



Cummins India Limited

Annual Report 2008

Our Values

- Integrity • Innovation • Delivering Superior Results • Corporate Responsibility
- Diversity • Global Involvement



Table of Contents

Letter to Shareholders	1
Board of Directors	16
Financial Summary - 5 years	18
Director's Report and Financial Statements of Cummins India Limited	19
Consolidated Balance Sheet and Profit and Loss Account of Cummins India Limited and its Subsidiary Companies	113

I am Cummins. You can depend on me. I am Cummins.
You can depend on me. I am **Cummins**. You can
depend on me. I am Cummins. You can depend on me.
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You can depend on me. I am Cummins. You can
depend on me. I am Cummins. You can depend **on me**.

To Our Esteemed Shareholders




Anant J. Talaulicar
Chairman and Managing Director
Cummins India Limited

In last year's annual report, I shared with you our performance, business objectives and strategy for 2007 and beyond. I am pleased to note that the Company has delivered on its commitments and remains positive about its prospects for the future. This success is clearly attributable to all of our employees, strong customer and supplier relationships, best-in-class technology and after sales support. I am particularly pleased about the way our employees have remained steadfast and true to our Company Vision of **“Making people's lives better by unleashing the Power of Cummins”** and the six Cummins Core Values of **Integrity, Innovation, Delivering Superior Results, Corporate Responsibility, Diversity** and **Global Involvement**. This passion and perseverance has driven significant improvements in every aspect of the organization.

Our employees' allegiance to our Core Values is evident in the numbers. In spite of significant northward movement in commodity and fuel prices, our sales and profit performance in the 4th quarter and full year ending March 2008 witnessed steady growth. Our annual sales grew 27% to Rs. 23308 million and the corresponding profit before tax grew 14% to Rs. 3960 million. Our domestic business grew 30% to Rs.16069 million,

and exports grew 20% to Rs. 7239 million.

I am also very pleased to convey that our business growth has been very balanced across all areas including – automotive, industrial and power generation, domestically as well as in exports. Thus our exposure to any particular segment is limited and the portfolio is fairly balanced. Specifically, in the domestic market, automotive grew 152%,



Cummins India
Limited Campus
at Kothrud, Pune.

industrial grew 27%, power generation grew 24%. Exports grew 20%.

Unfortunately, we were faced with unprecedented cost increases this fiscal year. These were a combination of significant inflation in commodities (e.g. pig iron, which is a basic constituent of the castings we use, increased 35% between April 2007 and March 2008, while steel increased at an average of 35% in the same time frame), the hardening of the rupee vis-à-vis the U.S. dollar by 10%, and an unexpected increase in the Octroi tax starting January 2008. Fortunately, the Octroi increase has been rolled back starting June 2008. Further, the company incurred significant excess air

freight costs of having to import components in a stretched supply chain to meet the very strong customer demand.

The proactive cost reduction and waste elimination initiatives which we initiated a few years ago have helped greatly in offsetting the recent sharp cost increases. Specifically, I am alluding to a strong focus on driving efficiencies across the Company with the use of Six Sigma methodology, and strong, win-win partnerships with our suppliers on value engineering and productivity enhancement initiatives. Six Sigma has been a major factor in creating a sense of ownership via cross-functional improvement teams working across all functions

Strong focus on Six Sigma continues - The Six Sigma 2007 India ABO Black Belt Symposium.



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 and analysis based performance driven culture. We have applied Six Sigma methodology in our Company as the primary approach to making breakthrough, sustainable improvements and serving our customers better. We completed 88 Six Sigma projects, during the year, which resulted in annualized savings of Rs. 624 million. We concluded the fiscal year with 533 Green Belts, 20 Black Belts and 11 Master Black belts in the Cummins Group in the last year. The momentum continues to grow.

I believe that the fundamental reasons for Cummins' sustained success lies in the fact that it is a value-based institution. These values are the compass, the

North Star, used by all our employees to make the right decisions for all our stakeholders. Let me illustrate how this has worked with some examples for the past fiscal year.

Integrity - Strive to do what is right and do what we say we will do

As evident from the definition, we interpret **Integrity** to mean 'doing what we say we will do' and 'keeping our promises and commitments dependably'. During the year, when it became apparent that the demand for our products both in India and abroad would outstrip our capacity, our employees were successful in erecting two major new manufacturing facilities in record time and per the committed time lines:

1. The KV (38 and 50 liter engines) assembly and

The KV Engine Plant. Built within the CIL Kothrud premises, the Company's oldest and the largest manufacturing campus in Pune.



The KV Engine Plant.
The Company's latest addition
to its plant fleet. An integrated
manufacturing facility of the
Industrial Engine Business Unit,
specializing in assembling,
testing and upfit of the KV series
engines.



test facility within the original Kothrud campus, will now expand our production from 12 engines/day to 24 engines/day.

2. The power generation small generator facility in Pirangut, near Pune, will allow us to expand the output from approximately 12,000 units/year to 50,000 units/year.

In addition to these new facilities, one of our Group Companies, Cummins Generator Technologies India Limited has constructed a lean and green (with the highest environmentally-friendly standards seen across India as well across the global Cummins system) facility to manufacture small alternators.

All of these new facilities were executed on time and within the budgeted amounts.

Going forward, we have now taken a very bold and long term oriented step of acquiring about 150 acres in Phaltan, Maharashtra. All of the future Group Company manufacturing operations will be co-located on this Cummins Campus. We refer to this as our 'Megasite'. The ground breaking ceremony was held in January 2008 in the presence of the Cummins Inc. Chairman and CEO, Tim Solso. Our Group Company, Tata Cummins Limited has taken the lead in setting up a factory here that will produce both the current B series engines as well as the future electronically

New state-of-the-art manufacturing facility of the Power Generation Business Unit at Pirangut. Set up to manufacture small generator sets.





The Pirangut Plant. Another step forward for Cummins India in gaining a global competitive edge. A facility specializing in the manufacture of small generator sets from 15 -160 kVA for Original Equipment Manufacturers and distributors, both within and outside India.

Station 1

Station 2

Station 3

STANDARD
The Cummins
STANDARD

CAUTION
DO NOT TOUCH
MOVING PARTS
OR ALL SURFACES

PART NO. 100744
01 001 10 001 PART 01
P. 1. 00

controlled ISBe engines. Three Cummins legal entities - Cummins India Limited (CIL), Tata Cummins Limited and Cummins Turbo Technologies Limited have been granted 'Mega Project' status by the Maharashtra Government which will allow these companies to operate, in a highly competitive way, while also helping the community develop in this rural area in our Country. All of these steps will allow us to continue to serve our customers as per our promise to them.

Innovation - Apply the creative ingenuity necessary to make us better, faster, first

Customers have always been central to our **Innovation** efforts. We work closely with our customers for creating products and solutions that will help benefit their business. Our success is attributable to engineering our products with customer feedback which is held paramount at the time of designing the products. The 'go-to-market' strategy is also customer driven versus sales driven.

The Cummins Megasite at Phaltan, Maharashtra. An expression of the Company's plans to expand, and leverage India as a sourcing base. Seen here, lighting the ceremonial lamp at the ground breaking ceremony of the Megasite: Shri. Ramraje Naik-Nimbalkar, Minister of Water Resources (Krishna Valley IC), Tim Solso, Chairman and Chief Executive Officer, Cummins Inc. (USA), and Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited.



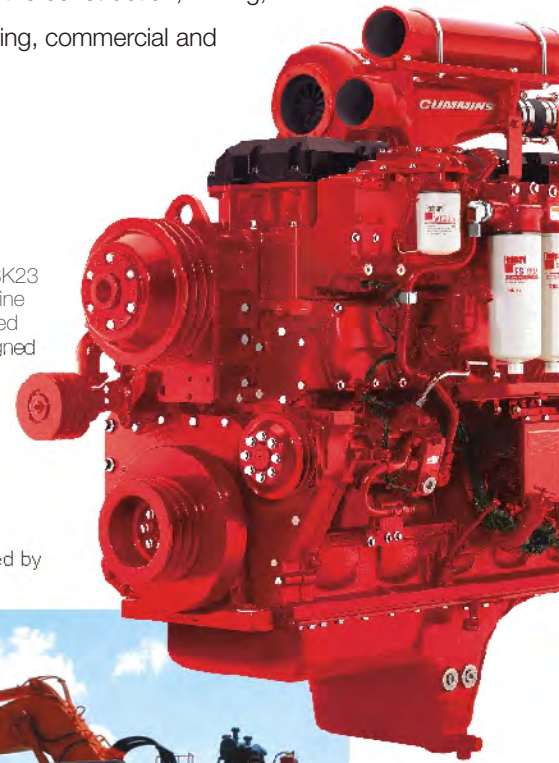


The Power Generation Business Unit showcases its new line of generator sets rated 30 to 38 kVA at 50 Hz and 27 to 35 kW at 60 Hz. Distributor partners from over 40 countries attended.

In January 2008, our Power Generation Business Unit launched a new line of generator sets, the X3.3, rated 30 to 38 kVA at 50 Hz and 27 to 35 kW at 60 Hz. This was an excellent example of innovation, global involvement and teamwork on the part of employees in India, the U.K. and the U.S. These new generator sets provide a highly competitive and reliable power solution to a variety of applications for small businesses and the telecommunications market. The X series has generated tremendous excitement on the part of Cummins distributors in India, Africa, Europe, Asia, Latin America and the Middle East. Shipments to all of these destinations have commenced and the future is very promising. We intend to expand this range in the coming fiscal year.

Our Industrial Engine Business Unit introduced the QSK23 engine to India, the most compact engine in its class with many advanced features, purpose designed for long hours of efficient operation. When combined with an electronically controlled high pressure injection fuel system, the QSK23 engine makes for one of the cleanest, fuel efficient products. The compact design of this product saves crucial space for our customers, making it the preferred option for the construction, mining, IT/ITeS, manufacturing, commercial and realty sectors.

The latest addition - QSK23
The most compact engine in its class with advanced features. Purpose designed for fuel efficient, long hours of operation.



120T Excavator powered by Cummins QSK23.





Honorable Gordon Campbell, Premier of British Columbia, Canada, seen here supporting the efforts of Cummins and TATA Motors in introducing environment-friendly public transportation for Delhi Transport Corporation (DTC).

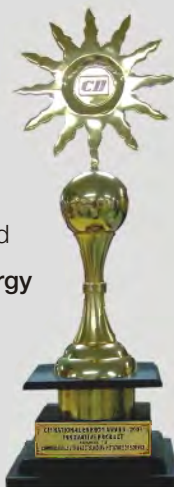


Delhi Transport Corporation's (DTC)'s latest environment-friendly bus supplied by Tata Motors powered by the Cummins B Gas International (BGI) engine.

In December 2007, Delhi Transport Corporation's (DTC)'s latest environment-friendly buses supplied by Tata Motors were fitted with our B Gas International (BGI) engine. This natural gas engine, manufactured in our Daman facility, uses a highly clean and efficient lean burn combustion technology that is unique to India.

Our innovation efforts were recognized and we received the **'Innovative Energy Saving Product'** Award at CII's

Cummins India Limited - Power Generation Business Unit receives the 'Innovative Energy Saving Product' Award at CII's National Award for Excellence in Energy Management 2007.



National Award for Excellence in Energy Management 2007 for our Producer Gas Generators.

We sustained one of our most innovative customer interface programs - 'Voice of Customer' (VOC), which is in its seventh year. Under this initiative, each month, we invite a customer to any one of our facilities to address a broad group of cross-functional managers. The customer feedback is translated into an action plan for measurable improvements. OEM and Dealer teams are also involved and Six Sigma is used as the primary approach for making improvements.

Delivering Superior Results - Exceed expectations, consistently

CIL has come a long way from a 'best efforts' company. A major landmark in this fiscal year was the implementation of Oracle 11i (11.5.10 version) across many of our group entities. This system will help us deploy standard processes along with system enabled controls. This state-of-the-art web enabled system will help us drive significant operational efficiencies and closer collaboration with our supply chain.

We have begun the serious implementation of the Cummins Business Model and Cummins Operating System (CBM/COS). At the heart of this business quality model is the notion of standardizing the most effective processes which in turn allows our people to focus on more innovative and strategic activities. This quality framework binds our employees across business units and functions. It will facilitate our journey to become a 'Zero Defect' company.

Our Power Generation Business Unit was conferred the Corporate Image/Reputation Leadership Award at Frost & Sullivan's India Genset Industry Excellence VOC Awards function held in December 2007. Besides this, Cummins India also won titles in four categories namely, Customer Service Leadership, Most Preferred

Brand in the Manufacturing / Process industry segment (> 250 KVA), Most Preferred Brand in the IT / Realty / Hospitality industry segment and Most Preferred Brand in the Construction & Infrastructure segment.



Cummins India honored with Frost & Sullivan's 2007 Voice of Customer Awards.

Corporate Responsibility - Serve and improve the communities in which we live

Our responsibility clearly goes beyond our balance sheet. We believe that our business can only be as healthy as the local communities in which we operate. Therefore, we proactively look for opportunities to positively impact these communities. At the same time we have exercised strict discipline upon ourselves so that our community efforts are not pure philanthropy, but also serve to benefit the company long term.

The three priority areas that the Cummins Diesel India Foundation (CDIF) focuses on are:

- 1. Higher Education** (since we would appreciate hiring this talent)
- 2. Energy and Environment related initiatives** (since we are an energy related company)
- 3. Local Community Infrastructure Development** (since we induct employees from the community and our employees live in these communities)



The Mechanical Branch of the Cummins College of Engineering for Women gets financial and infrastructure support from Cummins.

We expanded the Cummins Scholarship program this year and granted 15 scholarships to deserving undergraduate engineering students from the economically backward class. Most of these students have been assigned a senior Cummins employee as a mentor and we are closely engaged with these scholars to help them develop and succeed. We intend to continue to expand this very promising and fulfilling initiative.

We are supporting an organization called Public Concern for Governance Trust (PCGT) which is focused on bringing integrity in our public governance mechanisms. Numerous education and awareness sessions have been held with various citizen groups. PCGT also celebrated the second anniversary of the Right to Information Act in October. An essay / slogan competition was organized for college students from across Pune in order to create awareness and seek the thoughts of the youth on subjects related to Right to Information. Winning entries were awarded at the event.

Through CDIF, the Company has contributed towards establishing the Cummins Lab at IIT-Bombay, which is a training-cum-research facility at the campus in Powai for increasing awareness amongst students on alternative fuel based power generation systems.



Embracing Diversity - Cummins' global experience of close to 90 years demonstrates the significance of Diversity in generating innovation and superior business results.

On the business front, over the past few years we have been working on renewable fuels including producer gas or biomass. This has been in partnership with IISc, Bangalore. We have now released unique factory assembled generator sets running on producer gas. The intended use is in rural areas using renewable fuel such as wood, coconut shells etc. Cummins manufactured gas gensets have been designed with extensive field trials of over two years across many installations and several types of biomass. The system developed can provide power plants up to 1.5 MW which makes it a very attractive option for various rural industries as well as communities.

Diversity - Embrace the diverse perspectives of all people and honour both with dignity and respect

We are convinced that business success rests not

merely on being an equal opportunity employer but by consciously promoting visible and invisible employee diversity. Our experience globally, of close to 90 years, demonstrates the significance of **Diversity** to generate innovation and superior business results. Our business results bear testimony to the success of this approach. We are committed to bring in the tremendous diversity in India within each of our Group Companies. We have expanded our representation of women from 5% in 2004 to 14% in 2007. Our target is to increase this to 30% in the next three years. Similarly we intend to have a balanced regional representation.

Diversity embraces differences in gender, region and age along with invisible differences in experiences, cultures, religions etc. to bring diverse perspectives and knowledge to solve today's complex problems more effectively.

Global Involvement - Seek a world view and act without boundaries

Quite simply, global involvement means teamwork across functions, business units and geographies. At Cummins, decisions at all levels are made involving the relevant stakeholders and bringing in diverse inputs. Examples of this are our Six Sigma initiative, our Kaizen teams, our Team Based Work Systems on our factory shop floors and our cross-functional performance cells. Increasingly we are involving the customer in our decision making processes.

Most of our employees are also having to work across geographic boundaries and are in touch with their counterparts in the U.S. and U.K.

