporation Cummins Engine (Beijing) Cummins Engine Company Pty Ltd. Cummins Japan Ltd. Cummins Ltd Cummins Middle East FZE Cummins Natural Gas Engines, Inc. Cummins Power Generation Cummins Power Generation, Kent Cummins Power Generation, Singapore Cummins Power Generation, U.S.A. Cummins Reseach and Technology India Limited Cummins S De R.L. De C.V. Cummins Turbo Technologies Ltd. Cummins Westport Diesel Recon Co. Diesel Recon, El Paso Diesel Recon-Memphis Fleetguard Inc. Cummins Generator Technologies India Ltd. Cummins Exhaust India Ltd. Cummins Generator Technologies Limited, UK
Key Management Personnel	Anant Talaulicar
Associate	Valvoline Cummins Limited
Enterprise with common Key Management Personnel	Tata Cummins Limited

- ii) Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice versa have not been included above.
- iii) The information given above, have been reckoned on the basis of information available with the Company.
- iv) Figures in brackets are in respect of the previous year.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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 @	17,100,478 (13,750,967)	1,505,805 (1,043,636)	18,606,283 (14,794,603)
ii) Segment result	2,849,237 (1,885,498)	168,488 (101,141)	3,017,725 (1,986,639)
Unallocated Other Income			456,358 (480,988)
Interest			14,060 (9,031)
Profit before tax			3,460,023 (2,458,596)
Provision for tax			
Current tax			1,114,346 (718,452)
Deferred tax			-89,240 (-46,907)
Fringe Benefit Tax			14,449 (30,054)
Net profit for the year			2,420,468 (1,756,997)
iii) Segment assets	10,012,421 (8,127,504)	651,840 (567,638)	10,664,261 (8,695,142)
Common Assets			2,944,414 (2,672,481)
Enterprise Assets			13,608,675 (11,367,623)
iv) Segment liabilities	3,380,314 (2,695,391)	393,041 (345,843)	3,773,355 (3,041,234)
Common Liabilities			539,789 (483,583)
Enterprise Liabilities			4,313,144 (3,524,827)
v) Capital expenditure	513,208 (182,845)	22,952 (9,744)	536,160 (192,589)
Depreciation	303,310 (313,441)	22,710 (22,920)	326,020 (336,361)
Information about geographical segments (Secondary segments)			
	Domestic	Export	Total
vi) Segment revenue @	12,555,869 (9,482,090)	6,050,414 (5,312,513)	18,606,283 (14,794,603)

@ Segment revenue from Other business includes Income from Lease Rs. ('000) 4,736 (previous year Rs. ('000) 8,714)

Notes:

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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	Rs. '000 Total
Opening Balance	229,634 (185,506)	82,270 (63,715)	3,646 (3,646)	315,550 (252,867)
Additions	314,369 (222,971)	32,991 (31,416)	— (—)	347,360 (254,387)
Utilisations	187,125 (178,843)	15,636 (12,861)	— (—)	202,761 (191,704)
Reversal	— (—)	— (—)	— (—)	— (—)
Closing Balance	356,878 (229,634)	99,625 (82,270)	3,646 (3,646)	460,149 (315,550)

- 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.
- 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.
- The provisions 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

- 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 Rs. '000	Due between 12 – 60 months Rs. '000	Total amount receivable Rs. '000
Gross investment in lease	7,067 (14,248)	7,547 (14,399)	14,614 (28,647)
Less : Unearned finance income	1,233 (2,471)	778 (2,010)	2,011 (4,481)
Present value of minimum lease payments receivable	5,834 (11,777)	6,769 (12,389)	12,603 (24,166)

Figures in brackets are in respect of the previous year.

- Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 7,101 (previous year Rs. ('000) 4,741).

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. ('000) 14,641 (*previous year Rs. ('000) 2,759*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. ('000) 89,142 (*previous year Rs. ('000) 80,594*)
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) Nil (*previous year Rs. ('000) 206*)

9. Lease commitments

- i) Finance lease :

The Company has acquired computers under finance lease arrangements for a period of three years. The future minimum lease payments under these leases as of March 31, 2007 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	26,554 (963)	39,485 (—)	66,039 (963)
Less : Amount representing interest	4,009 (14)	2,580 (—)	6,589 (14)
Present value of minimum lease payments	22,545 (949)	36,905 (—)	59,450 (949)

- ii) Operating lease :

The Company has acquired equipment under operating lease arrangements at stipulated rentals for a period of five years. The future minimum lease payments under these leases as of March 31, 2007 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	16,326 (16,861)	21,365 (31,094)	37,691 (47,955)

The minimum lease payments recognized in the statement of profit and loss (included under other expenses) for the year are Rs. ('000) 25,399 (*previous year Rs. ('000) 41,298*).

10. The net exchange differences (gains/(losses)) arising during the year appropriately recognised in the profit and loss account is Rs. ('000) 33,632 (*previous year Rs. ('000) 53,760*)

11. a) Managerial Remuneration

Particulars	Rs. ('000)	Previous Year Rs. ('000)
Salary	12	12
Perquisites	4,171	3,782
Commission - non-wholetime directors	1,375	1,375
Sitting fees	270	210
Total	5,828	5,379

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

The Central Government has accorded approval for appointment of Mr. Anant J. Talaulicar as Whole-time Director of the Company, effective April 25, 2003 and for payment of remuneration as Managing Director effective April 1, 2004. Government approval for his appointment as Managing Director effective July 29, 2003, is awaited.

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.

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

Particulars	Rs. '000	Previous year	
		Rs. '000	Rs. '000
Profits before Tax as per Profit and Loss account		3,460,023	2,458,596
Add: Directors' remuneration	5,828		5,379
Depreciation (including amortization) provided in the books	326,020		336,361
Net loss on fixed assets sold or discarded as per schedule 11	5,693		4,231
Provision for doubtful debts and advances	20,467		5,293
		358,008	351,264
Less: Depreciation (including amortization) under section 350 of the Companies Act, 1956	326,020		336,361
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	5,693		4,231
Profit on redemption or sale of Investments	30,506		26,276
		362,219	366,868
Net Profit as per section 309(5)		3,455,812	2,442,992
Restricted to 1%		34,558	24,430
Commission payable to non-whole-time directors		1,375	1,375

12. Remuneration to Auditors:

	Previous year	
	Rs. '000	Rs. '000
Statutory Audit (including Consolidation of Accounts)	4,800	4,200
Limited Review	1,200	1,200
Tax Audit	1,200	1,130
Other services	70	111
Reimbursement of out of pocket expenses	45	116
	7,315	6,757

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

13. Other expenses include provision for doubtful debts Rs. ('000) 20,467 (*previous year Rs. ('000) 5,293*).
14. Research and development expenses aggregating Rs. ('000) 212,946, including Rs. ('000) 25,127 on capital account (*previous year Rs. ('000) 225,642* including Rs. ('000) 10,710 on capital account) have been incurred by the Company. The expenses disclosed above include expenses incurred on development of parts, etc. As per requirement specified by Department of Scientific and Industrial Research, New Delhi, details of research and development expense incurred on auto projects is as follow :

Particulars	Rs. ('000)		
	Auto projects	Other projects	Total Research and Development expense
a. On capital A/c	4,534	20,593	25,127
	(—)	(10,710)	(10,710)
b. On revenue A/c	5,536	182,283	187,819
	(14,028)	(200,904)	(214,932)
Total	10,070	202,876	212,946
	(14,028)	(211,614)	(225,642)

Figures in brackets are in respect of the previous year.

15. The Company has 50% interest in Joint Ventures namely Cummins Exhaust 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, 2007 and Income and Expenses for the year ended on that date.

a) **Cummins Exhaust India Limited**

	As at March 31, 2007 Rs. '000	As at March 31, 2006 Rs. '000
Assets	97,394	74,342
Liabilities	33,579	28,785
Income	169,466	113,273
Expenses (including provision for tax)	133,786	90,720
Contingent Liabilities	Nil	Nil
Capital Commitments	Nil	1,531

b) **Cummins Research and Technology India Limited**

	As at March 31, 2007 Rs. '000	As at March 31, 2006 Rs. '000
Assets	93,294	69,468
Liabilities	66,642	54,997
Income	124,262	91,368
Expenses (including provision for tax)	111,102	79,070
Contingent Liabilities	13,516	8,944
Capital Commitments	Nil	510

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

16. Earnings Per share

	As at March 31, 2007	As at March 31, 2006
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)	2,420,468	1,756,997
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	12.22	8.87
Face value per share Rs.	2.00	2.00

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

	Installed capacity* Nos.	Production Nos.
Internal Combustion engines in all H.P. ranges.	24,800 (19,500)	22,905 (19,934)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	7,300 (4,600)	7,608 (4,110)
Hydraulic Governors (see note (ii) below)	— (—)	— (—)
Machine tools including special purpose machines and transfer lines	7 (10)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	0.346 (0.389)

* 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
 - a) engines captively consumed Nil (*previous year – 61 nos.*).
 - b) Gensets captively consumed 1 no. (*Previous year – Nil*)
 - c) C series engines manufactured on contract by its subsidiary Cummins Sales and Service India Limited 1,728 nos. (*previous year 1,880 nos.*)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- 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	22,652* (19,858)*	15,436,671 (12,365,787)	38 (140)	29,600 (46,091)	168** (38)**	104,867 (29,600)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	7,455# (4,046)#	1,176,168 (639,773)	55 (19)	5,804 (1,540)	189*** (55)***	25,889 (5,804)
Hydraulic governors	— (—)	— (—)	See note (i) below			
Goods for resale : Engines	1,068## (6)##	348,410 (1,450)	— (—)	— (—)	— (—)	— (—)
Equipments	11 (10)	61,908 (113,574)	1 (2)	3,419 (13,485)	1 (1)	14,022 (3,419)
Lease rentals from equipments		178,856 (205,841)				
Gross income from services rendered		16,198 (22,134)				
Spare parts, accessories and components		1,315,133 (1,383,731)	See note (i) below			
Others		68,203 (53,600)		— (465)		14,882 (—)
		<u>18,601,547</u> (14,785,890)		<u>38,823</u> (61,581)		<u>159,660</u> (38,823)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- * net of sales returns 41 nos. (*previous year 81 nos.*) and excluding engines given as free replacement 123 nos. (*previous year 98 nos.*) and including C series engines manufactured on contract by its subsidiary Cummins Sales and Service India Limited 1,712 nos. (*previous year 1,872 nos.*).
- ** excluding engines scrapped Nil nos. (*previous year 19 nos.*) and including bought-out engine Nil nos. (*previous year Nil nos.*)
- *** excluding gensets scrapped Nil nos. (*previous year 3 nos.*)
- # net of sales returns 3 nos. (*previous year Nil nos.*) and excluding gensets given as free replacement 18 nos. (*previous year 25 nos.*)
- ## net of sales returns 87 nos. (*previous year Nil nos.*)