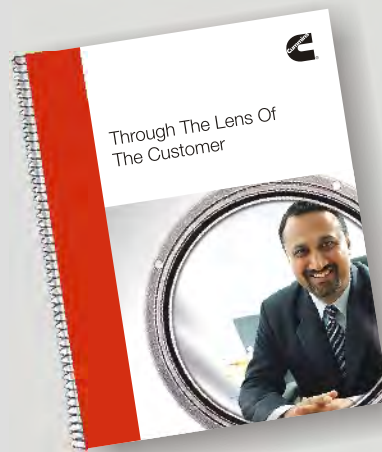
Customer Support Excellence

Customer Support Excellence (CSE) is another major company-wide initiative that was launched last year across all areas. This initiative puts the customer first and trains us to provide real value to the customer. CSE is our effort to ensure that we become truly excellent in how we handle every experience a customer has with Cummins.

To bring CSE to life we are driving three primary initiatives:

- Through the Lens of the Customer (TLC). This is a very structured approach of involving senior management along with cross-functional work

teams that identify customer pain points and help resolve them using Six Sigma and other improvement approaches. In this context, internal customers are also treated similar to external customers. The first orientation program on TLC was conducted by the originator of the program, Dennis Snow, an expert in the field by virtue of his close association with the Walt Disney Company which is well known for delivering world-class customer experiences.



- Repair Event Cycle Time Reduction. This initiative is focused around reducing the time taken to fix product or service breakdowns and ensure that our equipment at the customer is up and running as soon as possible. Here again, we use Six Sigma as the primary approach to reduce repair event cycle times.
- Customer Focused Six Sigma. This variant of Six Sigma involves our customers either as the

Sponsor or as team members of the Six Sigma project. This has been a very powerful means of forging stronger relationships with our customers.

In Conclusion

I would like to assure our shareholders that we have succeeded in building a stronger, more performance oriented and more diverse group of leaders at CIL who are aligned with the six Cummins Core Values and who place the customer first. This will ensure sustainability to our profitable growth.

While I am proud of what we achieved in 2007, we are far from contented. We see an India as well as Cummins in India with great potential to grow, improve and expand our sales not just locally but also globally. We have much work ahead of us, but I believe our business is well positioned.

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 four-fold strategy to achieve these objectives for the fourth successive year continues to be:

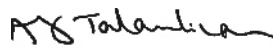
- **Retain/Grow Domestic Market Share Leadership**

- **Become a Low Cost Producer in the segments in which we operate**
- **Grow Exports**
- **Create a Great Place to Work**

After much hard work, we believe we now have earned the right to target to become a Zero Defect company. Zero Defect will be the measure of success that demonstrates our brand promise of **DEPENDABILITY**.

I am grateful to our investors who have exhibited unstinting faith in this management team. I thank our Board of Directors for their excellent counsel and guidance. Sincere thanks to our employees who have helped us reach these heights. And finally, I rededicate myself and my management team to our Vision of **“Making people's lives better by unleashing the Power of Cummins”**, to our six Cummins Core Values and to our brand promise of **Dependability** to all our stakeholders.

Sincerely,



Anant J. Talaulicar
Chairman and Managing Director
Cummins India Limited

Board of Directors



Rajeev Bakshi
Director



S M Chapman
Director



P S Dasgupta
Director



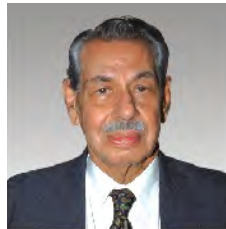
Mark A Levett
Director



Nasser Munjee
Director



Glyn Price
Director



B H Reporter
Director



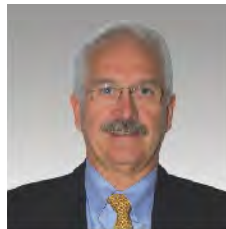
Venu Srinivasan
Director



Anant J. Talaulicar
Chairman and
Managing Director



Dr. John Wall
Director



J M Barrowman
Alternate Director



Pradeep Bhargava
Alternate Director



Sean Milloy
Alternate 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) 25946970-78
Fax : (022) 25946969

Cummins India Limited

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Cummins India Limited

Financial Summary - 5 Years

Rs. Crores

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
Total income	2,453.49	1,926.12	1,539.97	1,271.47	1,009.10
Raw material	1,621.72	1,207.24	968.88	795.94	607.66
Employee cost	138.42	120.04	105.92	86.62	98.97
Mfg. exps. and overheads	148.69	129.60	109.69	98.72	69.75
Adm.,selling and other exps.	115.03	89.23	75.10	67.90	62.71
Interest	0.67	1.41	0.90	1.23	2.03
Depreciation	32.96	32.60	33.64	35.72	29.89
Net profit before tax	396.00	346.00	245.86	185.35	138.10
Tax provision on income (Net of Excess/Short provision for prior years)	115.31	103.95	70.16	48.11	28.83
Net profit after tax	280.69	242.05	175.70	137.23	109.27
Dividend	91.08	79.20	79.20	79.20	79.20
Additional Income tax on dividend	15.48	12.28	11.11	10.73	10.15
Earnings in foreign exchange	742.05	619.74	544.90	402.39	227.40
Dividend %	230.00	200.00	200.00	200.00	200.00
Earning per share (Face value of Rs.2)	14.18	12.22	8.87	6.93	5.52

47th Annual Report 2008

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-Seventh Annual Report and the Audited Accounts of the Company for the year ended March 31, 2008.

1. FINANCIAL RESULTS:

During the year under review, net sales turnover was Rs. 23,308 million (Rs. 2,331 crore) as compared to Rs. 18,408 million (Rs. 1,841 crore) during the previous year (27% higher). Exports and other foreign exchange earnings were Rs. 7,420 million (Rs. 742 crore) as compared to Rs. 6,197 million (Rs. 620 crore) during the previous year (20% higher). Profit after tax was Rs. 2,807 million (Rs. 281 crore) as compared to Rs. 2,420 million (Rs. 242 crore) for the previous year (16% higher).

	2007-2008 (Rs. '000)	2006-2007 (Rs. '000)
APPROPRIATION OF PROFIT :		
Profit before taxation	3,960,032	3,460,023
Net Profit for the year after tax but before tax on proposed dividend	2,806,910	2,420,468
Tax on dividend	154,790	122,839
Dividend	910,800	792,000
Transferred to General Reserve	701,728	605,117
Balance carried to Balance Sheet	3,154,023	2,114,431

2. DIVIDEND:

Your Directors have recommended a final dividend of 130% on the equity share capital of Rs. 396 million for the year ended March 31, 2008, in addition to the interim dividend of 100% declared on January 30, 2008, aggregating to 230% for the year.

3. CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Financial Statements of Cummins India Limited and its subsidiaries, associates and joint ventures as at March 31, 2008, 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. As required by Clause 41 of the Listing Agreement with the Stock Exchanges, the Audited Consolidated Financial Statements are attached and form part of the Annual Report.

4. SUBSIDIARIES:

● Cummins Sales and Service India Limited : (CS&S)

The sales and other income of CS&S for the year ended March 31, 2008, was Rs. 5,321 million (Rs. 532 crore) which includes Rs. 53 million earned from disposal of 'Suraksha Stops' by CS&S during the year as compared to Rs. 4,794 million (Rs. 479 crore) during the previous year. CS&S declared a dividend of 375% during the year ended March 31, 2008, as compared to 183% during the previous year. The paid-up share capital of CS&S is Rs. 60 million, which is held by your Company. CS&S is engaged in the business of sales and after sales services for engines and generators manufactured by your Company.

Cummins India Limited

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

Sales and other income of Cummins Auto Services Limited (CASL) for the year ended March 31, 2008, was Rs. 71 million (Rs. 7 crore) as compared to Rs. 42 million (Rs. 4 crore) during the previous year. CASL is engaged in the business of retailing parts and accessories for commercial vehicles.

- **Annual Reports of subsidiaries :**

The Company has obtained approval of the Central Government vide letter dated April 9, 2008, under Section 212 (8) of the Companies Act, 1956, exempting the Company from attaching the Annual Report of its subsidiaries for the financial year 2007-2008 to this Annual Report. However, the Annual Report of the subsidiary companies and related detailed information will be made available to shareholders / investors of the Company 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. AMALGMATION OF SUBSIDIARY COMPANIES:

The Board of Directors of your Company, at their meeting held on January 30, 2008, have approved the Scheme of Amalgamation for amalgamating Cummins Sales and Service India Limited (CS&S) and Cummins Auto Services Limited (CASL), Subsidiaries of the Company, with the Company, subject to the necessary approvals and sanction by the Hon'ble Bombay High Court. The amalgamation will help the Company capture synergies in marketing, sourcing and aftersales support and would also offer opportunities to reduce administrative costs.

6. JOINT VENTURES:

a. Cummins Exhaust India Limited: (CEIL)

The sales and other income of CEIL, a 50:50 Joint Venture between Cummins Filtration Inc., U.S.A. and your Company, for the year ended March 31, 2008, was Rs. 478 million (Rs. 48 crore) as compared to Rs. 339 million (Rs. 34 crore) during the previous year (41% higher). CEIL Board of Directors have recommended a dividend of 105 % for the year ended March 31, 2008. 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.

b. 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, 2008, was Rs. 308 million (Rs. 31 crore) as compared to Rs. 249 million (Rs. 25 crore) during the previous year (24% higher). CRTI has a Research and Technology Centre at Pune and is engaged in providing Information Technology Enabled Mechanical Engineering Development Services to Cummins Inc., its subsidiaries and joint ventures across the world.

7. CAPACITY EXPANSION:

Your Company has undertaken expansion of its manufacturing capacities to meet growing demand for its products. These include -

- a. **KV Engine Facility, Kothrud, Pune:** Expansion of the manufacturing facility at Kothrud, Pune was commissioned in March 2008. This expanded facility manufactures mechanical and electronic KV series engines ranging from 750 HP to 2250 HP to meet the demands of power generation, marine, construction, mining and locomotive applications.

47th Annual Report 2008

b. Power Generation – New Engine Plant, Kasar Amboli, Pune: A new manufacturing facility was commissioned at Kasar Amboli, Dist. Pune in January 2008, for manufacture of sub 160 kVA range of engines and for upfit & distribution of G- Drives for the Power Generation market.

c. Industrial land at Phaltan: Your Company is in the process of acquiring about 150 acres of land from the MIDC (Maharashtra Industrial Development Corporation) near Phaltan, in Satara District, Maharashtra, around 100 kms from Pune. This site will cater to your Company's future expansion plans. Your Company will also develop common infrastructure/ facilities like Sewage Treatment Plant (STP), Roads, Fire Fighting System, Water Tanks, Training Centre, Health Centre etc. for the entire land.

In order to facilitate better synergies, logistical convenience and cost benefits, it is proposed to sub-lease a part of the said land and common infrastructure/ facilities to "Cummins" group companies (who are also suppliers, vendors and / or customers of the Company) on a need basis.

8. MANAGEMENT DISCUSSION & ANALYSIS / CORPORATE GOVERNANCE REPORT:

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

9. CODE OF CONDUCT COMPLIANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a declaration signed by the Chairman and Managing Director affirming compliance with the Code of Conduct by Directors and Senior Management, for the Financial Year 2007-2008, is annexed and forms part of the Directors' Report.

10. 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, 2008 and of the profit for the period April 1, 2007 to March 31, 2008;
- (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.

11. CONSERVATION OF ENERGY:

Your Company continues to conserve energy and improve energy utilisation through the following efforts and initiatives:

● Kothrud and Nagar Road plants, Pune:

- o Installation and commissioning of a "VAM" Waste Heat Recovery System;
- o Energy efficient lighting in the administrative blocks and stores;
- o Installation of Engine Jacket Water Heat Recovery System at the Power House;
- o Improvement in overhead lighting in the CNC Lathe section;

Cummins India Limited

- o Installation and commissioning of new and energy efficient 22KV HT panel & 1500 kVA transformer.
- o Reduction in energy consumption and improvement in lighting lux level.

These energy conservation initiatives/ projects generated savings of about Rs. 15.85 million (2.88 million Kwh units) during the year.

Additional energy conservation measures being implemented at the Company's newly commissioned plants include:

- **KV Engine Facility, Kothrud :**

- o Natural lighting during day time at upfit and dispatch area;
- o Use of energy efficient lighting i.e. metal halide lamps in the shop;
- o Energy efficient air conditioning cooling system for the Engine Assembly area;
- o Installation of two Capacitor panels to have power factor unity to get maximum rebate in electricity consumption bill.

- **Kasar Amboli Plant :**

- o Energy efficient lighting on the shop floor;
- o Saving in kVA demand as well as cable losses through a Real Time Power Factor cum Harmonic Filtration system (RTPFC);
- o Saving identification through an Energy Management System;
- o Saving through natural air circulation and natural sun light on the shop floor.

12. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

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

The Technical Centre of your Company continues in its endeavour to reduce costs through indigenization of components and developing electronic controls & 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: The following new Products were developed during the year:
 1. 50 litre (1200 rpm) Tier-II emissions compliant engine for the oil and gas global market.
 2. 8.3 litre engine for marine application and a new 14 litre engine for gas compression applications.
 3. 5.9 litre (160 kVA) engine for Power Generation application meeting the current CPCB emission regulations.
 4. Low cost 14 litre engine for Dumper application.
- b) Full authority electronic engines were introduced for Power Generation and Industrial markets.
- c) Various new ratings for engines for Industrial, Power Generation and Automotive applications were certified for compliance with emission norms.

47th Annual Report 2008

d) A new state-of-the-art facility for measurement of gaseous & particulate emissions was commissioned at the Company's Technical Centre in Pune.

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

- Complete range of fuel efficient and emission compliant products were made available to customers in the shortest possible time, at significantly low development cost, thereby enhancing value to customers.
- Improvement in quality, reliability, durability and performance of engines and critical engine components.
- Significant cost savings through engine component indigenization and Six Sigma initiatives.
- Reduction in product development cost to enable profitable business growth.

C. Future plans include:

- Continued thrust on indigenization, cost reduction and supplier partnership based waste elimination initiatives and alternate source development for various engine components.
- Introduction of full authority electronic engines for the Automotive market.
- Development of advanced emissions compliant engines for global and domestic Power Generation, Industrial and Automotive markets.
- Installation and commissioning of Euro-IV level emissions measurement facility.

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 was as follows:-

	2007-2008 (Rs. '000)	2006-2007 (Rs. '000)
a) Capital	37,247	25,127
b) Recurring	269,692	187,819
c) Total	306,939	212,946
d) Total R&D expenditure as a percentage of total sales turnover	1.32%	1.16%

Cummins India Limited

13. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review, the Company exported 5,862 engines and 4,012 generator sets thereby achieving export earnings of Rs. 7,239 million (Rs. 724 crore).

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

	2007-2008 (Rs. '000)	2006-2007 (Rs. '000)
(a) Earnings	7,420,494	6,197,407
(b) Outgo -		
- Raw Materials/ components	3,726,212	3,228,483
- Capital equipment	80,736	61,289
- Others	998,921	913,110
	4,805,869	4,202,882

14. 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.

15. DIRECTORS:

Mr. Anant J. Talaulicar was appointed as Managing Director of the Company for a period from July 29, 2003 to April 24, 2008. At the Board Meeting held on January 30, 2008, Mr. Anant J. Talaulicar was re-appointed as Managing Director of the Company for a further period of five years effective April 25, 2008, subject to approval of the Shareholders.

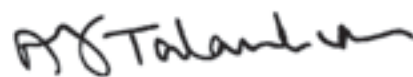
Mr. Pradeep Bhargava has been appointed as an Alternate Director to Mr. S.M. Chapman effective October 25, 2007.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, M/s. Mark Levett, Venu Srinivasan and Glyn Price, Directors of the Company, retire by rotation and are eligible for re-appointment.

16. 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 22, 2008

Management Discussion and Analysis Report (Annexure to Directors Report)

1. Industry Structure and Developments

1.1 Economic Trends and Implications

- India's GDP grew at 8.7 per cent during 2007-08. One section of economists feel that India's economic growth will slow down to 8.4 per cent by 2009 on the backdrop of higher interest rates and the country will need further reforms for sustainable high rates of growth.
- FDI increased to USD 24.57 billion during 2007-08 as compared to USD 15.7 billion in 2006-07. Foreign exchange reserves stood at \$ 309.16 billion for year ended March 31, 2008.
- As per the Finance Ministry's annual report card on the Indian economy – "The economy has moved decisively to a higher growth phase". The outlook for 2008-09 is "optimism, but with caution as the watchword".
- Investments are expected to grow, especially in the infrastructure sector given the continued focus on this sector by the Government.
- A recent Mckinsey Report projects India's infrastructure equipment market to expand fivefold to revenues of USD 12-13 billion by 2015 from current levels of USD 2.3 billion in 2007.
- The Government has identified infrastructure as a priority sector to sustain the momentum of the GDP growth rate. The investment goals for the infrastructure sector are:
 - Power – USD 140 billion by 2010
 - Roads – USD 25 to 30 billion by 2010
 - Ports – USD 8 to 10 billion by 2010
 - Civil Aviation – USD 15 to 17 billion by 2010
 - Telecom – USD 22 billion by 2010
- All these factors are expected to favorably impact the Company's business and indicate a promising future.