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 788; <i>previous year 765</i>)	49,675	45,396
ii) Castings – various	339,868	314,589
iii) Forgings – various	538,725	488,161
iv) Components	8,431,894	6,151,195
v) Engines (17,146 nos.; <i>previous year 12,371 nos.</i>)	1,366,026	1,025,971
vi) Long Blocks (1,063 nos.; <i>previous year 593 nos.</i>)	134,548	78,812
vii) Others including semi-finished components	967,140	1,388,205
	<u>11,827,876</u>	<u>9,492,329</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.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

d) Details of purchase of goods for resale :

	Qty.	Value	<i>Previous year</i>	
	Nos.	Rs. '000	Qty. Nos.	Value Rs. '000
Engines	1,068	346,078	6	1,450
Equipment	11	91,609	9	72,850
Others		68,356		81,683
Total		<u>506,043</u>		<u>155,983</u>

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

	Rs. '000	%	<i>Previous year</i>	
	Rs. '000	%	Rs. '000	%
Imported	3,576,514	30.24	3,212,550	33.84
Indigenously procured	8,251,362	69.76	6,279,779	66.16
Total	<u>11,827,876</u>	<u>100.00</u>	<u>9,492,329</u>	<u>100.00</u>

Notes :

- i) See comments in note 17(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 :

	Rs. '000	<i>Previous year</i> Rs. '000
	a) Raw materials	242,219
b) Components	2,986,264	2,531,717
c) Machinery spares	25,549	180,768
d) Capital goods	61,289	3,014
e) Tools, stores, etc.	7,778	7,712
Total	<u>3,323,099</u>	<u>2,840,342</u>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

	Rs. '000	<i>Previous year</i> Rs. '000
a) Royalty	269,332	200,139
b) Technical Know-how	88,615	5,135
c) Others (including IT Service charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	117,916	109,770
Total	<u>475,863</u>	<u>315,044</u>

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

	Rs. '000	<i>Previous year</i> Rs. '000
Number of shareholders	1	1
Number of equity shares (shares of Rs.2 each)	100,980,000	100,980,000
Amount remitted Rs. ('000)		
For the year ended 31st March, 2007 (Interim)	201,960	
For the year ended 31st March, 2006 (Final)	201,960	
For the year ended 31st March, 2006 (Interim)		201,960
For the year ended 31st March, 2005 (Final)		201,960

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

21. Earnings in foreign exchange :

	Rs. '000	<i>Previous year</i> Rs. '000
i) Export on FOB basis	6,050,414	5,312,513
ii) Recovery of freight, insurance and other expenses on exports	14,973	27,596
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	116,756	68,828
iv) Interest	15,264	40,097
Total	<u>6,197,407</u>	<u>5,449,034</u>

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

22. Disclosures in accordance with Revised AS- 15 on “Employee Benefits”

The Accounting Standard – 15 (Revised 2005) on “Employee Benefits” AS 15 (Revised 2005) issued by the Institute of Chartered Accountants of India has been adopted by the Company effective from April 1, 2006. In accordance with the above Standard, the additional obligations of the Company, on account of employee benefits, based on independent actuarial valuation, amounting to Rs. 52,904 ('000) (net of deferred tax) have been accounted by debiting the opening balance of the General Reserve as on April 1, 2006 as per the transitional provisions of AS 15 (Revised 2005).

1. Defined Contribution Plans – The Company has recognised the following amounts in the Profit and Loss Account for the year:

Particulars	Rs.'000 Total
Contribution to Employees Provident Fund	40,723
Contribution to Management Superannuation Fund	26,568
Total	67,291

2. Defined Benefit Plans –

The following figures are as per actuarial valuation, as at the Balance Sheet date, carried out by an independent actuary.

- a. A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	Total Rs.'000
	Opening DBO as on 1 st April 2006	264,594	292,291	11,168	3,705	571,758
i)	Current Service Cost	17,070	9,787	445	185	27,487
ii)	Interest Cost	18,421	19,351	729	243	38,744
iii)	Actuarial (Gains) / Losses	2,989	(12,507)	304	(351)	(9,565)
iv)	Benefits Paid	(29,092)	(43,676)	(1,830)	(324)	(74,922)
	Closing DBO as on 31 st March 2007	273,982	265,246	10,816	3,458	553,502

- b. A reconciliation of the opening and closing balances of the fair value of plan assets:

Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	Total Rs. '000
	Opening Fair Value of Plan Assets	297,903	261,514	—	—	559,417
i)	Expected Return on Plan Assets	19,525	16,956	—	—	36,481
ii)	Actuarial Gains / (Losses)	(2,148)	5,912	—	—	3,764
iii)	Contribution by the Employer	11,691	19,700	1,830	324	33,545
iv)	Benefits Paid	(29,092)	(43,676)	(1,830)	(324)	(74,922)
	Closing Fair Value of Plan Assets	297,879	260,406	—	—	558,285

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- c. Amount recognized in Balance Sheet including a reconciliation of the present value of the defined obligation in (a) and the fair value of the plan assets in (b) to the assets and liabilities recognized in the balance sheet:

						Rs.'000
Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	Total
i)	Present value of Funded Obligations	273,982	265,246	—	—	539,228
ii)	Fair value of Plan Assets	(297,879)	(260,406)	—	—	(558,285)
iii)	Present Value of Unfunded Obligations	—	—	10,816	3,458	14,274
	Net Liability/(Asset) recognized in Balance Sheet	(23,897)	4,840	10,816	3,458	(4,783)

- d. The total expense recognised in the Profit and Loss Account:

						Rs.'000
Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	Total
i)	Current Service Cost	17,070	9,787	445	185	27,487
ii)	Interest Cost	18,421	19,351	729	243	38,744
iii)	Expected Return on Plan Assets	(19,525)	(16,956)	—	—	(36,481)
iv)	Actuarial (Gains) / Losses	5,137	(18,419)	304	(351)	(13,329)
	Total	21,103	(6,237)	1,478	77	16,421

All of the above have been included in the line item 'Company's contribution to provident and other funds' in Schedule 11 of the Profit and Loss Account.

- e. For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets:

Sr. No.	Particulars	Gratuity	Pension
i)	Government of India Securities	9.0%	0.0%
ii)	Corporate Bonds	2.0%	0.0%
iii)	Special Deposit Scheme	14.0%	0.0%
iv)	Equity Shares of Listed Companies	0.0%	0.0%
v)	Property	0.0%	0.0%
vi)	Insurer Managed Funds	75.0%	100.0%
vii)	Others	0.0%	0.0%
	Total	100.0%	100.0%

- f. The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- g. The Actual Return on Plan Assets is as follows:

Sr. Particulars	Gratuity	Pension	Total
i) Actual return on plan assets	17,377	22,869	40,246

Rs'000

- h. Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Particulars	Gratuity	Pension	Ex-gratia	PRMB
Discount Rate	8.1%	8.1%	8.1%	8.1%
Expected Rate of Return on Plan Assets	8.0%	8.0%	NA	NA
Salary Escalation Rate - Management Staff	7.0%	NA	NA	NA
Salary Escalation Rate - Non-Management Staff	5.0%	5.0%	NA	NA
Annual Increase in Healthcare Costs - First 9 years	NA	NA	NA	10.0%
Annual Increase in Healthcare Costs - Next 5 years	NA	NA	NA	8.0%
Annual Increase in Healthcare Costs -Thereafter	NA	NA	NA	6.0%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- i. The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

Particulars	One percentage point increase	One percentage point decrease
The aggregate of the current service cost and interest cost components of net periodic post -employment medical costs; and	40	(35)
The accumulated post-employment benefit obligation for medical costs	242	(212)

- j. Para 132 of AS15 (Revised 2005) does not require any specific disclosures except where expense resulting from Compensated Absences is of such size, nature or incidence that its disclosure is relevant under Accounting Standard 5 or Accounting Standard 18. In the opinion of the management the expense resulting from Compensated Absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).
- k. This being the first year of implementation of AS -15 (Revised 2005), previous year figures have not been given.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

23. 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, 2007

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2007

	Rs. '000
Public issue	—
Right issue	—
Bonus issue	—
Private placement	—

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH, 2007

	Rs. '000
Total Liabilities (See Note 1)	9,380,263
Total Assets	9,380,263

Sources of Funds -

Paid-up capital	396,000
Reserves & Surplus	8,899,531
Secured loans	24,064
Unsecured loans	1,218
Finance Lease Liability	59,450
Total :	9,380,263

Application of Funds -

Net fixed assets	1,816,501
Investments	2,825,789
Deferred tax asset	98,933
Net current assets	4,639,040
Miscellaneous expenditure	—
Accumulated losses	—
Total :	9,380,263

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2007 :

	Rs. '000
i) Turnover (net sales and other income as per the audited profit and loss account)	19,261,198
ii) Total Expenditure	15,801,175
iii) Profit before tax	3,460,023
iv) Profit after tax	2,420,468
v) Earning per share (See Note 2) (face value of Rs. 2)	12.22
vi) Dividend rate (%)	200%

V. PRODUCTS OF THE COMPANY

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

Item code no. (ITC Code)	<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 :

- Total liabilities include share capital Rs. 396 million and reserves and surplus Rs. 8,900 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

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

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 31, 2007

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	2,577,098		2,071,070
Tax paid (net of refunds)	<u>(906,886)</u>		<u>(784,616)</u>
Net cash provided by operating activities		1,670,212	1,286,454
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(490,568)		(198,367)
Sale	8,752		7,343
Interest received	59,104		71,368
Dividend received	301,042		333,517
Investments			
Purchase	(14,379,396)		(4,317,209)
Sale/redemption	<u>14,073,048</u>		<u>4,016,597</u>
Net cash used for investing activities		(428,018)	(86,751)
III. Cash flows from financing activities :			
Bank Overdraft (Net)	(61,855)		(224,901)
Finance Lease Liability	58,501		(25,011)
Loans repaid	(358)		(281)
Interest paid	(4,718)		(9,345)
Dividend paid (including tax on dividend)	<u>(901,570)</u>		<u>(901,601)</u>
Net cash used for financing activities		(910,000)	(1,161,139)
IV. Net change in cash and cash equivalents (I+II+III)		332,194	38,564
V. Cash and cash equivalents at the beginning of the year		56,332	17,768
Cash and cash equivalents at the end of the year (IV+V)		388,526	56,332

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (Contd.)