1.2 Power Generation

- India's power market is growing faster than most other countries. With an installed generation capacity of 123 GW, generation of more than 600 billion kWh and a transmission and distribution network of more than 6.3 million circuit kms, India has moved up three ranks, emerging as the fifth largest power market in the world.
- India has experienced unprecedented economic growth over the last decade and is expected to continue to grow at the same pace in the foreseeable future. As has been demonstrated in every other developed country, the per capita electricity consumption is bound to increase with the projected economic development and decline in population below poverty line.
- Power requirement projections over the next two decades demonstrate increasing opportunities in the power generation market. The estimated power required through the year 2031-32 is about 4800 kWh at a 9% GDP growth rate.
- The demand is expected to shift to ratings higher than 2000 kVA in market segments such as Data Centres, Large Commercial Realty etc. The power generation market is expected to grow in IT, IT Infrastructure, Telecom, Auto, Auto Ancillary, Construction, Hardware, Manufacturing and Realty segments.

Cummins India Limited

- Power quality and its availability will be the key drivers for alternative sources of grid power like generator sets.

1.3 Industrial

- The increasing need for quality infrastructure in the country has led to burgeoning demand for power, ports, airports, roads, bridges etc.
- Despite spiraling prices of steel, cement and other inputs, the construction industry is looking up because of this investment in infrastructure development.

1.4 Automotive

- After strong growth of more than 30% in the medium and heavy commercial vehicle industry in 2006-07, this segment remained flat to marginally negative in 2007-08, mainly due to the high interest rate regime and lower liquidity.
- CNG engine demand continued to grow steadily as more and more cities made provisions for making CNG readily available for vehicles.

2. Opportunities and Threats

Key **Opportunities** include:

Power Generation

- Huge opportunity spaces exist in the Power Sector, considering the growing gap between demand and supply.
- Coal Bed Methane (CBM) availability is beginning to look up with several CBM blocks under exploration. This again is in a nascent stage and will offer opportunities for large power plants at the exploration site. Some companies in Central India and Rajasthan have reported CBM findings.
- Demand is being driven by non residential construction, IT, ITES, retail and telecom sectors besides industry wide capacity additions and infrastructure improvements.
- The Telecom sector will be another significant demand driver. Capacity addition by leading players is expected to increase demand in the 10 to 30 kVA range significantly.
- Major investments in sectors such as Power, Roads, Ports, Civil Aviation and Telecom provide tremendous growth opportunity for the Power Generation Business.

Industrial

- India's earthmoving and construction equipment industry is on a strong growth path and has been growing at a compounded annual rate of growth of 40 per cent in the last three years. This momentum is likely to continue for the next 4-5 years, after which the industry is likely to grow at a more moderate pace.
- Among the infrastructure development activities, road construction offers huge opportunity for the Company's products. Various phases of NHDP are lined up for execution in the coming 4-5 years. In addition, good growth is projected in Power, Railways, Real Estate sectors and activities pertaining to flyover and highway construction.
- Engines are the most critical mechanical device used in producing motion or movement, and thus, these devices find application across many product categories. The Company will directly benefit as it manufactures engines which find application in major earthmoving equipment, road construction machinery, material handling equipment etc.

47th Annual Report 2008

- The continued focus by the Indian Railways on safety as well as an increase in the number of air-conditioned trains, will increase the demand for Rail engines.
- The Indian Navy's Vessel Build program is firm up till 2012. The Company continues to be the preferred engine and generator set supplier for the Indian Navy.
- Preference for Factory Mutual -Underwriter Laboratory (FM-UL) approved engines opens up new opportunities for the Company, allowing it to leverage its global product offering and local after sales support.
- Outsourcing of drilling activities by large oil companies to private contractors, a segment which the Company has penetrated well, offers increasing opportunities to the Company.
- The opening up of the mining sector and entry of multinationals in the mining and construction industry has fuelled demand for heavy-duty rear-dump trucks in the range of 100, 150 and 240 tonnes.
- For High Horse Power (HHP) engines in mining trucks, the demand is clearly shifting from mechanical engines to electronic engines due to better efficiency. The Company sees a big opportunity for its products in this segment as well.

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 OEM customer demands, as well as with new OEM customers.
- The improvement of road infrastructure and the shift to higher powered engines 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 with whom it already does business and many of whom are likely to start operations in India.
- The Company's product plans are on track to exploit the above opportunities.

Key Threats include:

- Spiraling prices of steel, pig iron, cement and other commodities along with higher interest rates may lead to a moderate slowdown in the economy. Volatility in prices of crude oil, fuel and commodities remains a key challenge. The Company will continue its focus on Six Sigma and Value Engineering programs to reduce cost of components and the production process.
- The capacity of Indian shipyards is expected to double to four million tonnes by 2012. Major shipyards are heavily booked with export orders. Intensive oil exploration activities are creating a demand for offshore supply vessels. However, lack of adequate infrastructure is holding back the growth of this industry.
- Reduction in import duties and Rupee appreciation will facilitate imports of equipments/ engines which is likely to increase competition. The market environment will continue to be highly competitive with increased competition, entry of new players and range extension by all players. However, this will also provide an opportunity for the Company to aggressively promote Cummins global products.

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3. Segment-wise and Product-wise Performance

3.1 Power Generation

- During the year the Power Generation business grew by 24 % across its various lines of business.
- Power Generation exports grew by 37% during the year.

3.2 Industrial

- The Industrial Business grew by 27% during the year.
- Demand for 130-150 HP engine ratings grew due to an increase in the market for 20T/ 21T class excavators by the construction sector.
- The Company experienced steady demand in the 450 CFM portable compressor market, due to sustained investment in infrastructure projects across the length and breadth of the country. However, the 300 CFM compressor segment continued to remain sluggish.
- The Company successfully bagged an order for 600HP main propulsion power pack engines (with gear box) for Landing Craft Units (LCU) for the Indian Navy.
- The high pressure water well market showed positive trends in the 2nd half of 2007 and is likely to remain stable over 2008.
- The Company has made an entry into the Gas Compression market and has bagged orders for new packages from a leading gas distribution company and gas compression package manufacturers.
- The Company's performance in the rail segment was boosted by the demand for 500 kVA generator sets for the Garib Rath Trains.

3.3 Automotive

- The Automotive Business grew by 152% with sales comprised of BS III compliant CNG engines and BS II compliant B-series engines.
- The Automotive group partnered with the key Automotive Original Equipment Manufacturers (OEMs) in India to facilitate OEM vehicle launches.

3.4 Exports

Export Sales Performance 2007- 08

The demand for export of the Company's product portfolio continued to remain strong throughout the year. The Company capitalized on this, with significant growth opportunities for existing as well as new products both for High Horse Power and Heavy Duty engines. Challenging expectations from overseas customers were met successfully as a result of timely augmentation of capacity at the Company's plants and introduction of new products.

Sales revenues for exports reached an all time high at Rs. 7,239 million during 2007-08.

New Business Initiatives 2007- 2008

X Series Generator Sets

In January 2008 we launched a new line of generator sets (X Series), which provide a highly competitive and reliable power solution to a variety of applications for small business and telecommunication markets.

Marine KTA-38M engines

The KTA-38M engines (which have critical engine configurations) were successfully developed and launched to target the Northern American and European markets. Upon establishing stability as a global supplier for the KTA-38M non certified engines, development of Tier II emissionized engines with the PT fuel system was also undertaken. The prototype units were successfully launched in the Second Quarter of 2007-08. This was followed by a successful production ramp.

VPI Initiative (QSK-50G Tier II engines)

In order to gear itself for manufacturing of Advance Emissions Technology Tier II Certified product, the Company has launched a programme for developing a QSK-50 Tier II MCRS (Modular Common Rail System) product.

The launch of this product would enable the Company to position itself well in the Tier II compliant U.S. and related markets.

N14 ER Rail Initiative

The Company bagged an order for the supply of N14 Electronic Engines (N14ER) to Japan Rail.

This unit, a first of its kind, with electronic controls, was successfully built during the Second Quarter of 2007-08. Several further such units were supplied in the third quarter.

An order for several units of N14 Electronic Rail engines was successfully implemented with the Indonesian Rail. All the units were shipped in Q3, 2007-08.

New Market for N14G & NT 855 (Heavy Duty Products)

As part of its initiative to explore new markets, the Company developed and introduced NTA855G and N14 G2/ G3 engines for customers in Japan. The identified business potential from these markets is 150 to 200 units for 2008.

Achievements

● **“Most Preferred Brand” – Excellence Award :**

“Cummins” was conferred Frost and Sullivan’s “Corporate Image / Reputation Leadership Award” and “Customer Service Leadership Award” at the India Genset Industry Excellence Awards function. Frost and Sullivan is a leading Global Consulting Services firm. The awards recognize best practices and capabilities in various industry segments. Cummins won awards in five out of the ten categories, including:

Industry Segments

- o Most Preferred Brand in Manufacturing Industry (>250 kVA)
- o Most Preferred Brand in IT, Realty and Hospitality Segment
- o Most Preferred Brand in Construction & Infrastructure segment

Cummins India Limited

- **Star performer Award for Exports during 2005-06:**

The Company is the recipient of the Engineering Export Promotion Council's (EEPC) Star Performer Award for 2005-06 and the recipient of a Silver Shield for its outstanding export performance for the year 2005-06.

The Company has received the EEPC award for the 18th consecutive year for its excellence in export performance.

4. Outlook and Initiatives for the Current Year and Thereafter

Power Generation

- The Company has commenced production at its new facility at Kasar Amboli, Dist. Pune. This will augment capacity to meet the substantial increase in demand which was witnessed in the local as well as the export markets in the sub 160 kVA range.
- This plant will also upfit and distribute imported G drives.
- Implementation of Tier II norms in the near future provides significant opportunity to introduce emission compliant products.

Industrial

- Investments will continue especially in the infrastructure sector because of sustained economic growth.
- The Company's New KV engine manufacturing facility which was commissioned during the year has substantially enhanced capacity to meet increase in the demand for these products.
- Currently for the Company's Industrial markets, there is no indication from Construction OEM's on any negative impact in demand/forecast for the remainder of 2008.

Automotive

- In the Automotive segment, the Company is planning to expand its capacity to meet the expected growth in demand for the 300HP and higher power nodes for 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.
- With the successful introduction of the lean burn natural gas engine (B Gas International) in partnership with Cummins Westport Inc., the Company has secured a 100% market share in the premium rear-engine city transit bus category.

5. Risks and Concerns the Management Perceives

- India continues to see very rapid growth in energy demand. However, domestic growth drivers may be hindered by oil prices, which have hit record highs and are expected to remain at current high levels for a sustained period of time. This may impact the ability of the Indian economy to grow at peak rates.
- Continued fuel price increases will also have a negative impact on operating hours and replacement demand for the Company's power generation products, spare parts and service.
- Inflation continues to be a concern with commodity prices rising dramatically. Also, the Rupee touched a nine-year high against the dollar. The combined effect of these factors may lead to a slackening of the growth rate.
- In the near term, the major risk lies in managing growth and at the same time retaining the profitability. While monitoring the domestic and global economy closely, the Company intends to continue investing

47th Annual Report 2008

in opportunities, building strong relationships with its partners by offering value packages that will fuel further growth in the future and aggressively reducing cost in all areas.

- The passenger bus market may be adversely affected in future if the CNG infrastructure does not develop quickly.

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 large extent.
- The Company's focus on Six Sigma continues to be higher than ever before. This data based analytical approach to strengthen business processes will be applied for problem solving across all functional and management levels.

6. Internal Control Systems and its Adequacy

The Company has established 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 the Internal Audit department 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 the 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 and 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. 16,069 million (previous year Rs. 12,358 million), showing an increase of 30% over the previous year. Exports grew by 20% to Rs. 7,239 million as against Rs. 6,050 million during the previous year. Total sales grew by 27% to Rs. 23,308 million as against Rs. 18,408 million for the previous year.

The Company's market share and demand for its products in the domestic market remained strong. This demand has been across the power generation, industrial and automotive segments. An increase in Exports by Rs. 1,189 million indicates success of the Company's strategy to promote India as a sourcing hub for global demand.

Cummins India Limited

7. A.2 Expenses and Margins

The Company's cost cutting measures through a major three year initiative of Accelerated Cost Efficiency (ACE) and Six Sigma projects have yielded planned savings. These have helped to largely offset the recent significant increase in metal prices affecting component procurement costs which is a matter of concern. Savings from six sigma projects generated Rs. 624 million and ACE initiatives generated Rs. 146 million.

Total employee cost increased from Rs. 1,200 million during the previous year to Rs. 1,384 million during the year under review mainly due to increase in compensation to employees over the last year. Depreciation charge marginally increased from Rs. 326 million during the previous year to Rs. 330 million during the year under review. Interest and the interest expenses decreased to Rs. 7 million as against Rs. 14 million in the previous year.

7.B Financial Condition

7. B.1 Share Capital

Issued and subscribed capital remained unchanged at Rs. 396 million consisting of 1,98,000,000 equity shares of Rs. 2 each.

7. B.2 Reserves and Surplus

Reserves and Surplus increased by Rs. 1,741 million to Rs. 10,641 million as a result of profit appropriation.

7. B.3 Loan funds

Secured loans increased from Rs. 24 million to Rs. 287 million for the year ended March 31, 2008 which mainly represent book overdraft position. The debt equity ratio as at March 31, 2008 was 0.026.

7.B.4 Fixed Assets

Additions to the Fixed Assets block during the year ended March 31, 2008 were Rs. 1,100 million (Rs. 288 million in the previous year). The addition of Rs. 1,100 million consist mainly of plant & machinery of Rs. 432 million for augmenting various manufacturing facilities, furniture and fittings of Rs. 17 million and vehicles of Rs. 0.26 million. The depreciation block as of March 31, 2008 was Rs. 3,929 million as compared to Rs. 3,620 million as of March 31, 2007. The deductions/disposals during the year amounted to Rs. 29 million against previous year's Rs. 118 million. Consequently, the net fixed assets block increased to Rs. 2,548 million as at March 31, 2008 as compared to Rs. 1,817 million as at March 31, 2007.

The estimated amount of contracts remaining to be executed on capital account and not provided for as of March 31, 2008 was Rs. 425 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. 4,321 million as of March 31, 2008 as compared to Rs. 2,826 million as of March 31, 2007. The net increase was due to investment in liquid funds such as Government bonds/ securities, units of mutual funds etc.

7. B.6 Current Assets, Loans and Advances

i. Inventories

Inventories increased to Rs. 3,215 million as of March 31, 2008 against Rs. 2,814 million as of March 31, 2007. The increase was mainly in raw materials and finished goods.

47th Annual Report 2008

ii. Sundry Debtors

Sundry debtors, net of provision for doubtful debts, increased to Rs. 5,505 million as of March 31, 2008 as compared to Rs. 4,185 million as of March 31, 2007. These are considered good and realisable. The Sundry Debtors in terms of days of sales based on certain assumptions marginally increased to 86 days as of March 31, 2008 as compared to 83 days as of March 31, 2007.

The need for cumulative provision for doubtful debts as of March 31, 2008 of Rs. 52 million (previous year Rs. 49 million) is assessed, based on various factors including collectibility of specific dues, risk perception etc.

iii. Cash and Bank Balances

Cash and Bank balances decreased to Rs. 123 million as at March 31, 2008 as compared to Rs. 389 million as at March 31, 2007. 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. 24 million as of March 31, 2008 against Rs. 33 million as of March 31, 2007. Other current assets include interest accrued on investments and lease rentals receivable.

v. Loans and Advances

Loans and Advances increased to Rs. 1,935 million as of March 31, 2008 as compared to Rs. 1,499 million as of March 31, 2007. The Loans and Advances were primarily towards amounts paid in advance for value, material and services to be received in future and 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. 674 million as of March 31, 2008 as compared to Rs. 550 million as of March 31, 2007. 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. 4,031 million as of March 31, 2008 from Rs. 2,316 million as of March 31, 2007, as a result of increase in volume of operations. The total current liabilities increased to Rs. 4,984 million as of March 31, 2008 as compared to Rs. 3,062 million as of March 31, 2007.

ii. Provisions

The total provisions increased to Rs. 1,458 million as of March 31, 2008 as compared to Rs. 1,219 million as of March 31, 2007. This includes provisions on account of pension and leave entitlement, warranty, engine overhauls for service contracts etc.