	Rupees '000	Rupees '000	Previous year Rupees '000
Notes :			
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		3,460,023	2,458,596
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	326,020		336,361
Interest expense	14,060		9,031
Interest income (gross)	(56,362)		(70,773)
Dividend earned (gross)	(301,042)		(333,517)
Loss on assets sold,discarded etc;	5,693		4,231
Gain on redemption /sale of investments	(30,506)		(26,276)
Provision for doubtful debts	20,467		5,293
		(21,670)	(75,650)
b) Changes in working capital and other provisions :-			
Sundry debtors	(591,742)		(673,741)
Inventories	(480,278)		59,985
Loans and advances	(362,519)		(78,519)
Other current assets	10,400		(4,814)
Current liabilities	410,742		318,287
Provisions	152,142		66,926
		(861,255)	(311,876)
Total adjustments (a+b)		(882,925)	(387,526)
Cash generated from operations		2,577,098	2,071,070

- 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.

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007 (Contd.)

	Rupees '000 2006-07	Rupees '000 2005-06	Rupees '000 2004-05
3) Cash and cash equivalents comprise :			
Cash in hand	259	298	345
Balances with bank on current account :			
Unclaimed dividend account (restricted)	14,475	12,967	11,490
Other current accounts	310,180	43,067	5,933
Cheques in transit	63,612	—	—
Total	388,526	56,332	17,768

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

Vasant Gujarathi
Partner
Membership Number : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 31, 2007

Pune
Date: May 31, 2007

PEOPLE

PRODUCTS

SERVICES

Cummins India Limited

Consolidated Balance Sheet
and Profit and Loss Account

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, 2007, 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, whose financial statements reflect total assets of Rs. 1,181,857 ('000) as at March 31, 2007 and total revenues of Rs. 2,845,399 ('000) for the year ended on that date. These financial statements have been audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included in respect of this associate is based solely on the report of the other auditor.
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, 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, 2007;
 - (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.

Vasant Gujarathi
Partner
Membership Number 17866
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Pune
Date : May 31, 2007

Cummins India Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule Number	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	<u>9,810,719</u>		<u>8,130,233</u>
			10,206,719	8,526,233
Loan funds :				
Secured loans	3	33,319		108,392
Unsecured loans	4	<u>228,357</u>		<u>322,910</u>
			261,676	431,302
Finance Lease Liability			<u>91,345</u>	<u>10,218</u>
			<u>10,559,740</u>	<u>8,967,753</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	5,997,549		5,589,044
Less : depreciation		<u>3,897,840</u>		<u>3,668,561</u>
Net block			2,099,709	1,920,483
Goodwill			4,857	9,399
Investments	6		3,191,352	2,723,494
Deferred Taxation				
Deferred tax Asset	7	303,204		241,911
Deferred tax Liability		<u>(200,467)</u>		<u>(240,563)</u>
			102,737	1,348
Current assets, loans and advances :				
Inventories	8	3,418,402		2,784,350
Sundry debtors		4,463,087		4,054,004
Cash and bank balances		552,532		127,838
Other current assets		127,743		100,861
Loans and advances		<u>1,587,447</u>		<u>1,348,394</u>
		<u>10,149,211</u>		<u>8,415,447</u>
Less : Current liabilities and provisions :				
Current liabilities	9	3,728,192		3,081,376
Provisions		<u>1,259,934</u>		<u>1,021,042</u>
		<u>4,988,126</u>		<u>4,102,418</u>
Net current assets			<u>5,161,085</u>	<u>4,313,029</u>
			<u>10,559,740</u>	<u>8,967,753</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

Vasant Gujarathi
Partner
Membership Number : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Pune
Date: May 31, 2007

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal & Company Secretary

Pune
Date: May 31, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			21,228,158	17,750,573
Other Income			707,999	492,033
			<u>21,936,157</u>	<u>18,242,606</u>
EXPENDITURE :	11			
Cost of sales and other expenses		17,764,230		15,207,816
Lumpsum compensation under voluntary retirement scheme		—		4,920
Depreciation		381,043		390,370
INTEREST :				
On fixed loans		25,894		29,372
Others		<u>38,676</u>		<u>15,833</u>
Amortisation of goodwill			64,570	45,205
			<u>9,761</u>	<u>9,386</u>
			<u>18,219,604</u>	<u>15,657,697</u>
PROFIT BEFORE TAX			<u>3,716,553</u>	<u>2,584,909</u>
PROVISION FOR TAX:				
Current Tax (including net excess provision for earlier years Rs. ('000) 22,605 (previous year Rs. ('000) 34,189)		1,289,635		916,738
Deferred Tax		(69,156)		(56,120)
Fringe Benefit Tax		<u>20,134</u>		<u>41,260</u>
			<u>1,240,613</u>	<u>901,878</u>
NET PROFIT AFTER TAX AND BEFORE SHARE IN ASSOCIATES' PROFIT			<u>2,475,940</u>	<u>1,683,031</u>
Add : Share in Associates' profit after tax (net)			<u>203,734</u>	<u>153,377</u>
NET PROFIT FOR THE YEAR			<u>2,679,674</u>	<u>1,836,408</u>
Balance carried forward from last balance sheet			874,783	462,915
APPROPRIATIONS :				
I Proposed final dividend			396,000	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			147,837	155,083
IV Transferred to general reserve			<u>625,046</u>	<u>477,457</u>
Balance carried to balance sheet			<u>1,989,574</u>	<u>874,783</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			13.53	9.27

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

Vasant Gujarathi
Partner
Membership Number : 17866

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Pune
Date: May 31, 2007

For and on behalf of the Board.

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal & Company Secretary

Pune
Date: May 31, 2007

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
200,000,000 equity shares of Rs. 2 each (previous year 200,000,000 equity shares of Rs. 2 each)	400,000	400,000
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each (previous year 198,000,000 equity shares of Rs. 2 each)	396,000	396,000

Of the above equity shares;

- i) 190,500,000 shares of Rs. 2 each (previous year 190,500,000 shares of Rs. 2 each) are allotted as fully paid bonus shares by capitalisation of reserves.
- ii) 100,980,000 shares of Rs. 2 each (previous year 100,980,000 shares of Rs. 2 each) are held by the holding company, Cummins Inc., USA.

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account:			
Balance as per last account		7,000	7,000
General reserve:			
Balance as per last account	7,248,445		6,770,988
Less : Transitional effect on account of AS 15 (revised 2005) - "Employee Benefits" (Refer Note 24 of Schedule 12)	59,351		—
Add : transferred from profit and loss account	625,046		477,457
		7,814,140	7,248,445
Capital reserve on consolidation		5	5
Profit and loss account		1,989,574	874,783
		9,810,719	8,130,233

Reserve and surplus include the Group's share in the post acquisition reserves of Joint Ventures amounting to Rs.('000) 61,478 (previous year Rs. ('000) 51,793)

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, receivables, and movable assets.*	32,469	105,092
Term loans from banks (secured against respective fixed assets). *	850	3,300
	<u>33,319</u>	<u>108,392</u>

* The process for transfer of charge to Cummins Sales and Service India Limited , pursuant to the Scheme of Arrangement for demerger of the Highway Solutions Undertaking of Cummins Auto Services Limited and Scheme of Amalgamation with Fourstroke Automotive Private Limited, in respect of loans taken by the Undertaking / entity, is in progress.

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs ('000) 289 ; <i>previous year Rs ('000) 400</i>)	1,218	1,595
From Banks (payable within one year) Short term loans (including interest accrued and due Rs.('000) 4,626) <i>previous year Rs.('000) 815)</i>	227,139	321,315
	<u>228,357</u>	<u>322,910</u>

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 5

FIXED ASSETS:

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2006	Additions	Deductions	Gross Block (at cost) as at 31st March, 2007	Depreciation as per schedule 5A	Net block as at 31st March, 2007
Tangible Assets						
Land						
-Freehold	37,526	24,834	6,872	55,488	—	55,488
-Leasehold	—	—	—	—	—	—
Roads	12,568	1,216	—	13,784	4,971	8,813
Buildings	303,087 *	1,884	14,152	290,819 *	118,842	171,977
Leasehold improvements	1,108	—	—	1,108	856	252
Plant and machinery	4,692,562 #	315,886	149,645	4,858,803 #	3,538,623	1,320,180
Furniture and fittings	97,876	2,676	7,060	93,492	39,660	53,832
Vehicles	78,997	5,538	20,813	63,722	28,970	34,752
Intangible assets						
Technical Knowhow	42,000	—	—	42,000	27,289	14,711
Global Sourcing Consideration	214,327	—	—	214,327	128,595	85,732
Software	15,540	5,265	—	20,805	10,034	10,771
	<u>5,495,591</u>	<u>357,299</u>	<u>198,542</u>	<u>5,654,348</u>	<u>3,897,840</u>	<u>1,756,507</u>
	<u>(5,386,403)</u>	<u>(159,913)</u>	<u>(50,725)</u>	<u>(5,495,591)</u>	<u>(3,668,561)</u>	<u>(1,827,030)</u>

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

343,201	343,201
<u>(93,453)</u>	<u>(93,453)</u>
<u>5,997,549</u>	<u>3,897,840</u>
<u>(5,589,044)</u>	<u>(3,668,561)</u>
<u>5,997,549</u>	<u>2,099,708</u>
<u>(5,589,044)</u>	<u>(1,920,483)</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) 175,706 (previous year Rs. ('000) 174,729) (net block Rs. ('000) 95,724 (previous year Rs. ('000) 112,860)) given under operating lease arrangements and office equipment and computers costing Rs. ('000) 126,499 (previous year Rs. ('000) 116,732) (net block Rs. ('000) 101,818 previous year Rs. ('000) 25,065), acquired under finance leases.

Figures in brackets are in respect of the previous year.