Cummins India Limited

8. Human Resources Development and Industrial Relations

- The total strength of employees was 2,290 as on March 31, 2008.
- The Company strongly believes that its people are its greatest strength. A critical part of our Business Strategy is to make the Company “A GREAT PLACE TO WORK” where a diverse set of employees respect and trust each other, take pride in their work, deliver superior results and contribute in increasingly greater ways while growing and developing as individuals.

Leadership Development and Capability Building

- In order to groom and enhance the performance of upcoming employees, a Mentoring Program was initiated during the year.
- Last year, the Company inducted fresh graduate engineers under its Young Managers Development Program. The objective of this program is to build a pipeline for future Leadership, as well as to serve as a bench-strength against separation of employees.
- The Company’s major thrust area is Six Sigma and it continues on its journey of training employees in Six Sigma principles and methodology. During the year, 90 Green Belts were trained/ certified.

Compensation, Benefits and Recognition

- In line with the Company’s global compensation philosophy, the Company continued to align its compensation structure to bring it at par with the market while recognizing performance, potential and critical skills. The Company undertook a study to harmonize the compensation of its Management Staff across all Cummins entities in India. This will enable seamless transition of employees within India and will thus help in career development and retention.
- The Company recognizes the importance of training & development. The in-house Learning Centre regularly conducts programs on Leadership Development and Capability Building. Strategic and Tactical leaders undergo the Cummins Leadership Development System (CLDS) Training, a global initiative that enhances leadership skills.
- Chairman’s Awards, introduced for recognizing employees exemplifying the six Cummins core values, is now in its fourth year. 103 employees were awarded in the categories of Integrity, Innovation, Delivering Superior Results, Global Involvement, Diversity and Corporate Responsibility as well as Six Sigma this year.

Performance Management

- The Company’s unique Performance Management System Tool was upgraded to strengthen the process for monitoring and enhancing employee performance, reinforcing the Company’s Values and also ensuring Development of Employees through the Individual Development Plan.

Diversity

- In line with the Company’s core value of Diversity, initiatives are being taken to recognize the strengths of every employee, value the contribution made and create an inclusive work environment where differences in background help solve the most complex business problems. Diversity complemented by intensive training and Cummins Performance Management System (CPMS) implementation has enhanced the Company’s business performance.

47th Annual Report 2008

- In order to improve Gender representation, the Company focuses strongly on employing women employees through its campus recruitment program. In the year 2007, of the 84 students hired from 44 institutes across the country, 55 were women. A similar approach is being adopted in the current year, to improve Gender Diversity, both through the Campus Recruitment Process and lateral hiring.

Industrial Relations (IR) and other Initiatives

- The Industrial Relations between the Management and Employees Unions continued to be cordial. Wage negotiations for the Associates at Kothrud are in progress. A series of change initiatives undertaken by the Management towards improving productivity and elimination of wasteful practices has been received well by the Union. Motivational and attitudinal training programs are conducted for Associates, which has helped boost their morale and productivity.

Corporate Responsibility

- Corporate Responsibility is one of the Company's six core values. Employees across the board are encouraged to participate in CSR activities that help better the lives of those less fortunate, thereby living the Company's Vision Statement of 'Making people's lives better by unleashing the power of Cummins'.
- **Cummins India Foundation (CIF)** continues to focus on the three core areas of Higher Education with special focus on the traditionally disadvantaged groups; Energy & Environment and Local Community Infrastructure Development.
- CIF is involved in several projects in each of these areas, where senior leaders get personally involved in supporting and sponsoring these projects.
- CIF has been associated with the Cummins College of Engineering for Women, since its inception in 1991. It has sponsored the establishment of the first all women Mechanical Engineering branch in the country in July 2007.
- Four students from the Cummins College of Engineering for Women were selected for the two year Masters program conducted by the Purdue University, U.S.A.
- CIF awarded the Cummins Scholarships to fifteen students in addition to thirteen students who were awarded similar assistance in the previous year. This Scholarship is awarded to students from economically and socially disadvantaged backgrounds pursuing their engineering degree course and covers the entire tuition and examination fees.
- CIF provided financial assistance for establishment and running expenses of a training cum research facility at the Indian Institute of Technology, Mumbai campus for increasing awareness amongst the IIT students on alternative power generation systems. Phase II of the Cummins Engine Research Laboratory at IIT Bombay was completed in March 2007.
- A project on Environmental Protection was undertaken at the Company's factory at Kothrud, wherein a "Biogas Plant" was installed to utilize canteen food waste for conversion to biogas and manure.
- The Company continued its close association with the Poona School and Home for the Blind, by providing financial assistance for refurbishing the school.
- CIF provided financial assistance towards the 'Reaching Out' Program of Snehalaya to help the NGO provide nutritional and educational support to orphans, some of whom are HIV Positive.

Cummins India Limited

- In keeping with its commitment to improve communities by strengthening local governance, CIF continued to support the Pune Chapter of Public Concern for Governance Trust (PCGT), Pune, in its mission to promote honesty, transparency and accountability in governance. Apart from financial support, senior leaders of the Company participate actively in PCGT's advisory council.

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.

47th Annual Report 2008

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 these principles of good Corporate Governance 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 the composition of the Board of Directors:

Mr. Pradeep Bhargava has been appointed as an Alternate Director to Mr. S. M. Chapman effective October 25, 2007.

Mr. Anant J. Talaulicar has been re-appointed as Managing Director for 5 years from April 25, 2008, subject to approval of the shareholders.

Board Meetings:

During the financial year, meetings of the Board of Directors were held on April 26, 2007, May 31, 2007, July 26, 2007, October 25, 2007 and January 30, 2008.

Cummins India Limited

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 26, 2007
		Chairman	Member	Chairman	Member		
Mr. Anant J.Talaulicar	Promoter Executive	2	7	—	3	5/5	Present
Mr. S. M. Chapman	Promoter Non-Executive	—	3	—	—	2/5	Present
Mr. M. A. Levett	Promoter Non-Executive	—	—	—	—	3/5	Present
Dr. John Wall	Promoter Non-Executive	1	—	—	—	1/5	Present
Mr. Glyn Price	Promoter Non-Executive	1	—	—	—	2/5	Present
Mr. Rajeev Bakshi	Independent Non-executive	—	2	—	1	1/5	Absent
Mr. P. S. Dasgupta	Independent Non-executive	—	5	—	5	4/5	Absent
Mr. Nasser Munjee	Independent Non-executive	1	13	3	6	3/5	Present
Mr. B.H. Reporter	Independent Non-executive	1	1	—	—	4/5	Present
Mr. Venu Srinivasan	Independent Non-executive	3	9	2	2	3/5	Absent
Mr. J.M.Barrowman	Alternate Director to Mr. M.A.Levett	—	—	—	—	1/5	Present
Mr. Sean Milloy	Alternate Director to Dr. John Wall	—	—	—	—	1/5	Present
Mr. Pradeep Bhargava (Effective October 25, 2007)	Alternate Director to Mr. S.M. Chapman	—	4	1	1	2/5	—

- Notes: 1. As on March 31, 2008, 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.
2. Directorships in Foreign Companies and Private Limited Companies are excluded in the above table.

47th Annual Report 2008

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 26, 2007, May 31, 2007, July 26, 2007, September 20, 2007, October 25, 2007 and January 30, 2008. The Committee reviewed the balance sheet and profit & loss account, audited financial results for the year ended March 31, 2007 and un-audited financial results for the quarters ended June 30, 2007, September 30, 2007 and December 31, 2007. The Committee also reviewed (i) Legal Compliance Reports (ii) major litigations (iii) performance of Subsidiaries and Joint Ventures (iv) Cost Audit Report for the year 2006-2007 (v) acquisition/ sale of assets (vi) Related Party transactions (vii) recommendation of dividend to the shareholders (viii) investments of subsidiary companies (ix) appointment of Internal, Statutory and Cost Auditors of the Company (x) performance of Statutory Auditors (xi) reports of the Internal Auditor and (xii) Directors' Responsibility Statement. 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, 2007 to March 31, 2008.

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

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 Statutory Auditors, Internal Auditor and the Chief Financial Officer of the Company are regularly invited for the meetings of the Committee.

Cummins India Limited

(B) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

During the year, meetings of the Shareholders/Investors Grievance Committee were held on May 31, 2007, July 26, 2007, October 25, 2007 and January 30, 2008. 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, 2007 to March 31, 2008.

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

Compliance Officer:

Mr. Dinesh Castellino
Vice President Legal & Company Secretary

Number of shareholder complaints received during the year April 1, 2007 to March 31, 2008:

Sr. No.	Nature of complaint	No. of complaints	Status of complaints
1.	Non-receipt of Annual Reports	1	Resolved
2.	Non- receipt of Dividend Warrants	16	Resolved
3.	Non-receipt of Share Certificates	10	Resolved
	Total	27	

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 the "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.

47th Annual Report 2008

4. 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, 2007 to March 31, 2008:

(In Rs.)

Name of the Director	Sitting fees	Commission	Total
Mr. Rajeev Bakshi	20,000	2,75,000	295,000
Mr. P.S.Dasgupta	95,000	2,75,000	370,000
Mr. Nasser Munjee	70,000	2,75,000	345,000
Mr. B.H.Reporter	95,000	2,75,000	370,000
Mr. Venu Srinivasan	25,000	2,75,000	300,000

Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2007 to March 31, 2008:

(In Rs.)

	Sitting fees	Salary	Comm- ission	House rent	Gas/Elect./ water	Medical	Other Benefits	Total
Mr. Anant J. Talaulicar	—	12,012	—	3,913,490	101,753	—	—	4,027,255

Notes:

- The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
- There is no notice period for severance of the Managing Director.
- The Central Government has approved payment of commission to non Whole-time Directors vide its letter dated February 20, 2007 for a period of five years effective from financial year ended March 31, 2007.
- The Company pays fees for professional services rendered by a law firm of which a Non-Executive Director is a Partner (Rs. 66,875/- during the financial year 2007-2008). The same are not material in nature.

Cummins India Limited

5. 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 24, 2008 at 12.30 p.m. 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, 2008 - Last week of July 2008. • Results for quarter and half year ending September 30, 2008 - Last week of October 2008. • Results for quarter and nine months ending December 31, 2008 - Last week of January 2009. • Results for the year ending March 31, 2009 – by June 15, 2009. 	
Dates of Book Closure	July 19, 2008 to July 24, 2008 (both days inclusive).	
Interim Dividend payment date	February 28, 2008.	
Final Dividend payment date	August 18, 2008 (Subject to approval of final dividend by shareholders)	
Listing on Stock Exchanges	Name of Exchange	Stock Code
	1. Bombay Stock Exchange Limited (BSE) P J Towers , Dalal Street, Mumbai : 400001	500480
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra –Kurla Complex, Bandra (E), Mumbai : 400051	CUMMINSIND
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2008-2009.	

47th Annual Report 2008

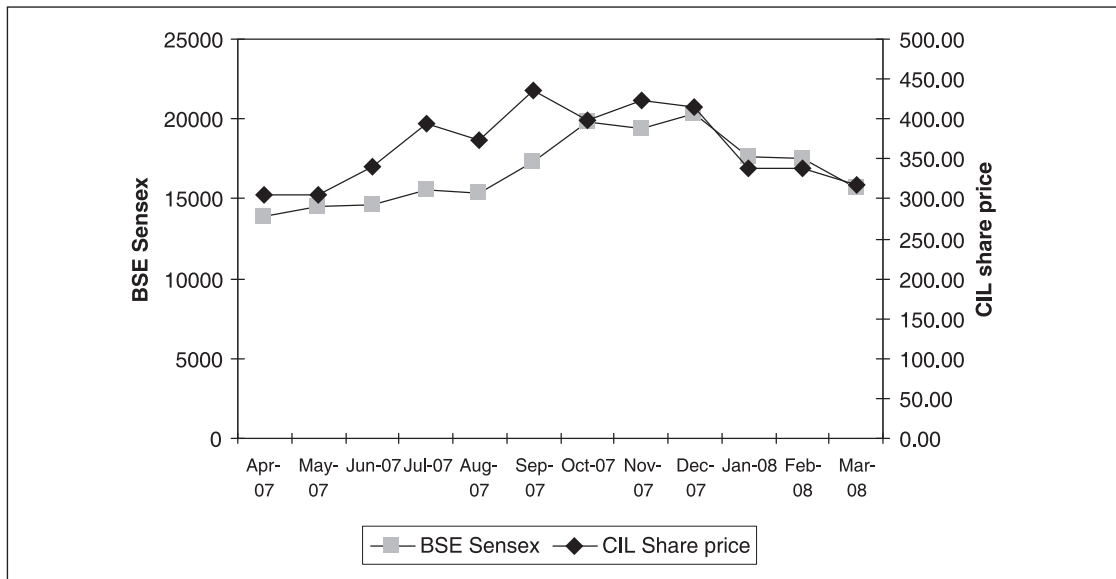
Market price data: High, Low during each month in the financial year 2007-2008.

BSE			NSE		
Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2007	309.00	252.00	April 2007	309.30	250.05
May 2007	319.50	290.00	May 2007	324.45	289.55
June 2007	348.90	302.20	June 2007	350.00	302.00
July 2007	402.00	330.00	July 2007	403.00	331.10
August 2007	408.40	340.00	August 2007	410.00	340.00
September 2007	462.80	375.10	September 2007	472.80	375.00
October 2007	462.00	375.00	October 2007	463.70	376.05
November 2007	431.90	371.30	November 2007	440.00	370.00
December 2007	441.00	390.00	December 2007	441.90	390.00
January 2008	421.00	270.00	January 2008	420.00	255.00
February 2008	360.00	305.10	February 2008	360.00	300.10
March 2008	339.90	265.00	March 2008	349.00	260.00

Performance in comparison to broad-based indices such as BSE Sensex.

Chart A depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2008.

Chart A: Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2007-08



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 No. (022) 2594 6970-78 Fax No. (022) 2594 6969 Contact Person : Mr. N. Mahadevan Iyer E-mail: mahadevan.iyer@intimespectrum.com rnt.helpdesk@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, 2008.	Category	No. of shares of Rs.2/- each	% of shareholding
	Promoters	100,980,488	51.00
	Mutual Funds	23,907,882	12.08
	Banks/Financial Institutions/ Insurance Companies	10,518,092	5.31
	Foreign Institutional Investors (FIIs)	30,746,041	15.53
	Corporate Bodies	11,205,948	5.66
	Indian Public	20,221,383	10.21
	NRIs	420,166	0.21
	TOTAL	198,000,000	100.00
Distribution of shareholding within various categories (as on March 31, 2008).			
Category (shares)	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	21,197	2,496,376	1.26
501-1,000	1,906	1,510,971	0.76
1,001- 5,000	2,532	6,062,658	3.06
5,001-10,000	749	5,147,068	2.61
10,001- 50,000	320	6,383,938	3.22
50,001- 100,000	22	1,485,854	0.75
100,001 and above	78	174,913,135	88.34
Total	26,804	198,000,000	100.00

47th Annual Report 2008

Dematerialisation of shares and liquidity (as on March 31, 2008)	46.78 % shares are in demat form. It may be noted that the Promoters, Cummins Inc., USA, own 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 95.47%.
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	<ol style="list-style-type: none"> 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, Bhipore, Daman 396210. 5. Gat No. 311/B & 1B, Village Kasar Amboli 412 111, Dist. Pune
Address for correspondence	<p>Registered Office : Kothrud, Pune 411 038 Tel: 020 2538 5435/ Fax : 020 2538 0125</p> <ol style="list-style-type: none"> 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 <p>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 rnt.helpdesk@intimespectrum.com</p>

6. ANNUAL GENERAL MEETINGS (AGMs):

Particulars	FY 2004-2005	FY 2005-2006	FY 2006-2007
Date and Time	28.07.2005 at 12.00 noon	27.07.2006 at 12.00 noon	26.07.2007 at 12.00 noon
Venue	Cummins Sales and Service India Ltd. 35A/1/2, Erandawana, Pune 411 038	Hotel Le Meridien, Raja Bahadur Mill Road, Pune 411 001	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 2005 and 2007. 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 2007-2008 or is being proposed at the ensuing Annual General Meeting.

Cummins India Limited

7. 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) None of the Directors of the Company are related to each other.

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

- v) Adoption of Non-mandatory requirements of Clause 49 the Listing Agreement regarding Corporate Governance.

The Company released a 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.

8. MEANS OF COMMUNICATION:

- The quarterly / half-yearly unaudited and annual audited financial results were published in :
 - o Maharashtra Times- year ended March 2007 and quarters ended June, September and December 2007
 - o Business Standard - year ended March 2007 and quarters ended June, September and December 2007
- 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 held on June 6, 2007, October 28, 2007 and January 30, 2008 were displayed on the Company's website www.cumminsindia.com.

47th Annual Report 2008

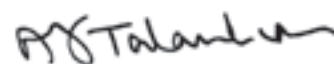
9. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Company has obtained a Certificate from the Statutory Auditors confirming compliance with conditions of the Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges 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 2007-2008.

For Cummins India Limited



Anant J. Talaulicar
Chairman & Managing Director

Pune: May 22, 2008

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, 2008, 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 22, 2008

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

47th Annual Report 2008

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, 2008, 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, 2008 and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2008 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, 2008;
 - (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 22, 2008

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

47th Annual Report 2008

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, 2008]

- 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 according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- 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

Cummins India Limited

public which have matured and are remaining unpaid as at March 31, 2008. 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, 2008 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, disallowances of set off claimed under rule 41D and 42H and interest thereon	41,695	1999-00, 2000-01 and 2001-02	Maharashtra Sales Tax Tribunal, Mumbai
The Central Excise Act, 1944	Disallowance of credit taken on inputs and Penalty for alleged non payment of duty on goods cleared and failure for filing D3 intimation	1,429	2004-05	Central Excise and Service Tax Appellate Tribunal (Mumbai / Ahmedabad)
The Bombay Provincial Municipal Corporations Act, 1949	Demand for non payment of octroi on certain consignments	142	2000-01	District Court, Pune

47th Annual Report 2008

- 10 The Company has no accumulated losses as at March 31, 2008 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 company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 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, aggregating to Rs. 1,780 ('000) were noticed and reported during the year.

Place : Pune
Date : May 22, 2008

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

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule Number	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	10,640,851		8,899,531
			11,036,851	9,295,531
Loan funds :				
Secured loans	3	287,165		24,064
Unsecured loans	4	915		1,218
			288,080	25,282
Finance Lease Liability			37,131	59,450
			11,362,062	9,380,263
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	6,477,465		5,436,332
Less : depreciation		3,928,945		3,619,831
Net block			2,548,520	1,816,501
Investments	6		4,321,455	2,825,789
Deferred Taxation :				
Deferred tax Asset	7	309,635		264,606
Deferred tax Liability		(175,857)		(165,673)
			133,778	98,933
Current assets, loans and advances :				
Inventories	8	3,214,565		2,814,354
Sundry debtors		5,504,531		4,185,246
Cash and bank balances		123,005		388,526
Other current assets		24,046		33,458
Loans and advances		1,934,680		1,499,143
		10,800,827		8,920,727
Less : Current liabilities and provisions :				
Current liabilities	9	4,984,194		3,062,373
Provisions		1,458,324		1,219,314
		6,442,518		4,281,687
Net current assets			4,358,309	4,639,040
			11,362,062	9,380,263

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 22, 2008

Pune
Date: May 22, 2008

47th Annual Report 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			23,307,792	18,407,804
Other Income			1,227,127	853,394
			24,534,919	19,261,198
EXPENDITURE :				
Cost of sales and other expenses	11	20,238,602		15,461,095
Depreciation		329,620		326,020
INTEREST :				
On fixed loans		4,158		3,705
Others		2,507		10,355
		6,665		14,060
			20,574,887	15,801,175
PROFIT BEFORE TAX			3,960,032	3,460,023
PROVISION FOR TAX:				
Current Tax (including net short provision for earlier years Rs. ('000) 1,570 (previous year net excess provision Rs. ('000) 9,040)		1,170,230		1,114,346
Deferred Tax		(34,845)		(89,240)
Fringe Benefit Tax		17,737		14,449
			1,153,122	1,039,555
NET PROFIT FOR THE YEAR			2,806,910	2,420,468
Balance carried forward from last balance sheet			2,114,431	1,213,919
APPROPRIATIONS :				
I Proposed final dividend			514,800	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			154,790	122,839
IV Transferred to general reserve			701,728	605,117
Balance carried to balance sheet			3,154,023	2,114,431
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			14.18	12.22

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

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 22, 2008

Pune
Date: May 22, 2008

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 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, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account		7,000	7,000
General reserve:			
Balance as per last account	6,778,100		6,225,887
Less : Transitional effect on account of AS 15 (revised 2005) - "Employee Benefits"	—		52,904
Add : transferred from profit and loss account	701,728		605,117
Profit and loss account		7,479,828 3,154,023	6,778,100 2,114,431
		10,640,851	8,899,531

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, receivables and movable assets of the Company.	<u>287,165</u>	<u>24,064</u>
	<u>287,165</u>	<u>24,064</u>
 SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. ('000) 212 ; previous year Rs. ('000) 289)	<u>915</u>	<u>1,218</u>
	<u>915</u>	<u>1,218</u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2007	Additions	Deductions	Gross block (at cost) as at 31st March, 2008	Depreciation as per Schedule 5A	Net block as at 31st March, 2008
Tangible Assets:						
Land						
— Freehold	35,060	2,156	—	37,216	—	37,216
Roads	12,953	12,237	—	25,190	4,577	20,613
Buildings	220,703 *	382,516	—	603,219 *	108,220	494,999
Plant and machinery	4,485,111 #	432,497	22,482	4,895,126 #	3,557,264	1,337,862
Furniture and fittings	59,458	17,211	5,200	71,469	25,440	46,029
Vehicles	28,105	266	934	27,437	12,141	15,296
Intangible Assets:						
Software	—	89,855	—	89,855	8,658	81,197
Technical Knowhow	42,000	163,984	—	205,984	41,185	164,799
Global Sourcing Consideration	214,326	—	—	214,326	171,460	42,866
	<u>5,097,716</u> (4,927,789)	<u>1,100,722</u> (287,769)	<u>28,616</u> (117,842)	<u>6,169,822</u> (5,097,716)	<u>3,928,945</u> (3,619,831)	<u>2,240,877</u> (1,477,885)

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

307,643	—	307,643
(338,616)	—	(338,616)
<u>6,477,465</u>	<u>3,928,945</u>	<u>2,548,520</u>
<u>(5,436,332)</u>	<u>(3,619,831)</u>	<u>(1,816,501)</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) 172,680** (previous year Rs. ('000) 175,706) (net block **Rs. ('000) 80,001** (previous year Rs. ('000) 95,724)) given under operating lease arrangements and office equipment and computers costing **Rs. ('000) 74,912** (previous year Rs. ('000) 75,412) (net block **Rs. ('000) 39,546** previous year Rs. ('000) 64,540), acquired under finance leases.

Figures in brackets are in respect of the previous year.

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 5 A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2007	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2008
Tangible Assets:				
Land				
—Freehold	—	—	—	—
Roads	4,383	194	—	4,577
Buildings	100,378	7,842	—	108,220
Plant and machinery ##	3,325,216	249,986	17,938	3,557,264
Furniture and fittings	24,008	3,670	2,238	25,440
Vehicles	9,962	2,509	330	12,141
Intangible Assets:				
Software	—	8,658	—	8,658
Technical Knowhow	27,289	13,896	—	41,185
Global Sourcing Consideration	128,595	42,865	—	171,460
	<u>3,619,831</u>	<u>329,620</u>	<u>20,506</u>	<u>3,928,945</u>
	<u>(3,397,208)</u>	<u>(326,020)</u>	<u>(103,397)</u>	<u>(3,619,831)</u>

includes depreciation of **Rs. ('000) 18,534** (previous year Rs. ('000) 18,112) 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, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6				
INVESTMENTS:				
<u>Number</u>	<u>Face value per unit Rupees</u>			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
600,002	100	Cummins Sales and Service India Limited	19,064	19,062
100	10	Cummins Auto Services Limited	1	1
			19,065	19,063
TRADE INVESTMENTS				
Fully paid ordinary / equity shares				
1,999,800	10	Cummins Exhaust 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 and 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			253,498	253,496

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	253,498	253,496
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS		
		10.4 % Nuclear Power Corporation Limited *	—	22,330
100	100,000	10.25% Housing & Urban Development Corporation Limited*	11,435	11,435
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
			308,330	<u>330,660</u>
		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.55,000,000)	65,415	65,415
		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
			250,665	<u>250,665</u>
		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	<u>164,702</u>
		Carried forward	977,195	999,523

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

		Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	977,195	999,523
		UNITS OF MUTUAL FUNDS		
		Debt Fund (Growth Option)		
		HDFC 13M 1 Institutional Plan Dividend	—	30,000
		HDFC FMP 13M MARCH 2006- Institutional Plan-Growth	—	7,157
		HDFC FMP 13M June 2006-IP-Growth	—	100,000
		HSBC Fixed Term Series IX -Growth	—	50,000
		HSBC Fixed Term Series - III - Growth	—	20,000
		Tata Fixed Horizon Fund Series 27 Scheme B -Growth Institutional Plan	—	100,000
10,000,000	10	HDFC FMP 370D Mar 2008 (VII) (2) - Wholesale Plan	100,000	—
5,000,000	10	DWS Fixed Term Fund Series 26-Growth	50,000	50,000
5,000,000	10	DWS FIXED TERM FUND SERIES 35 Gr	50,000	—
5,000,000	10	ICICI Prudential FMP series 41 - 19 Mths Plan - Institutional Dividend Option	50,000	—
10,000,000	10	Tata Fixed Horizon Fund Series 7 Scheme B - Institutional Plan - Growth	100,000	—
			350,000	357,157
		Debt Fund (Dividend Option)		
5,000,000	10	ICICI Prudential FMP series 42 - 16 Mths Plan - Institutional Dividend Option	50,000	—
5,000,000	10	Sundaram BNP Paribas Fixed Term Plan B Inst - Dividend	50,000	—
			100,000	—
		Carried forward	1,427,195	1,356,680

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

		Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
			1,427,195	1,356,680
			Equity Fund (Dividend Option)	
780,823	10	DSP Merrill Lynch Top 100 Equity Fund-Dividend	20,000	10,000
	10	Fidelity India Special Situations Fund-Growth Option	—	10,000
	10	Franklin India Bluechip Fund - Dividend	—	10,000
	10	HSBC India Opportunities Fund - Dividend	—	10,829
335,542	10	HSBC EQUITY FUND - DIVIDEND	10,000	—
	10	ICICI Prudential Dynamic Plan- Dividend Option	—	10,000
	10	Prudential ICICI Infrastructure Fund - Dividend	—	5,000
	10	Reliance Growth Fund - Dividend Plan (D)	—	2,500
	10	Standard Chartered Enterprise Equity Fund-A-Dividend	—	10,000
			30,000	68,329
			Equity Fund (Blended)	
1,000,000	10	ICICI Prudential Equity & Derivatives Fund-Income Optimiser Plan-Retail Dividend Option	10,000	10,000
6,048,458	10	ICICI Prudential Blended Plan A- Dividend Option	61,069	55,958
			71,069	65,958
		Total Long term investments	(A) 1,528,264	1,490,967

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

		Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
		CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS		
		UNITS OF MUTUAL FUNDS		
		Fixed Maturity Plan		
		ABN AMRO Fixed Term Plan Series 6: Quarterly Plan C - Dividend On Maturity Option		
20,342,584	10	—		150,000
		ABN AMRO Flexible Short Term Plan - Series A - Regular Plan - Quarterly Dividend Option- Compulsory Renewal		
30,273,793	10	203,426		—
		ABN AMRO FLEXIBLE SHORT TERM PLAN - SERIES B - Regular Plan - Quarterly Dividend Option - Compulsory Renewal		
5,000,000	10	302,738		—
		AMRO Interval Fund - Quarterly Plan H - Interval Period Dividend Option - Compulsory Redemption		
		50,000		—
		Birla Fixed Term Plan-Quarterly Series 2 - Growth		
		—		100,000
		Birla Fixed Term Plan-Quarterly Series 6 - Dividend		
		—		10,000
		HDFC FMP 90D March 2007 (4) - Wholesale Plan Dividend Payout		
5,000,000	10	—		147,922
		HDFC FMP 90D FEBRUARY 2008 - WHOLESALE PLAN DIVIDEND OPTION		
5,000,000	10	50,000		—
		HDFC FMP 90D JANUARY 2008 - WHOLESALE PLAN DIVIDEND OPTION		
15,106,428	10	50,000		—
		HSBC Interval Fund - Plan I - Inst. - Dividend		
8,022,590	10	151,065		—
		HSBC Interval Fund - Plan II - Inst. - Dividend		
		80,227		—
		Carried forward	—	407,922

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)			As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
Number	Face value per unit Rupees		Rupees '000	Rupees '000
		Brought forward	—	407,922
		ICICI Prudential FMP series 37- 3 Months Plan A - Retail Dividend Option	—	100,000
		Pru ICICI FMP series 34 - 3 Months Plus Plan A - Retail Dividend Option	—	203,614
20,496,431	10	ICICI Prudential Interval Fund - Quarterly Interval Plan I - Retail Dividend	204,964	—
10,000,000	10	ICICI Prudential Interval Fund II - Quarterly Interval Plan D - Retail Dividend	100,000	—
2,000,000	10	ICICI Prudential Interval Fund II - Quarterly Interval Plan A - Retail Dividend	20,000	—
8,363,453	10	JM Interval Fund - Quarterly plan 4 (JM QIF - 4) - Institutional plan - Dividend option	83,635	—
		SBI Magnum Debt Fund Series - 180 Days - 2 - Dividend	—	100,000
20,000,000	10	SBI DEBT FUND SERIES - 90 DAYS - 20 (26-Feb-08) - DIVIDEND	200,000	—
10,000,000	10	SBI DEBT FUND SERIES 90D-21 (4/3/08) - DIVIDEND	100,000	—
20,000,000	10	Standard Chartered Fixed Maturity Plan - Quarterly Series 26-Dividend	200,000	—
		Sundaram BNP Paribas Fixed Term Plan Series XVII Dividend	—	50,000
			1,796,055	861,536
		Liquid Fund (GROWTH)		
	10	HDFC Cash Management Savings Plus - Growth Plan	—	141
			—	141
		Carried forward	1,796,055	861,677

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
		Brought forward	1,796,055	861,677
		Liquid Fund (DIVIDEND)		
213,298	10	ABN AMRO Money Plus Fund- Institutional Plan- Daily Dividend Option (Compulsory Reinvestment)	2,133	—
		DSP Merrill Lynch Liquidity Fund- Institutional Plan-Daily Dividend	—	50,554
4,076	1,000	DSP Merrill Lynch Cash Plus Fund - Institutional Plan - Daily Dividend Reinvest	4,076	—
2,144,182	10	Deutsche Insta Cash Plus Fund - Institutional Plan Daily Dividend	21,484	—
5,709,298	10	DWS MONEY PLUS FUND - INST DAILY DIVIDEND	57,140	—
2,995,596	10	DWS Liquid Plus Fund- Dividend plan - Daily Dividend	30,000	—
4,523	1,000	DSP Merrill Lynch Strategic Bond Fund - Regular Plan - Weekly Dividend	4,533	—
117,142	10	Fidelity Liquid Plus Fund - Institutional Plan - Daily Dividend Option	1,171	—
2,056,588	10	Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	20,566	—
85,209	10	Fidelity Liquid Plus Fund - Institutional Plan - Weekly Dividend Option	852	—
68,913	10	Fidelity Liquid Plus Fund - Super Institutional Plan - Daily Dividend Option	689	—
1,994,347	10	Grindlays Cash Fund- Dividend (Daily)	21,104	20,164
		Carried forward	1,796,055	861,677

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)		Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
Number	Face value per unit Rupees			
			1,796,055	861,677
		Brought forward		
333,138	10	GFRF Long Term-Plan B- Dividend Daily	3,333	—
3,942,140	10	GSSIF-ST-Plan B- Fortnightly Dividend	39,522	—
		HDFC Cash Management Fund - Savings Plan-Daily Dividend Option	—	13
		HDFC Cash Management Fund - Call Plan-Daily Dividend Plan	—	100,130
11,970,070	10	HDFC Cash Management Savings Plus - Wholesale Plan Daily Dividend Option	120,078	—
4,095,637	10	HDFC Liquid Fund-Premium Plan - Dividend-Daily	50,212	—
3,099,755	10	HSBC Liquid Plus Fund - Inst. - Dividend - Daily	31,036	—
19,997,121	10	HSBC Liquid Plus Fund - Inst. Plus - Dividend - Daily	200,223	—
10,003,047	10	HSBC Cash Fund - Inst. Plus - Dividend - Daily	100,086	—
		ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	—	17,289
9,957,607	10	ICICI Prudential Flexible Income Plan-Daily Dividend Plan	105,287	—
		Magnum Insta Cash Fund - Daily Dividend	—	32
10,001,068	10	SBI Premier Liquid Fund - Institutional - Daily Dividend	100,336	—
267,520	10	SBI Short Horizon Fund - Liquid Plus fund - Institutional Plan - Daily Dividend	2,677	—
		Carried forward	1,796,055	861,677