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 5A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2006	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2007
Tangible Assets				
Land				
-Freehold	—	—	—	—
-Leasehold	—	—	—	—
Roads	4,819	152	—	4,971
Buildings	111,976	9,193	2,327	118,842
Leasehold improvements	681	175	—	856
Plant and machinery #	3,371,161	303,770	136,308	3,538,623
Furniture and fittings	37,140	6,040	3,520	39,660
Vehicles	32,511	6,068	9,609	28,970
Intangible assets				
Technical Knowhow	18,889	8,400	—	27,289
Global Sourcing Consideration	85,730	42,865	—	128,595
Software	5,654	4,380	—	10,034
	<u>3,668,561</u>	<u>381,043</u>	<u>151,764</u>	<u>3,897,840</u>
	<u>(3,308,714)</u>	<u>(390,370)</u>	<u>(30,523)</u>	<u>(3,668,561)</u>

includes depreciation of Rs ('000) 18,112 (*previous year Rs ('000) 17,853*) on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 6			
INVESTMENTS:			
LONG TERM INVESTMENTS			
TRADE INVESTMENTS			
Investment in Associates			
(Refer Note 20, Schedule 12)			
Cummins Generator Technologies India Limited			
(Formerly Newage Electrical India Limited)			
	375,095		266,668
Valvoline Cummins Limited			
	174,399		151,567
		549,494	418,235
OTHER THAN TRADE INVESTMENTS AT COST			
Tax free redeemable bonds			
	330,660		385,283
Government of India Bonds			
	250,665		250,665
Corporate bonds			
	164,702		164,702
Units of mutual funds			
	371,444		308,636
Others			
	41,329		41,329
		1,158,800	1,150,615
Total Long term investments	(A)	1,708,294	1,568,850
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE			
OTHER THAN TRADE INVESTMENTS			
Units of mutual funds			
		1,483,058	1,154,644
Total Current Investments	(B)	1,483,058	1,154,644
Total Investments	(A+B)	3,191,352	2,723,494
Aggregate cost of quoted investments			
		787,321	893,500
Aggregate cost of unquoted investments			
		2,106,900	1,664,089
Aggregate market value of quoted investments			
		1,569,446	1,103,992

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 7			
DEFERRED TAXATION			
Deferred Tax asset			
Provision for doubtful debts	32,687		36,887
Provision others	159,004		115,492
Provision for voluntary retirement scheme	9,429		17,009
Provision for employee benefits	80,676		36,297
Disallowances under section 43B	20,469		30,105
Unabsorbed depreciation	939		6,121
		303,204	241,911
Deferred Tax liability			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act , 1961		(200,467)	(240,563)
		102,737	1,348

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		64,279	69,953
Loose tools and gauges		76,586	70,526
Stock-in-trade :			
Raw materials and components	1,410,808		1,137,987
Work-in-progress	738,652		622,671
Finished goods	672,167		413,985
Service stocks	54,515		38,830
Materials in transit	401,395		430,398
		<u>3,277,537</u>	<u>2,643,871</u>
		3,418,402	2,784,350
Sundry debtors :			
Secured : considered good			
Debts outstanding for a period exceeding six months	5,746		8,645
Other debts	123,007		100,170
		128,753	108,815
Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	160,694		154,599
Considered doubtful	102,715		114,247
Other debts -			
Considered good	4,173,640		3,790,590
Considered doubtful	4,614		8,157
	<u>4,441,663</u>		<u>4,067,593</u>
Less: Provision for doubtful debts	107,329		122,404
		<u>4,334,334</u>	<u>3,945,189</u>
		4,463,087	4,054,004
Carried forward		7,881,489	6,838,354

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 8 (contd)			
Brought forward		7,881,489	6,838,354
Cash and bank balances :			
Cash on hand	474		573
Cheques on hand	66,807		4,733
Balances with scheduled banks :			
on current account	483,007		120,509
on deposit account	2,244		2,023
		552,532	127,838
Other current assets :			
Interest accrued on investments	19,697		22,491
Lease rent receivable	12,603		24,166
Other receivables	95,443		54,204
		127,743	100,861
Loans and advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good	1,551,398		1,127,322
Considered doubtful	4,813		3,963
	1,556,211		1,131,285
Less: provision for doubtful advances	4,813		3,963
		1,551,398	1,127,322
Balance with Excise Department	24,495		22,863
Taxation (net of provisions)	11,554		198,209
		1,587,447	1,348,394
		<u>10,149,211</u>	<u>8,415,447</u>

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	615,069		482,170
Sundry creditors (Refer Note 6, Schedule 12)	2,714,989		2,369,632
Advances from customers	149,210		66,168
Dealer deposits	140,585		131,453
Dividend warrants posted but not encashed *	14,475		12,967
Other liabilities	93,864		18,986
		3,728,192	3,081,376
Provisions :			
Proposed dividend	396,000		396,000
Tax on dividend	67,300		55,539
Post retirement benefits and leave entitlement	284,764		129,734
Others	511,870		439,769
		1,259,934	1,021,042
		4,988,126	4,102,418

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

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	24,136,165		19,703,763
Less : Excise duty	2,567,873		1,634,557
Net sales	21,568,292		18,069,206
Less : Commission	340,134		318,633
		21,228,158	17,750,573
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs.('000) 2,966 (previous year Rs. ('000) 2,378)	74,289		59,190
Miscellaneous income	265,817		147,477
Export benefits	154,618		158,800
Income from investments			
Long term investments-			
Trade investments	49		33
Other investments (tax deducted at source Rs.('000) 3,520 (previous year Rs ('000) 6,064)	64,642		78,447
	64,691		78,480
Current investments - other than trade	117,905		21,406
Gain on sale/redemption of long term investments	29,728		16,639
Gain on sale/redemption of current investments	951		10,041
		707,999	492,033
		21,936,157	18,242,606

Cummins India Limited

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		11,853,217	9,520,080
Purchase of goods for resale		2,406,081	2,194,383
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	1,278,499		1,129,868
Company's contribution to provident and other funds	110,858		140,682
Welfare expenses	151,838		124,289
		1,541,195	1,394,839
Operation and other expenses :			
Stores, spares, consumable materials, etc.	390,372		341,764
Tools and gauges	41,657		33,347
Repairs to buildings	61,640		60,605
Repairs to machinery	40,779		50,593
Other repairs	39,866		29,651
Power and fuel	268,849		205,171
Rent	56,425		41,224
Rates and taxes	45,591		51,254
Insurance	24,101		24,117
Outside processing charges	160,000		135,231
Other expenses	923,379		894,469
Donations and contributions	20,546		10,321
Net loss on fixed assets sold or discarded	10,240		8,133
		2,083,445	1,885,880
Technical fees and royalties		279,312	211,336
(Increase)/decrease in inventories of finished goods and work-in-Progress :			
Closing inventories :			
Finished goods	672,167		413,985
Work-in-progress	738,652		622,671
	1,410,819		1,036,656
Opening inventories :			
Finished goods	413,985		397,435
Work-in-progress	622,671		653,604
	1,036,656		1,051,039
		(374,163)	14,383
		17,789,087	15,220,901
Less : expenses capitalised		24,857	13,085
		17,764,230	15,207,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

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.
 - 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.

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

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 Sales and Service India Limited ('CS&S') (formerly Cummins Diesel Sales and Service (India) Limited – 'CDS&S') *	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
Cummins Exhaust India Limited (formerly Nelson Engine Systems India Limited)	Joint Venture	50%
Cummins Research & Technology India Limited	Joint Venture	50%
Cummins Generator Technologies India Limited (formerly Newage Electrical India Limited)	Associate	48.5%
Valvoline Cummins Limited	Associate	50%

Each of the above companies is incorporated in India.

* During the year, Fourstroke Automotive Private Limited ('FAPL') has been amalgamated with Cummins Sales and Service India Limited ('CS&S') effective from April 1, 2005.

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 Sales and Service India Limited ('CS&S') (formerly Cummins Diesel Sales and Service (India) Limited – 'CDS&S') *	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
Fourstroke Automotive Private Limited ('FAPL')	Subsidiary	100%
Cummins Exhaust India Limited (formerly Nelson Engine Systems India Limited)	Joint Venture	50%
Cummins Research & Technology India Limited	Joint Venture	50%
Cummins Generator Technologies India Limited (formerly Newage Electrical India Limited)	Associate	48.5%
Valvoline Cummins Limited	Associate	50%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

- ii) Goodwill arising on acquisition of subsidiaries/joint ventures/associates is amortized 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. Leasehold land is amortised over the period of lease. Computers (desktops, laptops) acquired under finance lease are amortised over the period of lease and those acquired subsequently and not covered by the lease are depreciated over the remaining period of the said computer lease. Other computers and related assets are depreciated over a period of four years. 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. Monetary foreign currency current assets and current liabilities are translated at the year-end exchange rates. The resulting profits and losses are appropriately recognised in the Profit and Loss Account. The premium or discount arising at the inception of a forward exchange contract is amortized over life of the contract.

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.
- 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.

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

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

- 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) Employee Benefits :

i) Post-employment Benefits

a. Defined Contribution Plans:

The Group has Defined Contribution Plans for Post employment benefits in the form of Superannuation and Provident Fund for its employees. In case of Provident fund administered by the Company managed trust, the company has an obligation to make good the shortfall, if any between the return from investments of the trust and the notified interest rate. The Company's contributions and such shortfall are charged to the Profit and Loss Account as and when incurred. In other cases, the company has no further obligation beyond making the contributions.

b. Defined Benefit Plans:

Funded Plan: The group has a gratuity scheme and pension scheme (wherever applicable) for its employees which is administered through Company managed trust and/or Life Insurance Corporation.

Unfunded Plan: The group has a post retirement medical benefit scheme and ex-gratia benefit scheme as per the applicable policies.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

ii) Other Long-term Employee Benefit:

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Accrued Benefit method which is the same as the Projected Unit Credit method in respect of past service. Under this method, the Defined Benefit Obligation is calculated taking into account pattern of availment of leave whilst in service and qualifying salary on the date of availment of leave. In respect of encashment of leave, the Defined Benefit Obligation is calculated taking into account all types of decrement and qualifying salary projected up to the assumed date of encashment.

iii) Termination benefits are recognized as an expense as and when incurred.

iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortization.

i) Research and development costs

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

j) Income Tax

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

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

k) Provisions

A provision is recognized 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.