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6 (Contd.)				
Number	Face value per unit Rupees			
		Brought forward	1,796,055	861,677
		Standard Chartered Liquidity Manager Plus-A-Dividend Daily	—	31,356
16,615	10	Standard Chartered Liquidity Manager (SCLM)-A Dividend Daily	166	202,581
4,959,392	10	Sundaram BNP Paribas Money Fund Super Institutional Daily Div. Reinvest	50,067	—
		Templeton India Short-Term Income Plan-Institutional Plan - Weekly Dividend	—	51,026
3,033,224	10	Templeton Floating Rate Income Fund - Long Term - Super Institutional Plan - Daily Dividend	30,365	—
		Total Current Investments	(B) 2,793,191	473,145 1,334,822
		Total Investments	(A+B) 4,321,455	2,825,789
		Aggregate cost of quoted investments*	764,962	787,292
		Aggregate cost of unquoted investments	3,556,493	2,038,497
			4,321,455	2,825,789
		Aggregate market value of quoted investments	1,341,377	1,521,022

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

Notes :

	Nos.	Cost (Rs.)	Face Value (Rs.)
I) Sale / Redemption :			
Tax Free Bonds			
10.4 % Nuclear Power Corporation Limited	200	22,330,000	20,000,000
UNITS OF MUTUAL FUNDS			
Equity Fund (Dividend Option)			
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
DSP Merrill Lynch Top 100 Equity Fund - Regular Plan - Dividend	450,106	10,000,000	4,501,058
ICICI Prudential Dynamic Plan-Dividend Option	497,085	10,000,000	4,970,846
ICICI Prudential Infrastructure Fund-Dividend	488,998	5,000,000	4,889,976
Reliance Growth Fund-Dividend Plan-(D)	67,916	2,500,000	679,163
Standard Chartered Enterprise Equity Fund-A-Dividend	1,000,000	10,000,000	10,000,000
Liquid Fund Growth			
HDFC Cash Management Fund - Savings Plan-Growth Option	9,654	140,906	96,540
Debt Fund (Growth Option)			
HDFC FMP 13M MARCH 2006-Institutional Plan-Growth	3,000,000	30,000,000	30,000,000
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
HSBC Fixed Term Series 14 - Growth	2,000,000	20,000,000	20,000,000
Fixed Maturity Plan			
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
HDFC FMP 90D March 2007 - WHOLESALE PLAN - Dividend Option	14,792,151	147,921,512	147,921,512
ICICI Prudential FMP series 37 - 3 Mths Plus Plan A - Retail Dividend Option	10,000,000	100,000,000	100,000,000

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
ICICI Prudential FMP series 34 - 3 Mths Plus Plan A - Retail Dividend Option	20,361,386	203,614,000	203,613,855
Sundaram BNP Paribas Fixed Term Plan Series XVII Dividend	5,000,000	50,000,000	50,000,000
SBI MAGNUM DEBT FUND SERIES - 180 DAYS - 2 - DIVIDEND	10,000,000	100,000,000	100,000,000
Liquid Fund - Dividend			
DSP Merrill Lynch Liquidity Fund- Institutional Plan- Daily Dividend	50,544	50,554,204	50,544,100
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
Standard Chartered Liquidity Manager Plus- A-Dividend Daily	31,353	31,356,462	31,353,326
Standard Chartered Liquidity Manager (SCLM)- A-Dividend Daily	20,256,039	202,580,706	202,560,393
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
Templeton India Treasury Management Account- Liquid Plan - Weekly Dividend	50,972	51,026,237	509,724

II) Purchased and sold / redeemed during the year :-

Debt Fund (Growth Option)

Liquid Fund Growth

ABN AMRO Money Plus Fund-Institutional Plan- Growth Option	13,249,128	150,000,000	132,491,278
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LIQUID-DIVIDEND

ABN AMRO Cash Fund-Institutional Plan-Daily Dividend Option	6,000,742	60,007,425	60,007,425
ABN AMRO Money Plus Fund-Institutional Plan- Daily Dividend Option (Compulsory Reinvestment)	15,999,870	160,000,300	159,998,700
Birla Cash Plus-Institutional Premium Plan - Daily Dividend	3,004,298	30,101,563	30,042,979

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
DWS MONEY PLUS FUND - INST DAILY DIVIDEND	110,672,008	1,107,627,594	1,106,720,083
DWS Insta Cash Plus Fund-Institutional Plan- Daily Dividend	65,232,006	653,592,088	652,320,063
DSP Merrill Lynch Cash Plus Fund - Institutional Plan - Daily Dividend Reinvest	329,967	330,000,011	3,299,670
DSP Merrill Lynch Liquidity Fund- Institutional Plan-Daily Dividend	270,703	270,756,970	270,702,830
DSP Merrill Lynch Strategic Bond Fund - Regular Plan - Weekly Dividend	681,784	682,997,497	681,784,105
Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	32,462,919	324,631,492	324,629,189
Fidelity Liquid Plus Fund - Institutional Plan - Daily Dividend Option	4,999,550	49,995,500	49,995,500
Fidelity Liquid Plus Fund - Institutional Plan - Weekly Dividend Option	2,997,901	29,986,210	29,979,015
Fidelity Liquid Plus Fund - Super Institutional Plan - Daily Dividend Option	9,998,160	99,986,602	99,981,603
GFRF Long Term-Plan B-Dividend Daily	9,994,503	99,970,017	99,945,030
HDFC Cash Management Fund - Savings Plan- Daily Dividend Option	31	325	305
HDFC Cash Management Savings Plus - Wholesale Plan Daily Dividend Option	53,310,507	534,784,355	533,105,074
HDFC Cash Management Fund - Call Plan- Daily Dividend Plan	15,732	164,036	157,325
HDFC Liquid Fund-Premium Plan - Dividend-Daily	4,078,370	50,000,000	40,783,700
HSBC Liquid Plus Fund - Inst. - Dividend - Daily	998,752	10,000,000	9,987,516
HSBC Liquid Plus Fund - Inst. Plus - Dividend - Daily	3,994,966	40,000,000	39,949,663
HSBC Cash Fund - Inst. Plus - Dividend - Daily	92,188,931	922,865,449	921,889,306
ING Liquid Plus Fund - Institutional Daily Dividend Option	8,026,350	80,289,985	80,263,498
JM LIQUID PLUS FUND - PREMIUM PLAN - DAILY DIVIDEND OPTION	8,020,865	80,219,051	80,208,648
MAGNUM INSTA CASH FUND - DAILY DIVIDEND	2,985,580	50,009,369	29,855,805
SBI Premier Liquid Fund - Institutional - Daily Dividend	16,952,032	170,071,262	169,520,321
SBI Short Horizon Fund - Liquid Plus fund - Institutional Plan - Daily Dividend	34,982,771	350,002,625	349,827,711
ICICI Prudential Flexible Income Plan-Daily Dividend Plan	64,004,006	676,746,358	640,040,061

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
ICICI Prudential Liquid Plan - Super Institutional Dividend Daily	89,452,685	894,544,970	894,526,851
Standard Chartered Liquidity Manager Plus-A- Dividend Daily	12,708	12,710,999	12,708,374
Standard Chartered Liquidity Manager (SCLM)- A-Dividend Daily	5,021,438	50,277,106	50,214,379
Templeton India Treasury Management Account- Liquid Plan - Weekly Dividend	623	623,662	623,256
Templeton India Treasury Management Account- Liquid Plan - Daily Dividend	13,191	13,194,161	13,190,863
Templeton Floating Rate Income Fund - Long Term - Super Institutional Plan - Daily Dividend	23,804,381	238,233,955	238,043,812
LIQUID-FMP			
ABN AMRO FLEXIBLE SHORT TERM PLAN - SERIES B - Regular Plan - Quarterly Dividend Option - Compulsory Redemption	15,000,000	150,000,000	150,000,000
ABN AMRO Flexible Short Term Plan - Series E - Regular Plan - Calender Quarterly Dividend Option - Automatic Renewal	14,998,650	150,000,000	149,986,501
ABN AMRO Interval Fund - Monthly Plan A - Interval Period Dividend Option - Automatic Renewal	14,999,400	149,994,001	149,994,001
ABN AMRO Flexible Short Term Plan Series E - Interval Dividend Reinvestment	15,000,000	150,000,000	150,000,000
ABN AMRO Fixed Term Plan – Series 5: Quarterly Plan A - Dividend on Maturity Option	15,000,000	150,000,000	150,000,000
BIRLA FTP-QUARTERLY SERIES 14 - DIVIDEND	5,000,000	50,000,000	50,000,000
DSP Merrill Lynch FMP - 3M - Series 1 - Institutional Plan - Dividend	20,000,000	200,000,000	200,000,000
DSP Merrill Lynch Fixed Term Plan Series 10 - Institutional Plan - Dividend	203,334	203,336,148	203,333,790
DWS FIXED TERM FUND SERIES 36- Div	15,000,000	150,000,000	150,000,000
DWS FIXED TERM FUND SERIES 37- DIVIDEND OPTION	10,000,000	100,000,000	100,000,000
HSBC Fixed Term Series 34 - Inst. - Dividend	20,675,079	206,750,794	206,750,794
HSBC Fixed Term Series 29 - Inst. - Dividend	15,633,522	156,341,428	156,335,220
HSBC Interval Fund - Plan I - Inst. - Dividend	930,185	9,301,853	9,301,853

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
HSBC Interval Fund - Plan II - Inst. - Dividend	150,450	1,504,501	1,504,501
ING Fixed Maturity Fund- Series XXX - Dividend Option	8,000,000	80,000,000	80,000,000
JM Fixed Maturity Fund - Series VI - Q4 (JM FMF-VI-Q4) - Institutional Plan - Dividend option	8,153,650	81,536,503	81,536,503
JM Fixed Maturity Fund - Series V - Quarterly Plan 2 (JM FMF - V - Q2) Institutional Plan - Dividend option	5,000,000	50,000,000	50,000,000
Kotak FMP 3M Series 15 - Dividend	10,000,000	100,000,000	100,000,000
LICMF FIXED MATURITY PLAN SERIES 30 - DIVIDEND OPTION	10,000,000	100,000,000	100,000,000
ICICI Prudential FMP series 34 - 3 Mths Plus Plan A - Retail Dividend Option	80,835	808,347	808,347
ICICI Prudential Interval Fund II - Quarterly Interval Plan B - Retail Dividend	5,000,000	50,000,000	50,000,000
ICICI Prudential Interval Fund - Quarterly Interval Plan II - Retail Dividend	10,000,000	100,000,000	100,000,000
SBI DEBT FUND SERIES - 90 DAYS - 17 - DIVIDEND	5,000,000	50,000,000	50,000,000
SBI DEBT FUND SERIES-90D-16(16/10/07)-DIVIDEND	5,000,000	50,000,000	50,000,000
SBI DEBT FUND SERS-90D-13-(28/8/07) DIVIDEND	20,344,580	203,445,800	203,445,800
SBI DEBT FUND SERIES 90D-19 (4/12/07) - DIVIDEND	5,000,000	50,000,000	50,000,000
SBI DEBT FUND SERIES - 90 DAYS - 12 (29/05/2007) DIVIDEND	20,000,000	200,000,000	200,000,000
Standard Chartered Fixed Maturity Plan - Quarterly Series 11-Plan A-Dividend	15,000,000	150,000,000	150,000,000
Sundaram BNP Paribas Fixed Term Plan Series XXXI Dividend	5,000,000	50,000,000	50,000,000
SUNDARAM BNP PARIBAS INTERVAL FUND QLY PLAN B INSTL DIV	5,000,000	50,000,000	50,000,000
Templeton Quarterly Interval Plan - Plan C - Institutional Plan - Dividend	20,000,000	200,000,000	200,000,000

III) Purchased during the year :-

INVESTMENT IN SUBSIDIARY COMPANY

Cummins Sales and Service India Limited (Formerly Cummins Diesel Sales and Service (India) Limited)	1	1,385	100
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Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
BLENDED			
ICICI Prudential Blended Plan A-Dividend Option	486,268	5,111,670	4,862,679
EQUITY			
DSP Merrill Lynch Top 100 Equity Fund-Dividend	780,823	20,000,000	7,808,230
HSBC EQUITY FUND - DIVIDEND	335,542	10,000,000	3,355,423
Debt Fund (GROWTH OPTION)			
DWS FIXED TERM FUND SERIES 35 Gr	5,000,000	50,000,000	50,000,000
HDFC FMP 370D Mar 2008 (VII) (2) - Wholesale Plan	10,000,000	100,000,000	100,000,000
ICICI Prudential FMP series 41 - 19 Mths Plan - Institutional Dividend Option	5,000,000	50,000,000	50,000,000
Debt Fund (DIVIDEND OPTION)			
ICICI Prudential FMP series 42 - 16 Mths Plan - Institutional Dividend Option	5,000,000	50,000,000	50,000,000
Sundaram BNP Paribas Fixed Term Plan B Inst - Dividend	5,000,000	50,000,000	50,000,000
LIQUID-DIVIDEND			
ABN AMRO Money Plus Fund-Institutional Plan-Daily Dividend Option (Compulsory Reinvestment)	213,298	2,133,003	2,132,985
DWS MONEY PLUS FUND - INST DAILY DIVIDEND	5,709,298	57,139,792	57,092,975
DWS Insta Cash Plus Fund-Institutional Plan-Daily Dividend	2,144,182	21,483,628	21,441,816
DWS Liquid Plus Fund- Dividend plan - daily Dividend	2,995,596	30,000,000	29,955,965
DSP Merrill Lynch Cash Plus Fund - Institutional Plan - Daily Dividend Reinvest	4,076	4,076,210	4,075,803
DSP Merrill Lynch Strategic Bond Fund - Regular Plan - Weekly Dividend	4,523	4,533,257	4,522,573
Fidelity Liquid Plus Fund - Institutional Plan - Daily Dividend Option	117,142	1,171,487	1,171,420
Fidelity Cash Fund - Institutional Plan - Daily Dividend Option	2,056,588	20,565,886	20,565,884
Fidelity Liquid Plus Fund - Institutional Plan - Weekly Dividend Option	85,209	852,324	852,095

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
Fidelity Liquid Plus Fund - Super Institutional Plan - Daily Dividend Option	68,913	689,243	689,128
Grindlays Cash Fund-Dividend (Daily)	88,826	937,665	888,257
GFRF Long Term-Plan B-Dividend Daily	333,138	3,332,840	3,331,381
HDFC Cash Management Savings Plus - Wholesale Plan Daily Dividend Option	11,970,070	120,077,755	119,700,698
HDFC Liquid Fund-Premium Plan - Dividend-Daily	4,095,637	50,211,689	40,956,368
HSBC Liquid Plus Fund - Inst. - Dividend - Daily	3,099,755	31,036,301	30,997,554
HSBC Liquid Plus Fund - Inst. Plus - Dividend - Daily	19,997,121	200,223,169	199,971,205
HSBC Cash Fund - Inst. Plus - Dividend - Daily	10,003,047	100,086,489	100,030,472
SBI Premier Liquid Fund - Institutional - Daily Dividend	10,001,068	100,335,712	100,010,677
SBI Short Horizon Fund - Liquid Plus fund - Institutional Plan - Daily Dividend	267,520	2,676,541	2,675,203
GSSIF-ST-Plan B- Fortnightly Dividend	3,942,140	39,521,990	39,421,404
ICICI Prudential Flexible Income Plan-Daily Dividend Plan	9,957,607	105,286,760	99,576,072
Standard Chartered Liquidity Manager (SCLM)-A-Dividend Daily	16,615	166,354	166,147
Sundaram BNP Paribas Money Fund Super Institutional Daily Div. Reinvest	4,959,392	50,066,552	49,593,922
Templeton Floating Rate Income Fund - Long Term - Super Institutional Plan - Daily Dividend	3,033,224	30,365,003	30,332,244
LIQUID-FMP			
ABN AMRO Flexible Short Term Plan - Series A - Regular Plan - Quarterly Dividend Option- Compulsory Renewal	20,342,584	203,425,837	203,425,837
ABN AMRO FLEXIBLE SHORT TERM PLAN - SERIES B - Regular Plan - Quarterly Dividend Option - Compulsory Renewal	30,273,793	302,737,931	302,737,931
AMRO Interval Fund - Quarterly Plan H - Interval Period Dividend Option - Compulsory Redemption	5,000,000	50,000,000	50,000,000
HDFC FMP 90D FEBRUARY 2008 - WHOLESALE PLAN DIVIDEND OPTION	5,000,000	50,000,000	50,000,000
HDFC FMP 90D JANUARY 2008 - WHOLESALE PLAN DIVIDEND OPTION	5,000,000	50,000,000	50,000,000
HSBC Interval Fund - Plan I - Inst. - Dividend	15,106,428	151,064,961	151,064,278

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 (Contd.)

	Nos.	Cost (Rs.)	Face Value (Rs.)
HSBC Interval Fund - Plan II - Inst. - Dividend	8,022,590	80,226,830	80,225,897
JM Interval Fund - Quarterly plan 4 (JM QIF - 4) - Institutional plan - Dividend option	8,363,453	83,634,529	83,634,529
ICICI Prudential Interval Fund - Quarterly Interval Plan I - Retail Dividend	20,496,431	204,964,382	204,964,312
ICICI Prudential Interval Fund II - Quarterly Interval Plan A - Retail Dividend	2,000,000	20,000,000	20,000,000
ICICI Prudential Interval Fund II - Quarterly Interval Plan D - Retail Dividend	10,000,000	100,000,000	100,000,000
SBI DEBT FUND SERIES - 90 DAYS - 20 (26-Feb-08) - DIVIDEND	20,000,000	200,000,000	200,000,000
SBI DEBT FUND SERIES 90D-21 (4/3/08) - DIVIDEND	10,000,000	100,000,000	100,000,000
Standard Chartered Fixed Maturity Plan - Quarterly Series 26-Dividend	20,000,000	200,000,000	200,000,000

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 7			
DEFERRED TAXATION :			
Deferred Tax Asset :			
Provision for doubtful debts	17,790		15,118
Provision others	207,837		153,376
Voluntary retirement scheme	1,013		7,678
Provision for employee benefits	50,833		64,952
Disallowances under Section 43B	32,162		23,482
		309,635	264,606
Deferred Tax Liability :			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961	(175,857)		(165,673)
		(175,857)	(165,673)
		133,778	98,933
		133,778	98,933

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		66,608	64,279
Loose tools and gauges		102,591	76,586
Stock-in-trade :			
Raw materials and components	1,637,600		1,400,011
Work-in-progress	732,392		738,052
Finished goods	130,124		159,660
Materials in transit	545,250		375,766
		<u>3,045,366</u>	<u>2,673,489</u>
		3,214,565	2,814,354
Sundry debtors : Secured			
Debts outstanding for a period exceeding six months			
Considered good	4,196		—
Other debts			
Considered good	1,045		7,306
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	98,180		46,634
Considered doubtful	51,644		48,444
Other debts -			
Considered good	5,401,110		4,131,306
Considered doubtful	—		192
	<u>5,556,175</u>		<u>4,233,882</u>
Less: Provision for doubtful debts	51,644		48,636
		5,504,531	4,185,246
Cash and bank balances :			
Cash on hand	373		259
Cheques on hand	—		63,612
Balances with scheduled banks : on current account	122,632		324,655
		<u>123,005</u>	<u>388,526</u>
Carried forward		8,842,101	7,388,126

47th Annual Report 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 8 (Contd.)			
Brought forward		8,842,101	7,388,126
Other current assets :			
Interest accrued on investments	18,905		19,692
Lease Rent Receivables	5,141		12,603
Other receivables	—		1,163
		24,046	33,458
Loans and advances :			
Unsecured considered good :			
Advances recoverable in cash or in kind or for value to be received	1,927,215		1,478,917
(Refer Note 3(a) of Schedule 12) Balance with Excise Department	7,465		20,226
		1,934,680	1,499,143
		10,800,827	8,920,727

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS:			
Current liabilities:			
Acceptances	673,773		549,522
Sundry creditors (Refer Note 3(b) & (c) of Schedule 12)	4,030,914		2,315,974
Advances from customers	57,011		105,595
Dividend warrants posted but not encashed*	16,716		14,475
Other Liabilities	205,780		76,807
		4,984,194	3,062,373
Provisions:			
Taxation (net of advance payments)	42,659		60,796
Proposed dividend	514,800		396,000
Tax on dividend	87,490		67,300
Post retirement benefits and leave entitlement	177,951		235,069
Others (Refer Note 7 of Schedule 12)	635,424		460,149
		1,458,324	1,219,314
		6,442,518	4,281,687

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

47th Annual Report 2008

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	26,306,839		20,709,664
Less : Excise duty	2,800,094		2,108,117
Net sales	23,506,745		18,601,547
Less : Commission	198,953		193,743
		23,307,792	18,407,804
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. ('000) 2,910; previous year Rs. ('000) 2,025)	22,250		70,923
Miscellaneous income	430,908		240,430
Export benefits	223,015		154,131
Income from investments			
Long term investments-			
Trade investments	45,999		66,358
Other investments (tax deducted at source Rs. ('000) 2,334; previous year Rs. ('000) 3,520)	48,534		63,141
Dividend from subsidiary	225,000		110,000
	319,533		239,499
Current investments - other than trade	199,633		117,905
Gain on sale/redemption of long term investments	23,078		29,728
Gain on sale/redemption of current investments	8,710		778
		1,227,127	853,394
		24,534,919	19,261,198

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		14,942,903	11,827,876
Purchase of goods for resale		1,246,874	506,043
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	1,091,151		991,030
Company's contribution to provident and other funds (Net)	165,996		87,350
Welfare expenses	127,078		122,019
		1,384,225	1,200,399
Operation and other expenses :			
Stores, spares, consumable materials, etc.	447,854		381,129
Tools and gauges	68,710		41,657
Repairs to buildings	45,259		40,506
Repairs to machinery	60,330		34,160
Other repairs	15,077		36,088
Power and fuel	219,393		251,641
Rent	21,775		20,401
Rates and taxes	45,580		40,557
Insurance	18,102		20,512
Outside processing charges	185,383		160,000
Other expenses	1,128,300		866,063
Donations and contributions	20,000		20,546
Net loss on fixed assets sold or discarded	1,986		5,693
		2,277,749	1,918,953
Technical fees and royalties		359,449	269,332
Carried forward		20,211,200	15,722,603

47th Annual Report 2008

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 11 (Contd.)			
Brought forward		20,211,200	15,722,603
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	130,124		159,660
Work-in-progress	732,392		738,052
		862,516	897,712
Opening inventories :			
Finished goods	159,660		38,823
Work-in-progress	738,052		622,238
		897,712	661,061
		35,196	(236,651)
		20,246,396	15,485,952
Less : cost of plant and machinery manufactured		7,794	24,857
		20,238,602	15,461,095

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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 have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

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 amortized over a period of their respective useful lives ranging between three years to seven years.

c) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. 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, they meet the definition of a lease and are accounted for based on their classification into

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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, 2008 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 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 Unit Credit method. Under this method, "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for active members of the Plan. The "projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan liability is the actuarial present value of the "projected accrued benefits" as of the beginning of the year for active members.

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.

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

2. Capital Commitments

	Rs. '000	Previous year Rs. '000
Capital Commitments	425,268	436,241

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) An inter corporate deposit of **Rs. ('000) 90,000** (previous year Rs. ('000) NIL) placed with Cummins Sales and Service India Ltd., wholly owned subsidiary. Maximum amount due during the year **Rs. ('000) 94,582** (previous year Rs. ('000) NIL)
- iii) An inter corporate deposit of **Rs. ('000) 100,000** (previous year Rs. ('000) NIL) placed with Valvoline Cummins Ltd. an associate. Maximum amount due during the year **Rs. ('000) 102,166** (previous year Rs. ('000) NIL)
- iv) **Rs. ('000) NIL** (previous year Rs. ('000) 93,010) from holding Company for expenses incurred on their behalf.
- v) Accrued Interest **Rs. ('000) NIL** (previous year Rs ('000) 690) 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) 690** (previous year Rs. ('000) 50,801)

b) Sundry creditors include –

	Rs. '000	Previous year Rs. '000
i) Amounts due to small scale industrial undertakings	NIL	187,160
ii) Total outstanding dues of micro and small enterprises	193,852	Not Ascertained

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

		Rupees '000
1 The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.	a. Principal	Rs. 191,998
	b. Interest	Rs. 1,854
	Total	Rs. 193,852
2 The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	a. Principal	Rs. 303,604
	b. Interest	Rs. NIL
	Total	Rs. 303,604
3 The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—	—

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

		Rupees '000				
4	The amount of interest accrued and remaining unpaid at the end of the year.	<table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 10px;">a. Total Interest accrued</td> <td style="text-align: right;">Rs. 1,854</td> </tr> <tr> <td style="padding-right: 10px;">b. Total Interest unpaid</td> <td style="text-align: right;">Rs. 1,854</td> </tr> </table>	a. Total Interest accrued	Rs. 1,854	b. Total Interest unpaid	Rs. 1,854
a. Total Interest accrued	Rs. 1,854					
b. Total Interest unpaid	Rs. 1,854					
5	The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	<i>Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.</i>				

The Company has compiled this information based on intimations received from the suppliers of their status as Micro or Small Enterprises and / or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

4. Contingent liabilities

	As at 31 st March, 2008 Rs. '000	As at 31 st March, 2007 Rs. '000
a) Bills discounted not matured	291,207	86,942
b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	15,640	18,384
c) Central excise duty/customs duty – demands not accepted by the Company	16,843	14,622
d) Sales Tax Matters pending in appeal	8,541	8,541
e) Octroi Matters	142	142
f) Civil liability / secondary civil liability in respect of suits filed against the Company	1,654	—

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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, 2008.

								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.	1,281,846	—	—	—	—	—	1,281,846	
		(1,136,231)	(—)	(—)	(—)	(—)	(—)	(1,136,231)	
	Cummins Ltd.	—	—	1,186,676	—	—	—	1,186,676	
		(—)	(—)	(1,244,106)	(—)	(—)	(—)	(1,244,106)	
	Tata Cummins Limited	—	—	—	—	—	1,389,267	1,389,267	
		(—)	(—)	(—)	(—)	(—)	(1,319,962)	(1,319,962)	
Purchases of goods	Valvoline Cummins Limited	—	—	—	79,890	—	—	79,890	
		(—)	(—)	(—)	(60,317)	(—)	(—)	(60,317)	
	Others	—	45,983	1,117,414	—	—	—	1,163,397	
		(—)	(15,397)	(973,142)	(—)	(—)	(—)	(988,539)	
	Sale of goods	Cummins Ltd.	—	—	2,592,380	—	—	—	2,592,380
			(—)	(—)	(2,539,430)	(—)	(—)	(—)	(2,539,430)
Cummins Power Generation, Kent		—	—	1,915,747	—	—	—	1,915,747	
		(—)	(—)	(1,458,230)	(—)	(—)	(—)	(1,458,230)	
Cummins Power Generation, Singapore		—	—	1,129,776	—	—	—	1,129,776	
		(—)	(—)	(956,670)	(—)	(—)	(—)	(956,670)	
Cummins Sales and Service India Limited		—	1,861,553	—	—	—	—	1,861,553	
	(—)	(1,885,863)	(—)	(—)	(—)	(—)	(1,885,863)		
Sale of goods	Cummins Inc.	38,061	—	—	—	—	—	38,061	
		(41,697)	(—)	(—)	(—)	(—)	(—)	(41,697)	
	Others	—	—	885,953	—	—	—	885,953	
		(—)	(—)	(531,452)	(—)	(—)	(—)	(531,452)	
	Purchase of fixed assets	Cummins Inc.	—	—	—	—	—	—	—
			(9,745)	(—)	(—)	(—)	(—)	(—)	(9,745)
		Cummins Sales and Service India Limited	—	—	—	—	—	—	—
		(—)	(165)	(—)	(—)	(—)	(—)	(165)	
Purchase of fixed assets	Cummins Generator Technologies India Ltd.	—	—	752	—	—	—	752	
		(—)	(—)	(—)	(—)	(—)	(—)	(—)	

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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
Services Rendered	Cummins Inc.	65,571 (66,578)	— (—)	— (—)	— (—)	— (—)	— (—)	65,571 (66,578)
	Cummins Power Generation, Singapore	— (—)	— (—)	77,400 (32,560)	— (—)	— (—)	— (—)	77,400 (32,560)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	137,046 (22,896)	137,046 (22,896)
	Others	— (—)	11,392 (3,956)	35,172 (23,911)	— (—)	— (—)	— (—)	46,564 (27,867)
Remuneration Paid	Anant Talaulicar	— (—)	— (—)	— (—)	— (—)	4,015 (4,183)	— (—)	4,015 (4,183)
Services Received	Cummins Sales and Service India Limited	— (—)	377,349 (321,232)	— (—)	— (—)	— (—)	— (—)	377,349 (321,232)
	Cummins Power Generation, Singapore	— (—)	— (—)	70,115 (—)	— (—)	— (—)	— (—)	70,115 (—)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	13,364 (—)	13,364 (—)
	Others	— (—)	— (—)	3,137 (2,327)	— (—)	— (—)	— (—)	3,137 (2,327)
Transfer of Technology including royalty	Cummins Inc.	429,458 (347,283)	— (—)	— (—)	— (—)	— (—)	— (—)	429,458 (347,283)
	Cummins Westport	— (—)	— (—)	— (10,664)	— (—)	— (—)	— (—)	— (10,664)
Intercorporate Deposits Given and recovered	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (50,000)	— (—)	— (—)	— (—)	— (50,000)

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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
Inter Corporate Deposits Given	Cummins Sales and Service India Limited	— (—)	90,000 (—)	— (—)	— (—)	— (—)	— (—)	90,000 (—)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	100,000 (—)	— (—)	— (—)	100,000 (—)
Interest Received On inter corporate deposit	Cummins Reseach and Technology India Limited	— (—)	— (—)	6,096 (6,300)	— (—)	— (—)	— (—)	6,096 (6,300)
	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (1,060)	— (—)	— (—)	— (—)	— (1,060)
	Cummins Sales and Service India Limited	— (—)	4,582 (—)	— (—)	— (—)	— (—)	— (—)	4,582 (—)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	2,166 (—)	— (—)	— (—)	2,166 (—)
Interest Income	Cummins Ltd.	— (—)	— (—)	— (12,567)	— (—)	— (—)	— (—)	— (12,567)
	Cummins Power Generation, Singapore	— (—)	— (—)	— (2,697)	— (—)	— (—)	— (—)	— (2,697)
IT Service Charges	Cummins Inc.	47,729 (35,282)	— (—)	— (—)	— (—)	— (—)	— (—)	47,729 (35,282)
	Cummins Diesel Sales Corporation	— (—)	— (—)	26,236 (—)	— (—)	— (—)	— (—)	26,236 (—)
Sale of Scrap	Cummins Sales and Service India Limited	— (—)	— (235)	— (—)	— (—)	— (—)	— (—)	— (235)
Dividend Received	Cummins Exhaust India Ltd.	— (—)	— (—)	6,999 (17,998)	— (—)	— (—)	— (—)	6,999 (17,998)
	Cummins Sales and Service India Limited	— (—)	225,000 (110,000)	— (—)	— (—)	— (—)	— (—)	225,000 (110,000)
	Cummins Generator Technologies India Ltd.	— (—)	— (—)	39,000 (48,360)	— (—)	— (—)	— (—)	39,000 (48,360)
Dividend paid	Cummins Inc.	403,920 (403,920)	— (—)	— (—)	— (—)	— (—)	— (—)	403,920 (403,920)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

c) Amounts outstanding as at 31st March, 2008.