4. Capital Commitments

	Rupees '000	<i>Previous year</i> Rupees '000
Capital Commitments	440,660	100,963

5. Advances recoverable in cash or kind include an amount of Rs. ('000) 93,010 (*previous year* Rs. ('000) 24,234) from holding Company for expenses incurred on their behalf.

6. a) Sundry creditors include :

	As at 31st March, 2007 Rupees '000	As at 31st March, 2006 Rupees '000
i) Amounts due to small scale industrial undertakings	192,005	139,429

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

b) Dues to Micro, Small And Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force on October 2, 2006, certain disclosures are required to be made relating to micro, small and medium enterprises. The relevant information is not readily available with the Company and hence, it is not possible to disclose the same.

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

8. Contingent liabilities

	As at 31 st March, 2007 Rs. '000	As at 31 st March, 2006 Rs. '000
a) Bills discounted not matured	86,942	56,308
b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Group	34,061	40,071
c) Central excise duty/customs duty/Sale Tax demands not accepted by the Group	14,622	10,597
d) Sales Tax Matters pending in appeal	10,498	25,333
e) Octroi Matters	142	—
f) Civil liability / secondary civil liability in respect of suits filed against the Group	—	65
g) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	—	27,500
h) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	Amounts if any, not ascertainable
i) Claims against the Group not acknowledged as debts	32,073	32,663
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 (previous year Rs. ('000) 1,944) with interest @ 8% p.a. and also waive recovery of Rs. ('000) 330 (previous year Rs. ('000) 330) from HSL.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

9. Related Party Disclosures

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

Name of the related party	Nature of relationship
Cummins Inc.	Holding Company

b) Transactions with related parties as per the books of account during the year ended 31st March, 2007.

								Rs. ('000)
Nature of Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associates	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Purchases of goods	Cummins Inc	1,136,231 (1,034,689)	— (—)	— (—)	— (—)	— (—)	— (—)	1,136,231 (1,034,689)
	Cummins Ltd	— (—)	1,249,573 (1,109,738)	— (—)	— (—)	— (—)	— (—)	1,249,573 (1,109,738)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	1,374,521 (750,408)	1,374,521 (750,408)
	Others	— (—)	1,374,180 (657,912)	30,945 (10,578)	461,290 (244,403)	— (—)	— (—)	1,866,415 (912,893)
Sale of goods	Cummins Ltd	— (—)	2,539,430 (2,728,984)	— (—)	— (—)	— (—)	— (—)	2,539,430 (2,728,984)
	Cummins Power Generation, Kent	— (—)	1,458,230 (987,012)	— (—)	— (—)	— (—)	— (—)	1,458,230 (987,012)
	Cummins Power Generation, Singapore	— (—)	956,670 (567,154)	— (—)	— (—)	— (—)	— (—)	956,670 (567,154)
	Cummins Inc	41,697 (35,007)	— (—)	— (—)	— (—)	— (—)	— (—)	41,697 (35,007)
	Tata Cummins Ltd.	— (—)	— (—)	— (—)	— (—)	— (—)	9 (9)	9 (9)
	Others	— (—)	589,781 (732,885)	— (—)	2,381 (2,159)	— (—)	— (—)	592,162 (735,044)
	Purchase of fixed assets	Cummins Inc	9,745 (763)	— (—)	— (—)	— (—)	— (—)	— (—)
Services Rendered	Cummins Inc	177,931 (142,394)	— (—)	— (—)	— (—)	— (—)	— (—)	177,931 (142,394)
	Tata Cummins Ltd.	— (—)	— (—)	— (—)	— (—)	— (—)	27,684 (6,664)	27,684 (6,664)
	Others	— (—)	71,560 (30,170)	589 (368)	47,839 (30,891)	— (—)	— (—)	119,988 (61,429)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

Rs. ('000)

Nature of Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associates	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Remuneration Paid	Anant Talaulicar	— (—)	— (—)	— (—)	— (—)	4,183 (3,794)	— (—)	4,183 (3,794)
Services Received	Cummins Inc	8,288 (11,643)	— (—)	— (—)	— (—)	— (—)	— (—)	8,288 (11,643)
	Cummins Research and Technology India Ltd.	— (—)	— (—)	1,164 (109)	— (—)	— (—)	— (—)	1,164 (109)
	Others	— (—)	166 (351)	— (—)	— (—)	— (—)	— (—)	166 (351)
Transfer of Technology including royalty	Cummins Inc	347,283 (200,139)	— (—)	— (—)	— (—)	— (—)	— (—)	347,283 (200,139)
	Others	— (—)	18,403 (10,926)	— (—)	— (—)	— (—)	— (—)	18,403 (10,926)
Intercompany Deposits Given and recovered	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	50,000 (—)	— (—)	— (—)	50,000 (—)
Interest Received On inter corporate deposit	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	1,060 (—)	— (—)	— (—)	1,060 (—)
	Cummins Research and Technology India Ltd.	— (—)	— (—)	3,150 (3,150)	— (—)	— (—)	— (—)	3,150 (3,150)
Interest Income	Cummins Ltd	— (—)	12,567 (40,097)	— (—)	— (—)	— (—)	— (—)	12,567 (40,097)
	Cummins Power Generation, Singapore	— (—)	2,697 (—)	— (—)	— (—)	— (—)	— (—)	2,697 (—)
IT Service Charges	Cummins Inc,	35,282 (51,656)	— (—)	— (—)	— (—)	— (—)	— (—)	35,282 (51,656)
Interest Paid	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	— (27)	— (27)
Commission Received	Valvoline Cummins Limited	— (—)	— (—)	— (—)	— (2,600)	— (—)	— (—)	— (2,600)
Dividend Received	Cummins Exhaust India Ltd.	— (—)	— (—)	8,999 (1,500)	— (—)	— (—)	— (—)	8,999 (1,500)
	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	48,360 (46,800)	— (—)	— (—)	48,360 (46,800)
	Valvoline Cummins Ltd.	— (—)	— (—)	— (—)	11,875 (13,965)	— (—)	— (—)	11,875 (13,965)
Dividend paid	Cummins Inc.	403,920 (403,920)	— (—)	— (—)	— (—)	— (—)	— (—)	403,920 (403,920)
	Others	— (—)	— (1,500)	— (—)	— (—)	— (—)	— (—)	— (1,500)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

Rs. ('000)

Nature of Transaction	Name of the Party	Holding Company	Fellow subsidiaries	Joint Ventures	Associates	Key Management Personnel	Enterprise with common Key Management Personnel	Total
Equity Contributions	Valvoline Cummins Ltd.	— (—)	— (—)	— (—)	— (1,600)	— (—)	— (—)	— (1,600)
Sundry Creditors	Cummins Inc.	416,561 (280,524)	— (—)	— (—)	— (—)	— (—)	— (—)	416,561 (280,524)
	Cummins Ltd.	— (—)	126,588 (139,669)	— (—)	— (—)	— (—)	— (—)	126,588 (139,669)
	Tata Cummins Ltd.	— (—)	— (—)	— (—)	— (—)	— (—)	50,186 (51,606)	50,186 (51,606)
	Others	— (—)	103,792 (74,497)	4,019 (1,554)	49,802 (47,906)	— (—)	— (—)	157,613 (123,957)
Sundry Debtors	Cummins Ltd.	— (—)	567,491 (1,135,815)	— (—)	— (—)	— (—)	— (—)	567,491 (1,135,815)
	Cummins Power Generation, Kent	— (—)	522,047 (260,981)	— (—)	— (—)	— (—)	— (—)	522,047 (260,981)
	Cummins Power Generation, Singapore	— (—)	269,587 (255,073)	— (—)	— (—)	— (—)	— (—)	269,587 (255,073)
	Cummins Inc	50,597 (64,327)	— (—)	— (—)	— (—)	— (—)	— (—)	50,597 (64,327)
	Others	— (—)	133,118 (170,158)	405 (384)	26,710 (16,331)	— (—)	13,728 (2,369)	173,961 (189,242)
Inter Corporate Deposit Receivable	Cummins Research and Technology India Ltd.	— (—)	— (—)	35,000 (35,000)	— (—)	— (—)	— (—)	35,000 (35,000)
Interest Receivable on ICD Balance	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	690 (—)	— (—)	— (—)	690 (—)
Loans & Advances	Cummins Inc	93,010 (24,434)	— (—)	— (—)	— (—)	— (—)	— (—)	93,010 (24,434)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

Notes:

- i) The names of the related parties under the appropriate relationship included in Notes 9 (b) and (c) above are as follows:

Nature of Relationship	Name of the Party
1 Holding Company	Cummins Inc
2 Fellow subsidiaries	Cummins Brasil Cummins Business Services, Nashville Cummins Comercializadora Cummins Diesel N.V. Cummins Diesel Sales & Service – Korea Cummins Diesel Sales Corporation Cummins Diesel South Africa Pvt Ltd Cummins Diesel, Australia Cummins Engine (Beijing) Cummins Engine (Shanghai) Trading - China Cummins Engine Co., Australia Cummins Engine Company Pty Ltd. Cummins Filtration , Australia Cummins Filtration Inc, Singapore Cummins Japan Ltd. Cummins Ltd Cummins Mercruiser Cummins Mid States Power Inc Cummins Middle East FZE Cummins Natural Gas Engines, Inc. Cummins Power Generation Cummins Power Generation, Kent Cummins Power Generation, Singapore Cummins Power Generation, U.K. Cummins Power Generation, U.S.A. Cummins Power Service & Parts Corporation – Taiwan Cummins Rocky Mountains Cummins S De R.L. De C.V. Cummins Turbo Technologies Ltd. Cummins Turbo Technologies, UK Cummins Westport

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

	Diesel Recon Co. Diesel Recon, El Paso Diesel Recon-Memphis Fleetguard Inc. Fleetguard Singapore Fleetguard Systems India Ltd. Holset Engineering Co. Limited Nelson Burgess Ltd. Cummins Generator Technologies Limited, UK Onan Corporation
3	Joint Ventures Cummins Exhaust India Ltd. Cummins Reseach and Technology India Limited
4	Associates Cummins Generator Technologies India Ltd. Valvoline Cummins Limited
5	Key Management Personnel Anant Talaulicar
6	Enterprise with common Key Management Personnel Tata Cummins Limited
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.

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

10. 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.

	Rs. ('000)			
Information about Primary Segments	Engine Business	Others	Elimination	Total
i) Segment revenue @	21,850,230	1,987,982	-2,265,183	21,573,029
	(18,275,502)	(1,652,791)	(-2,156,971)	(17,771,322)
ii) Segment result	3,356,056	230,274	-18,482	3,567,848
	(2,384,045)	(105,552)	(-180,943)	(2,308,654)
Other Income				213,275
				(321,460)
Interest				64,570
				(45,205)
Profit before tax				3,716,553
				(2,584,909)
Provision for tax				
Current tax				1,289,635
				(916,738)
Deferred tax				-69,156
				(-56,120)
Fringe Benefit tax				20,134
				(41,260)
Net profit after tax and before share in Associates' profit				2,475,940
				(1,683,031)
Share in Associates' profit after tax (net)				203,734
				(153,377)
Net Profit for the year				2,679,674
				(1,836,408)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

	Rs. ('000)			
Information about Primary Segments	Engine Business	Others	Elimination	Total
iii) Segment assets	12,025,044	883,979	-691,354	12,217,669
	(9,586,420)	(935,589)	(—)	(10,522,009)
Common assets				3,330,197
				(2,548,162)
Enterprise Assets				15,547,866
				(13,070,171)
iv) Segment liabilities	4,869,232	519,179	-738,921	4,649,490
	(3,523,331)	(492,590)	(—)	(4,015,921)
Common Liabilities				691,657
				(528,017)
Enterprise Liabilities				5,341,147
				(4,543,938)
v) Capital expenditure	551,350	55,697	—	607,047
	(188,442)	(27,957)	(—)	(216,399)
vi) Depreciation	331,552	49,491	—	381,043
	(335,639)	(54,731)	(—)	(390,370)
Information about geographical segments (Secondary segments)	Domestic	Export	Elimination	Total
vii) Segment revenue	17,606,888	6,231,325	-2,265,184	21,573,029
	(14,483,469)	(5,444,824)	(-2,156,971)	(17,771,322)

@ Segment revenue from Other business includes Income from Lease Rs. ('000) 4,737 (previous year Rs. ('000) 8,714).

Notes:

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

11. 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	242,522	187,742	9,505	439,769
	(203,906)	(161,673)	(9,505)	(375,084)
Additions	335,160	62,298	—	397,458
	(246,425)	(169,375)	—	(415,800)
Utilizations	204,250	27,642	—	231,892
	(205,639)	(125,574)	(—)	(331,213)
Reversal	—	93,465	—	93,465
	(2,170)	(17,732)	(—)	(19,902)
Closing Balance	373,432	128,933	9,505	511,870
	(242,522)	(187,742)	(9,505)	(439,769)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

- (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.

12. 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 Rs. '000	Due between 12 – 60 months Rs. '000	Total amount receivable Rs. '000
Gross investment in lease	7,067	7,548	14,615
	(14,248)	(14,400)	(28,648)
Less : Unearned finance income	1,234	778	2,012
	(2,472)	(2,010)	(4,482)
Present value of minimum lease payments receivable	5,833	6,770	12,603
	(11,776)	(12,390)	(24,166)

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) 7,101 (previous year Rs. ('000) 4,741).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. ('000) 14,641 (previous year Rs. ('000) 2,759).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. ('000) 89,142 (previous year Rs. ('000) 80,594).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. ('000) Nil (previous year Rs. ('000) 206).
- vi) Figures in brackets are in respect of the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

13. Lease commitments

i) Finance lease :

The Group has acquired plant and machinery and vehicles under finance lease arrangements for periods upto five years. The future minimum lease payments under these leases as of March 31, 2007 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	42,332	58,829	101,161
	(7,337)	(3,341)	(10,678)
Less : Amount representing interest	5,975	3,841	9,816
	(344)	(116)	(460)
Present value of minimum lease payments	36,357	54,988	91,345
	(6,993)	(3,225)	(10,218)

ii) Operating lease :

The Group has acquired office premises and equipment under operating lease arrangements at stipulated rentals. The future minimum lease payments under these leases as of March 31, 2007 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	35,927	94,487	26,784	157,198
	(40,707)	(130,572)	(29,844)	(201,123)

iii) 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	25,399	30,526
Included in rent	11,284	14,510

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

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

- Appropriately recognised in the profit and loss account – Rs. ('000) 49,184 (previous year Rs. ('000) 56,389).
- Adjusted in the carrying amount of fixed assets – Rs. ('000) Nil (previous year Rs. ('000) 67).

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

15. Managerial Remuneration

Particulars	Rs. ('000)	<i>Previous Year</i> Rs. ('000)
Salary	12	12
Perquisites	4,171	3,782
Commission - non-whole-time directors	1,375	1,375
Sitting fees	270	210
Total	5,828	5,379

The Central Government has accorded approval for appointment of Mr. Anant J. Talaulicar as Whole-time Director of the Company, effective April 25, 2003 and for payment of remuneration as Managing Director effective April 1, 2004. Government approval, for his appointment as Managing Director effective July 29, 2003, is awaited.

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.

16. Remuneration to Auditors:

	Rs. '000	<i>Previous year</i> Rs. '000
Statutory Audit (including Consolidation of Accounts)	6,900	6,368
Limited Review	1,200	1,200
Tax Audit	2,050	2,055
Other services	88	129
Reimbursement of out of pocket expenses	83	136
	10,321	9,888

The remuneration disclosed above is including taxes, as applicable.

17. Other expenses include provision for doubtful debts Rs. ('000) 48,715 (previous year Rs. ('000) 5,646).

18. Research and development expenses aggregating Rs. ('000) 212,946, including Rs. ('000) 25,127 on capital account (previous year Rs. ('000) 225,642 including Rs. ('000) 10,710 on capital account) have been incurred by the Group. The expenses disclosed above include expenses incurred on development of parts, etc.

19. Earning Per share

	As at March 31, 2007	As at March 31, 2006
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 :		
a) Profit for the year after taxation Rs. ('000)	2,679,674	1,836,408
b) Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) (Rupees)	13.53	9.27
Face value per share (Rupees)	2.00	2.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

20. The investment in Associates disclosed in Schedule 6 is arrived at as follows

	Rs. '000	
	Valvoline Cummins Limited	
	Cummins Generator Technologies (India) Limited	
Carrying amount of investment as on March 31, 2006	151,567	266,668
Share in associates' results for the year	36,684	167,050
Dividends received during the year	(13,540)	(55,146)
Write off of goodwill for the year	(312)	(4,907)
Impact of AS 15 (revised 2005)	—	1,430
Carrying amount of investment as on March 31, 2007	174,399	375,095

The carrying amount of investments as at March 31, 2007 includes goodwill arising on acquisition of Valvoline Cummins Limited of Rs. ('000) Nil (previous year Rs. ('000) 312), and Cummins Generator Technologies Limited of Rs. ('000) 24,530 (previous year Rs. ('000) 29,437).

21. The Group has 50% interest in Joint Ventures namely Cummins Exhaust 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, 2007 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			
	Cummins Exhaust India Limited		Cummins Research and Technology India Limited	
	As at March 31, 2007	As at March 31, 2006	As at March 31, 2007	As at March 31, 2006
Net assets				
Net Fixed Assets	17,292	16,190	34,885	28,080
Investments	28,236	28,491	—	—
Inventories	15,634	8,869	—	—
Debtors	26,247	16,744	26,172	18,726
Deferred Tax Asset	—	—	—	—
Cash & Bank Balances	4,855	2,188	11,700	6,059
Loans and Advances	5,130	1,859	20,536	16,603
Current Liabilities	(32,542)	(26,968)	(15,593)	(10,681)
Loans and Lease liability	—	—	(49,803)	(44,205)
Deferred tax liability	(1,038)	(1,817)	(1,245)	(111)
Net Assets	63,814	45,556	26,652	14,471
Profit & Loss Account				
Sales	169,466	113,273	124,262	91,368
Expenditure	(120,287)	(81,471)	(93,788)	(65,932)
Depreciation	(2,723)	(2,391)	(15,823)	(12,549)
Tax Provision	(10,775)	(6,858)	(1,490)	(590)
Net Profit	35,681	22,553	13,161	12,297

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

22. During the year, pursuant to the Scheme of Arrangement (Demerger) ('the Scheme') for demerger of the Highway Solutions Undertaking of the Cummins Auto Services Limited (CASL) ('the demerged undertaking') into Cummins Sales & Service (India) Limited ('CS&S'), the assets and liabilities of the demerged undertaking have been transferred to and vested in Cummins Sales & Service (India) Limited (CS&S) effective April 1, 2005, the Appointed Date, as approved by the shareholders and sanctioned by the High Court of Judicature at Bombay vide its Order dated January 12, 2007. The Scheme has accordingly been given effect to in the accounts of respective entities.

CS&S is in the process of transferring the relevant documents, agreements, title deeds for properties, etc. in its name.

23. During the year, pursuant to the Scheme of Amalgamation between Fourstroke Automotive Private Limited (FAPL) and Cummins Sales & Service (India) Limited (CS&S), the entire undertaking of FAPL has been transferred to and vested in CS&S effective April 1, 2005, the Appointed Date, as approved by the shareholders and sanctioned by the High Court of Judicature at Bombay and High Court of Judicature at Madras vide their Orders dated December 1, 2006 and February 16, 2007 respectively. The Scheme has accordingly been given effect to in the accounts of respective entities.

CS&S is in the process of transferring the relevant documents, agreements, title deeds for properties, etc. in its name.

24. Disclosures in accordance with Revised AS – 15 on "Employee Benefits"

The Accounting Standard – 15 (revised 2005) on "Employee Benefits" AS 15 (revised 2005) issued by the Institute of Chartered Accountants of India has been adopted by the Company effective from April 1, 2006. In accordance with the above Standard, the additional obligations of the Company, on account of employee benefits, based on independent actuarial valuation, amounting to Rs. 59,351 ('000) (net of deferred tax) have been accounted by debiting the opening balance of the General Reserve as on April 1, 2006 as per the transitional provisions of AS 15, (revised 2005).

1. Defined Contribution Plans – The Company has recognised the following amounts in the Profit and Loss Account for the year.

Particulars	Rs.'000
	Total
Contribution to Employees Provident Fund	53,690
Contribution to Management Superannuation Fund	36,547
Total	<u>90,237</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

2. Defined Benefit Plans – The following figures are as per actuarial valuation, as at the Balance Sheet date, carried out by an independent Actuary :

- a. A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

					Rs. '000	
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	Total
	Opening DBO as on 1st April 2006	353,821	318,017	12,084	4,031	687,953
i)	Current Service Cost	21,930	10,611	482	199	33,222
ii)	Interest Cost	24,976	21,150	792	267	47,185
iii)	Actuarial (Gains) / Losses	(3,342)	(15,185)	274	(390)	(18,643)
iv)	Benefits Paid	(32,091)	(47,213)	(1,890)	(333)	(81,527)
v)	Liabilities assumed on Acquisition	1,186	—	—	—	1,186
vi)	Liabilities extinguished on settlement	(1,171)	—	—	—	(1,171)
	Closing DBO as on 31st March 2007	365,309	287,380	11,742	3,774	668,205

- b. A reconciliation of the opening and closing balances of the fair value of plan assets

					Rs. '000	
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	Total
	Opening Fair Value of Plan Assets	387,988	290,166	—	—	678,154
i)	Expected Return on Plan Assets	25,880	18,885	—	—	44,765
ii)	Actuarial Gains / (Losses)	(1,071)	6,538	—	—	5,467
iii)	Contribution by the Employer	16,636	21,000	1,890	333	39,859
iv)	Benefits Paid	(32,091)	(47,213)	(1,890)	(333)	(81,527)
v)	Assets distributed on Settlements	(1,171)	—	—	—	(1,171)
vi)	Recoverable from LIC - CASL Fund	1,171	—	—	—	1,171
	Closing Fair Value of Plan Assets	397,342	289,376	—	—	686,718

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

- c. Amount recognized in Balance Sheet including a reconciliation of the present value of the defined obligation in (a) and the fair value of the plan assets in (b) to the assets and liabilities recognized in the balance sheet :

						Rs. '000
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	Total
i)	Present value of Funded Obligations	365,310	287,380	—	—	652,690
ii)	Fair value of Plan Assets	(397,342)	(289,376)	—	—	(686,718)
iii)	Present Value of Unfunded Obligations	—	—	11,742	3,774	15,516
iv)	Amount not recognised as an Asset, because of the limit in Para 59 (b)	456	4,733	—	—	5,189
	Net Liability	(31,576)	2,737	11,742	3,774	(13,323)

- d. The total expense recognised in the Profit and Loss Account:

						Rs. '000
Sr. No.	Particulars	Gratuity	Pension	Ex-Gratia	PRMB	Total
i)	Current Service Cost	21,930	10,611	482	199	33,222
ii)	Interest Cost	24,976	21,150	792	267	47,185
iii)	Expected Return on Plan Assets	(25,879)	(18,885)	—	—	(44,764)
iv)	Actuarial (Gains) / Losses	(2,270)	(21,722)	274	(390)	(24,108)
v)	Losses / (Gain) on curtailment or settlement	—	4,418	—	—	4,418
vi)	Effect of limit in Para 59 (b)	456	—	—	—	456
vii)	Liabilities acquired on acquisition.	15	—	—	—	15
	Total included in Employee Benefit Expenses	19,228	(4,428)	1,548	76	16,424

All of the above have been included in the line item 'Company's contribution to provident and other funds' in Schedule 11 of the Profit and Loss Account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

- e. For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets :

Sr. No.	Particulars	Rs. '000	
		Gratuity	Pension
i)	Government of India Securities	12.0%	0.0%
ii)	Corporate Bonds	6.0%	0.0%
iii)	Special Deposit Scheme	18.0%	0.0%
iv)	Equity Shares of Listed Companies	0.0%	0.0%
v)	Property	0.0%	0.0%
vi)	Insurer Managed Funds	62.0%	100.0%
vii)	Others	2.0%	0.0%
	Total	100.0%	100.0%

- f. The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

- g. The Actual Return on Plan Assets is as follows

Sr. No.	Particulars	Rs. '000		
		Gratuity	Pension	Total
i)	Actual Return on Plan Assets	24,808	25,424	50,232

- h. Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Sr. No.	Particulars	Rs. '000			
		Gratuity	Pension	Ex-gratia	PRMB
i)	Discount Rate	8.1%	8.1%	8.1%	8.1%
ii)	Expected Rate of Return on Plan Assets	8.0%	8.0%	NA	NA
iii)	Salary Escalation Rate - Management Staff	7.0%	NA	NA	NA
iv)	Salary Escalation Rate - Non-Management Staff	5.0%	5.0%	NA	NA
v)	Annual Increase in Healthcare Costs - First 9 years	NA	NA	NA	10.0%
vi)	Annual Increase in Healthcare Costs - Next 5 years	NA	NA	NA	8.0%
vii)	Annual Increase in Healthcare Costs – Thereafter	NA	NA	NA	6.0%
viii)	Future changes in maximum state health care benefits	NA	NA	NA	NA

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2007.

- i. The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on :

Particulars	Rs. '000	
	One percentage point increase	One percentage point decrease
The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and	43	(38)
The accumulated post-employment benefit obligation for medical costs	268	(236)

- j. Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).
- k. This being the first year of implementation of AS -15 (Revised), previous year figures have not been given.

25. 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

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 31, 2007

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
I. Cash flows from operating activities :			
Cash generated from operations	3,262,947		2,641,370
Tax paid (net of refunds)	(1,123,110)		(1,008,222)
Net cash provided by operating activities		2,139,837	1,633,148
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(628,113)		(218,438)
Sale	36,538		12,070
Interest received	61,557		68,298
Dividend received	192,518		101,461
Consideration paid for acquisition for balance shares in associate	—		(1,600)
Investments			
Purchase	(14,428,409)		(4,345,327)
Sale/redemption	14,121,061		4,029,347
Net cash used for investing activities		(644,848)	(354,189)
III. Cash flows from financing activities :			
Short term borrowings	(97,987)		(1,876)
Bank Overdraft (Net)	(72,623)		(227,682)
Finance lease liability	81,127		(33,193)
Repayment of term loans	(2,450)		(4,411)
Repayment of fixed deposits (net)	(266)		(309)
Interest paid	(51,528)		(45,076)
Dividend paid (including tax on dividend)	(926,568)		(945,609)
Net cash used for financing activities		(1,070,295)	(1,258,156)
IV. Net change in cash and cash equivalents (I+II+III)		424,694	20,803
V. Cash and cash equivalents at the beginning of the year		127,838	107,035
Cash and cash equivalents at the end of the year (IV+V)		552,532	127,838

Cummins India Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Rupees '000	Rupees '000	Previous year Rupees '000
Notes :			
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		3,716,553	2,584,909
Adjustments for -			
a) Non cash item /items required to be disclosed separately :-			
Depreciation	381,043		390,370
Interest expense	64,570		45,205
Interest income (gross)	(58,763)		(67,715)
Dividend earned (gross)	(123,834)		(32,171)
Loss/(gain) on assets sold,discarded etc;	10,240		8,133
Loss/(gain) on redemption /sale of investments	(30,679)		(26,680)
Amortisation of goodwill	9,761		9,386
Provision for doubtful debts / advances	49,565		19,915
		301,903	346,443
b) Changes in working capital and other provisions :-			
Sundry debtors	(457,798)		(706,996)
Inventories	(634,052)		22,004
Loans and advances	(426,558)		(137,777)
Other current assets	(29,676)		(7,777)
Current liabilities	657,002		483,814
Provisions	135,573		56,750
		(755,509)	(289,982)
Total adjustments (a+b)		(453,606)	56,461
Cash generated from operations		<u>3,262,947</u>	<u>2,641,370</u>

- 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.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**3) Cash and cash equivalents comprise :**

	Rupees '000 2006-07	Rupees '000 2005-06	<i>Rupees '000</i> 2004-05
Cash in hand	474	573	532
Cheques on hand	66,807	4,733	3,925
Balances with bank on current account :			
Unclaimed dividend account (restricted)	14,475	12,967	11,490
Other current accounts	468,532	107,542	87,460
Balances with bank on deposit account	2,244	2,023	3,628
Total	552,532	127,838	107,035

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 and on behalf of the Board

Vasant Gujarathi
Partner
Membership Number : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Managing Director

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 31, 2007

Pune
Date: May 31, 2007

Cummins India Limited

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) 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 two subsidiaries for the financial year ended March 31, 2007 and for the corresponding previous year ended March 31, 2006.

BALANCE SHEET

(Rs. '000)

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	As at March 31, 2007	As at March 31, 2006	As at March 31, 2007	As at March 31, 2006
Share Capital				
Face Value (Rs. per share)	100	100	10	10
Authorised				
- Number of shares	1,200,000	1,200,000	20,000,000	20,000,000
- Amount	120,000	120,000	200,000	200,000
Issued, subscribed and paid up				
- Number of shares	600,002	600,000	500,000	10,000,000
- Amount	60,000	60,000	5,000	100,000
Reserves & Surplus	769,981	1,017,010	—	—
Assets				
Fixed Assets (Gross)	459,037	359,942	16,490	115,460
Less: Accumulated Depreciation	(233,435)	(200,094)	(11,089)	(37,195)
Net Fixed Assets	225,602	159,848	5,401	78,265
Investments	85,403	180,403	1	11,494
Deferred Tax	6,084	20,774	—	—
Current Assets, Loans and Advances	2,157,912	1,615,371	28,163	105,460
Total Assets:	2,475,001	1,976,396	33,564	195,219
Liabilities				
Secured Loans	2,493	—	6,764	20,567
Unsecured Loans	147,795	19	173,321	403,162
Current Liabilities and Provisions	1,479,031	899,298	40,564	88,947
Liability under finance lease	15,701	69	1,390	—
Total Liabilities:	1,645,020	899,386	222,039	512,676
Profit and Loss Account	—	—	(193,474)	(417,457)

PROFIT & LOSS ACCOUNT

(Rs. '000)

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006
Income				
Turnover	4,745,231	4,567,890	36,550	187,198
Other Income	48,404	32,862	5,931	9,986
Total Income:	4,793,635	4,600,752	42,481	197,184
Profit / (Loss) before Taxation	352,169	544,116	(37,881)	(89,696)
Provision for Taxation	188,559	192,096	235	736
Profit / (Loss) after Taxation	163,610	352,020	(38,116)	(90,432)
Dividend - Interim	110,000	250,000	—	—

Note 1:**Details of Investments :**

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	As at March 31, 2007	As at March 31, 2006	As at March 31, 2007	As at March 31, 2006
Trade Investments				
Kirkoskar Oil Engines Limited	29	29	—	—
Investment in Joint Venture				
Valvoline Cummins Limited	80,375	80,375	—	—
Investment in Companies under the same management				
Cummins Exhaust India Limited (formerly Nelson Engine Systems India Limited)	1	1	1	1
Investment in subsidiaries				
Cummins Auto Services Limited	4,998	99,998	—	—
Fourstroke Automotive Private Limited	—	—	—	11,493
Total:	85,403	180,403	1	11,494

Note :

- 1 During the year, the Highway Solutions Business of Cummins Auto Services Limited (CASL) was merged with its holding company Cummins Sales and Service India Limited (CSS), hence, the previous year's figures of CASL are not comparable.
- 2 Pursuant to scheme of Amalgamation, Fourstroke Automotive Private Limited has been merged with Cummins Sales and Service India Limited (CS & S) effective 1st April 2005 and consequently previous year's figures for Fourstroke Automotive Private Limited have not been shown.

PROXY

Cummins India Limited

Registered Office: Kothrud, Pune 411 038 (INDIA)

I/We,..... (L. F. No or

DP ID NO. Client ID No.)

(Address)

being a Member/Members of Cummins India Limited, Pune 411 038, do hereby appoint

.....

of or/failing him

..... of as my/our proxy in

my/our absence to attend and vote for me/us on my/our behalf at the 46th Annual General Meeting of the Company to be held at Hotel Le Meridien, Majestic Hall, 1st floor, Raja Bahadur Mill Road, Pune 411 001, on Thursday, the 26th day of July 2007 at 12.00 noon and at any adjournment thereof.

IN WITNESS whereof I/we have set my/our hand/hands this day of 2007.

Please
affix
15 Ps.
Revenue
Stamp

(Signature of the Shareholder across the stamp)

in the presence of

(Witness)

.....

Note : The proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.

Cummins India Limited

Registered Office : Kothrud, Pune 411 038 (INDIA)

NOTICE OF THE MEETING

To

The Members of Cummins India Limited

NOTICE is hereby given that the Forty-Sixth Annual General Meeting of Cummins India Limited will be held at Hotel Le Meridien, Majestic Hall, 1st Floor, Raja Bahadur Mill Road, Pune 411 001, on Thursday, the 26th day of July 2007 at 12.00 noon to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date.
2. To declare final dividend on equity shares and to ratify the interim dividend declared by the Board of Directors.
3. To appoint a Director in place of Mr. Nasser Munjee who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. H. Reporter who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. John Wall who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting.

By Order of the Board

Pune
May 31, 2007

Dinesh Castellino
Vice President Legal &
Company Secretary

NOTES :

- a. The relative Explanatory Statement pursuant to Clause 49 of the Listing Agreement, in respect of item Nos. 3 to 5 of the Notice set out above is annexed hereto.
- b. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, July 21, 2007 to Thursday, July 26, 2007 (both days inclusive). If the final equity dividend as recommended by the Board of Directors is declared at the ensuing Annual General Meeting of the Shareholders of the Company, payment of such dividend will be made to those Shareholders whose names appear on the Register of Members and records of the Depositories respectively, as at the end of business hours on July 20, 2007.
- d. Members requiring information on the audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date, are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
- e. The Company has appointed Intime Spectrum Registry Limited, Mumbai as its Registrar and Transfer Agent, effective May 15, 2002. Therefore, all correspondence relating to transfer and transmission of shares, sub-division of shares, issue of duplicate share certificates, change of address, dematerialisation of shares, payment of dividend etc. will be attended to and processed at the office of Registrar and Transfer Agent at the following address: -

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) 2596 3838
Fax No. : (022) 2594 6969
Contact person: Mr. N. Mahadevan Iyer
Email : mahadevan.iyer@intimespectrum.com

- f. Unclaimed dividends for the financial years 1999-2000 and 2000-2001 can be claimed from the Company by completing the requisite formalities. However, to claim the final dividend for the financial year 1999-2000, the requisite formalities are required to be completed prior to September 10, 2007, as the unclaimed dividend for the said year is liable to be transferred as per Section 205A of the Companies Act, 1956, to the Investor Education and Protection Fund established by the Central Government. For details, the members are requested to contact Mr. P. S. Phansalkar, Sr. Manager-Secretarial on email - Pradip.S.Phansalkar@Cummins.com [Tel. No. (020) 3023 3005]. For unclaimed dividend for the year 2001-2002, members are requested to write to Intime Spectrum Registry Limited, Mumbai at the above address.
- g. 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. The Equity Shareholders who have not so far surrendered their old certificates for Equity Shares of the face value of Rs. 10/- each, in exchange for new certificates for sub-divided Shares of the face value of Rs. 2/- each, are requested to do so immediately.

The Company had earlier on February 10, 1987, sub-divided each of its Equity Share of the face value of Rs. 100/- each into ten Equity Shares of the face value of Rs. 10/- each. Shareholders who are still holding share certificate(s) for Shares of the face value of Rs. 100/- each, are requested to surrender the same to the Company at its Registered Office at Kothrud, Pune - 411038, in exchange for new certificate(s) for sub-divided Shares of the face value of Rs. 2/- each.

ANNEXURE TO THE NOTICE

As required by clause 49 of the Listing Agreement with Stock Exchanges, the following Explanatory Statement sets out material facts relating to the business mentioned at items 3, 4 and 5 in the accompanying Notice of the Annual General Meeting of the Company to be held at the venue, date and time mentioned therein.

ITEM 3

Mr. Nasser Munjee joined the Board of Cummins India Limited on March 29, 2001. Mr. Nasser Munjee is a monetary economist, educated at the University of Chicago and the London School of Economics (Bachelors and Masters Degrees). His areas of expertise include Housing Development and Infrastructure Finance. He is on the Boards of the following other companies, viz., (i) Development Credit Bank Limited (Chairman) (ii) ABB Limited (iii) Ciba Specialty Chemicals (India) Limited (iv) Gujarat Ambuja Cements Limited (v) HDFC Limited (vi) Mahindra & Mahindra Financial Services Limited (vii) Repro India Limited (viii) Voltas Limited (ix) Bharti AXA Life Insurance Company Limited (x) ITD Cementation India Limited (xi) Tata Chemicals Limited (xii) Indian Railway Finance Corporation Limited (xiii) Unichem Laboratories Limited and (xiv) Apollo Health Street Limited. He is the Chairman of the Finance and Audit Committee of the Company. He is also a member of Committees of the Board of Directors of the following companies:

(A) AUDIT COMMITTEE OF : (i) ABB Limited (Chairman) (ii) Tata Chemicals Limited (Chairman) (iii) Apollo Health Street Limited (Chairman) (iv) Bharti AXA Life Insurance Company Limited (v) Ciba Specialty Chemicals (India) Limited (vi) Mahindra & Mahindra Financial Services Limited (vii) Unichem Laboratories Limited and (viii) Voltas Limited.

(B) REMUNERATION COMMITTEE OF : (i) Bharti AXA Life Insurance Company Limited (ii) Gujarat Ambuja Cements Limited (iii) Mahindra & Mahindra Financial Services Limited (iv) Voltas Limited (v) Apollo Health Street Limited and (vi) Repro India Limited.

(C) SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE OF: Gujarat Ambuja Cements Limited.

Mr. Munjee is also a Member of the following other Board Committees:

(i) Authorization Committee of ABB Limited (ii) Board Investment Committee of Bharti AXA Life Insurance Company Limited and (iii) Board Committee, Capital Raising Committee, EC & Credit Committee and Nomination Committee of Development Credit Bank Limited .

Mr. Nasser Munjee does not hold any shares in the Company.

At the ensuing Annual General Meeting, Mr. Nasser Munjee is liable to retire by rotation as per the provisions of the Companies Act, 1956 and offers himself for re-appointment.

Resolution at item No. 3 of the accompanying Notice is recommended for Shareholders' approval. Except Mr. Nasser Munjee, no other Director is concerned or interested in this resolution.

ITEM 4

Mr. B. H. Reporter joined the Board of Cummins India Limited on March 15, 1962. Mr. B. H. Reporter holds a Senior Cambridge qualification. He has extensive experience of General Management in various industries like Insurance, Agricultural Commodities, Chemicals and Engineering. He is on the Boards of the following other companies viz., (i) Jost's Engineering Company Limited (Chairman) (ii) Cummins Sales and Service India Limited (iii) REBA Electronics Private Limited (iv) Bullows India Private Limited (v) Bullows Paint Equipment Private Limited and (vi) Phiroze Sethna Private Limited. He is the Chairman of the Shareholders/Investors Grievance Committee, a member of the Finance and Audit Committee and a Member of the Share Transfer Committee of the Company. He is also a member of the Share Transfer Committee of Jost's Engineering Company Limited. Mr. Reporter holds 75,000 equity shares of Rs. 2/- each in the Company.

At the ensuing Annual General Meeting, Mr. B. H. Reporter is liable to retire by rotation as per the provisions of the Companies Act, 1956 and offers himself for re-appointment.

Resolution at item No. 4 of the accompanying Notice is recommended for Shareholders' approval. Except Mr. B. H. Reporter, no other Director is concerned or interested in this resolution.

ITEM 5

Dr. John Wall joined the Board of Cummins India Limited on October 28, 2003. He holds degrees in ScD Mechanical Engineering, SM Mechanical Engineering and SB Mechanical Engineering from Massachusetts Institute of Technology. He possesses expertise in Mechanical Engineering and Diesel Emission Control Technology. He is on the Boards of the following other companies viz., (i) Cummins Research and Technology India Limited (Chairman) (ii) Cummins Westport Inc. and (iii) Industrial Power Alliance Limited. Dr. John Wall does not hold any shares in the Company.

At the ensuing Annual General Meeting, Dr. John Wall is liable to retire by rotation as per the provisions of the Companies Act, 1956 and offers himself for re-appointment.

Resolution at item No. 5 of the accompanying Notice is recommended for Shareholders' approval. Except Dr. John Wall, no other Director is concerned or interested in this resolution.

By order of the Board

Pune
May 31, 2007

Dinesh Castellino
Vice President Legal &
Company Secretary





Cummins India Limited

Registered Office : Kothrud, Pune : 411 038 (India)

Tel.: 91-020-2538 5435, 2538 0240, 2538 1105.

Fax : 91-020-2538 0125

www.cumminsindia.com