								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.	689,988 (407,693)	— (—)	— (—)	— (—)	— (—)	— (—)	689,988 (407,693)
	Cummins Ltd.	— (—)	— (—)	354,009 (126,588)	— (—)	— (—)	— (—)	354,009 (126,588)
	Cummins Sales and Service India Limited	— (—)	140,278 (50,578)	— (—)	— (—)	— (—)	— (—)	140,278 (50,578)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	12,896 (9,341)	— (—)	— (—)	12,896 (9,341)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	88,677 (38,874)	88,677 (38,874)
	Others	— (—)	— (—)	260,604 (47,476)	— (—)	— (—)	— (—)	260,604 (47,476)
Sundry Debtors	Cummins Ltd.	— (—)	— (—)	785,199 (566,283)	— (—)	— (—)	— (—)	785,199 (566,283)
	Cummins Power Generation, Kent	— (—)	— (—)	398,236 (519,606)	— (—)	— (—)	— (—)	398,236 (519,606)
	Cummins Power Generation, Singapore	— (—)	— (—)	150,108 (269,587)	— (—)	— (—)	— (—)	150,108 (269,587)
	Cummins Sales and Service India Limited	— (—)	852,484 (680,330)	— (—)	— (—)	— (—)	— (—)	852,484 (680,330)
	Cummins Inc.	34,543 (18,940)	— (—)	— (—)	— (—)	— (—)	— (—)	34,543 (18,940)
	Tata Cummins Limited	— (—)	— (—)	— (—)	— (—)	— (—)	35,698 (6,848)	35,698 (6,848)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	394 (—)	— (—)	— (—)	394 (—)
	Others	— (—)	2,206 (1,690)	180,365 (124,850)	— (—)	— (—)	— (—)	182,571 (126,540)
Inter Corporate Deposit Receivable	Cummins Reseach and Technology India Limited	— (—)	— (—)	70,000 (70,000)	— (—)	— (—)	— (—)	70,000 (70,000)
	Cummins Sales and Service India Limited	— (—)	90,000 (—)	— (—)	— (—)	— (—)	— (—)	90,000 (—)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	100,000 (—)	— (—)	— (—)	100,000 (—)

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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
Interest Receivable on ICD Balance	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (690)	— (—)	— (—)	— (—)	— (690)
	Cummins Sales and Service India Limited	— (—)	4,582 (—)	— (—)	— (—)	— (—)	— (—)	4,582 (—)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	2,166 (—)	— (—)	— (—)	2,166 (—)
	Cummins Reseach and Technology India Limited	— (—)	— (—)	4 (—)	— (—)	— (—)	— (—)	4 (—)
Loans & Advances	Cummins Inc.	— (93,010)	— (—)	— (—)	— (—)	— (—)	— (—)	— (93,010)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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. (U.K.) 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 Cummins Engine Austria GmbH Wuxi Newage Alternators Ltd. Cummins Diesel Deutschland GmbH
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, has been reckoned on the basis of information available with the Company.
- iv) Figures in brackets are in respect of the previous year.

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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 @	21,297,699 (17,100,478)	2,224,307 (1,505,805)	23,522,006 (18,606,283)
ii) Segment result	3,108,566 (2,849,237)	285,837 (168,488)	3,394,403 (3,017,725)
Unallocated Other Income			572,294 (456,358)
Interest			6,665 (14,060)
Profit before tax			3,960,032 (3,460,023)
Provision for tax			
Current tax			1,170,230 (1,114,346)
Deferred tax			-34,845 (-89,240)
Fringe Benefit Tax			17,737 (14,449)
Net profit for the year			2,806,910 (2,420,468)
iii) Segment assets	11,965,523 (10,012,421)	1,364,919 (651,840)	13,330,442 (10,664,261)
Common Assets			4,474,138 (2,944,414)
Enterprise Assets			17,804,580 (13,608,675)
iv) Segment liabilities	5,424,304 (3,380,314)	680,845 (393,041)	6,105,149 (3,773,355)
Common Liabilities			662,580 (539,789)
Enterprise Liabilities			6,767,729 (4,313,144)
v) Capital expenditure	890,207 (513,208)	179,542 (22,952)	1,069,749 (536,160)
Depreciation	303,788 (303,310)	25,832 (22,710)	329,620 (326,020)
Information about geographical segments (Secondary segments)			
	Domestic	Export	Total
vi) Segment revenue @	16,283,318 (12,555,869)	7,238,688 (6,050,414)	23,522,006 (18,606,283)

@ Segment revenue from Other business includes Income from Lease **Rs. ('000) 15,261** (previous year Rs. ('000) 4,736)

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, 2008 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

	Rs. '000			
	Warranty	Overhaul	Statutory Matters	Total
Opening Balance	356,877	99,628	3,646	460,151
	(229,634)	(82,270)	(3,646)	(315,550)
Additions	315,682	41,707	—	357,389
	(314,369)	(32,991)	(—)	(347,360)
Utilisations	168,644	13,472	—	182,116
	(187,125)	(15,636)	(—)	(202,761)
Reversal	—	—	—	—
	(—)	(—)	(—)	(—)
Closing Balance	503,915	127,863	3,646	635,424
	(356,878)	(99,625)	(3,646)	(460,149)

- i) The provision for warranty is on account of warranties given on products sold by the Company. The provision is based on the historic data / estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- ii) The provision for overhaul is on account of engines given on rent to various customers. The provision is based on the data on overhaul costs on various types of gensets as accumulated by the Company. The timing and amount of the cash flows that will arise from these matters will be determined at the time of actual overhauling of the gensets.
- iii) The 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

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

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount receivable Rs. '000
Gross investment in lease	2,895	2,953	5,848
	(7,067)	(7,547)	(14,614)
Less : Unearned finance income	492	215	707
	(1,233)	(778)	(2,011)
Present value of minimum lease payments receivable	2,403	2,738	5,141
	(5,834)	(6,769)	(12,603)

Figures in brackets are in respect of the previous year.

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate **Rs. ('000) 8,180** (previous year Rs. ('000) 7,101).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate **Rs. ('000) 20,391** (previous year Rs. ('000) 14,641).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate **Rs. ('000) 86,403** (previous year Rs. ('000) 89,142).

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, 2008 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	26,552	13,162	39,714
	(26,554)	(39,485)	(66,039)
Less : Amount representing interest	2,201	382	2,583
	(4,009)	(2,580)	(6,589)
Present value of minimum lease payments	24,351	12,780	37,131
	(22,545)	(36,905)	(59,450)

- 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, 2008 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	8,004	12,007	20,011
	(16,326)	(21,365)	(37,691)

The minimum lease payments recognized in the statement of profit and loss (included under other expenses) for the year are **Rs. ('000) 24,240** (previous year Rs. ('000) 25,399).

- 10. The net exchange differences (gains/(losses)) arising during the year appropriately recognised in the profit and loss account is **Rs. ('000) (25,121)** (previous year Rs. ('000) 33,632).

11. a) Managerial Remuneration

Particulars	Rs. ('000)	Previous Year Rs. ('000)
Salary	12	12
Perquisites	4,015	4,171
Commission - non-whole time directors	1,375	1,375
Sitting fees	305	270
Total	5,707	5,828

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 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 Managing Director of the Company, effective July 29, 2003 and for payment of remuneration as Managing Director effective April 1, 2004.

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	Rs. '000	Previous Year Rs. '000
Profits before Tax as per Profit and Loss account		3,960,032	3,460,023
Add: Directors' remuneration	5,707		5,828
Depreciation (including amortization) provided in the books	329,620		326,020
Net loss on fixed assets sold or discarded as per schedule 11	1,986		5,693
Provision for doubtful debts and advances	27,436		20,467
		364,749	358,008
Less: Depreciation (including amortization) under section 350 of the Companies Act, 1956	329,620		326,020
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	1,986		5,693
Profit on redemption or sale of Investments	31,788		30,506
		363,394	362,219
Net Profit as per section 309(5)		3,961,387	3,455,812
Restricted to 1%		39,614	34,558
Commission payable to non-whole-time directors		1,375	1,375

12. Remuneration to Auditors:

	Rs. '000	Previous Year Rs. '000
Statutory Audit (including Consolidation of Accounts)	5,100	4,800
Limited Review	1,200	1,200
Tax Audit	1,300	1,200
Other services	1,230	70
Reimbursement of out of pocket expenses	46	45
	8,876	7,315

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

13. Other expenses include provision for doubtful debts **Rs. ('000) 27,436** (previous year Rs. ('000) 20,467).
14. The total research and development expenses have been incurred by the Company are as under. As per the requirement specified by Department of Scientific and Industrial Research, New Delhi, details of expenses incurred on auto projects is as follows :

			Rs. ('000)
Particulars	Auto projects	Other projects	Total Research and Development expense
a. On capital A/c	6,323 (4,534)	30,924 (20,593)	37,247 (25,127)
b. On revenue A/c	15,387 (5,536)	254,305 (182,283)	269,692 (187,819)
Total	21,710 (10,070)	285,229 (202,876)	306,939 (212,946)

The expenses disclosed above include expenses incurred on development of parts. 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, 2008 and Income and Expenses for the year ended on that date.

a) **Cummins Exhaust India Limited**

	As at March 31, 2008 Rs. '000	As at March 31, 2007 Rs. '000
Assets	130,520	97,394
Liabilities	47,940	33,579
Income	239,036	169,466
Expenses (including provision for tax)	195,701	133,786
Contingent Liabilities	Nil	Nil
Capital Commitments	117	Nil

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

	As at March 31, 2008 Rs. '000	As at March 31, 2007 Rs. '000
Assets	101,573	93,294
Liabilities	58,737	66,642
Income	153,845	124,262
Expenses (including provision for tax)	137,662	111,102
Contingent Liabilities	14,115	13,516
Capital Commitments	172	Nil

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

16. Earnings Per share

	<u>As at March 31, 2008</u>	<u>As at March 31, 2007</u>
a) Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
b) Profit for the year after taxation Rs. ('000)	2,806,910	2,420,468
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	14.18	12.22
Face value per share Rs.	2.00	2.00

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

	<u>Installed capacity * Nos.</u>	<u>Production Nos.</u>
Internal Combustion engines in all H.P. ranges.	28,200 (24,800)	30,792 (22,905)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	14,200 (7,300)	9,155 (7,608)
Machine tools including special purpose machines and transfer lines	7 (7)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	0.334 (0.346)

* 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) Gensets captively consumed Nil. (Previous year – 1 no.)
 - b) C series engines manufactured on contract by its subsidiary Cummins Sales and Service India Limited Nil. (previous year 1,728 nos.)
- ii) Production quantities represent the number of components sold during the year, as the Company considers a component as 'meant for sale' only when it is actually sold.
- iii) Figures in brackets are in respect of the previous year.

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

b) Turnover, opening and closing stocks :

	Sale		Stocks			
	Qty. Nos.	Value Rs '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Internal						
Combustion	30,671*	18,955,665	168	104,867	113**	33,110
Engines	(22,652)*	(15,436,671)	(38)	(29,600)	(168)**	(104,867)
Generating sets	8,878#	1,617,524	189	25,889	426***	59,612
(including semi finished generating sets) powered by Internal Combustion Engines	(7,455)#	(1,176,168)	(55)	(5,804)	(189)***	(25,889)
Goods for resale :						
Engines	3,040##	829,700	—	—	—	—
	(1,068)##	(348,410)	(—)	(—)	(—)	(—)
Equipments	37	181,902	1	14,022	1	14,022
	(11)	(61,908)	(1)	(3,419)	(1)	(14,022)
Lease rentals from equipments		212,640				
		(178,856)				
Gross income from services rendered		44,472				
		(16,198)				
Spare parts accessories and components		1,488,254				
		(1,315,133)				
Others		176,588		14,882		23,380
		(68,203)		(—)		(14,882)
		23,506,745		159,660		130,124
		(18,601,547)		(38,823)		(159,660)

* net of sales returns **16 nos.** (previous year 41 nos.) and excluding engines given as free replacement **155 nos.** (previous year 123 nos.) and including C series engines manufactured on contract by its subsidiary Cummins Sales and Service India Limited **Nil.** (previous year 1,712 nos.).

** excluding engines scrapped **21 nos.** (previous year Nil) and including bought-out engine **Nil nos.** (previous year Nil nos.)

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

net of sales returns **19 nos.** (previous year 3 nos.) and excluding gensets given as free replacement **37 nos.** (previous year 18 nos.)

net of sales returns **Nil nos.** (previous year 87 nos.)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Notes :

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

c) Details of raw materials and components consumed

	Rs. ('000)	Previous Year Rs. ('000)
i) Steel (M. tonnes 778 ; previous year 788)	69,479	49,675
ii) Castings – various	401,822	339,868
iii) Forgings – various	483,694	538,725
iv) Components	11,474,868	8,431,894
v) Engines (19,653 nos. ; previous year 17,146 nos.)	1,542,546	1,366,026
vi) Long Blocks (2,121 nos. ; previous year 1,063 nos.)	217,401	134,548
vii) Others including semi-finished components	753,093	967,140
	14,942,903	11,827,876

Note :

Item (iv) includes -

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

d) Details of purchase of goods for resale :

	Qty. Nos.	Value Rs. '000	Previous year Qty. Nos.	Value Rs. '000
Engines	3,040	829,700	1,068	346,078
Equipment	37	162,206	11	91,609
Others		254,968		68,356
Total		1,246,874		506,043

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

	Rs.'000	%	Previous year Rs '000	%
Imported	4,295,438	28.75	3,576,514	30.24
Indigenously procured	10,647,465	71.25	8,251,362	69.76
Total	14,942,903	100.00	11,827,876	100.00

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

18. Value of imports calculated on CIF basis :

	Rs. ('000)	Previous Year Rs. ('000)
a) Raw materials	210,959	242,219
b) Components	3,515,253	2,986,264
c) Machinery spares	8,687	25,549
d) Capital goods	80,736	61,289
e) Tools, stores, etc.	2,987	7,778
Total	3,818,622	3,323,099

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

	Rs. ('000)	Previous Year Rs. ('000)
a) Royalty	359,449	269,332
b) Technical Know-how	70,009	88,615
c) Others (including IT Service charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	153,869	117,916
Total	583,327	475,863

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

		Previous Year
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, 2008 (Interim)	201,960	
For the year ended 31st March, 2007 (Final)	201,960	
For the year ended 31st March, 2007 (Interim)		201,960
For the year ended 31st March, 2006 (Final)		201,960

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

21. Earnings in foreign exchange :

	Rs. ('000)	Previous Year Rs. ('000)
i) Export on FOB basis	7,238,688	6,050,414
ii) Recovery of freight, insurance and other expenses on exports	19,187	14,973
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	162,619	116,756
iv) Interest	—	15,264
Total	7,420,494	6,197,407

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

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	50,202 (40,723)
Contribution to Management Superannuation Fund	29,169 (26,568)
Total	79,371 (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):

						Rs.'000
Sr. No.	Particulars	Gratuity	Pension	Ex-gratia	PRMB	Total
	Opening DBO as on 1 st April 2007	273,982 (264,594)	265,246 (292,291)	10,816 (11,168)	3,458 (3,705)	553,502 (571,758)
i)	Current Service Cost	17,778 (17,070)	8,931 (9,787)	433 (445)	174 (185)	27,316 (27,487)
ii)	Interest Cost	20,670 (18,421)	19,519 (19,351)	795 (729)	267 (243)	41,251 (38,744)
iii)	Actuarial -Gains / Losses	45,246 (2,989)	11,487 (-12,507)	- 1,677 (304)	- 1,158 (- 351)	53,898 (- 9,565)
iv)	Benefits Paid	- 37,590 (- 29,092)	- 48,546 (- 43,676)	- 2,010 (- 1,830)	- 324 (- 324)	- 88,470 (- 74,922)
	Closing DBO as on 31 st March 2008	320,086 (273,982)	256,637 (265,246)	8,357 (10,816)	2,417 (3,458)	587,497 (553,502)

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- 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	297,879 (297,903)	260,406 (261,514)	— (—)	— (—)	558,285 (559,417)
i)	Expected Return on Plan Assets	23,905 (19,525)	19,195 (16,956)	— (—)	— (—)	43,100 (36,481)
ii)	Actuarial Gains / -Losses	1,020 (-2,148)	3,343 (5,912)	— (—)	— (—)	4,363 (3,764)
iii)	Contribution by the Employer	39,458 (11,691)	7,616 (19,700)	2,010 (1,830)	324 (324)	49,408 (33,545)
iv)	Benefits Paid	- 37,590 (- 29,092)	- 48,546 (- 43,676)	- 2,010 (- 1,830)	- 324 (- 324)	- 88,470 (- 74,922)
	Closing Fair Value of Plan Assets	324,672 (297,879)	242,014 (260,406)	— (—)	— (—)	566,686 (558,285)

- 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	320,086 (273,982)	256,637 (265,246)	— (—)	— (—)	576,723 (539,228)
ii)	Fair value of Plan Assets	- 324,672 (- 297,879)	- 242,014 (- 260,406)	— (—)	— (—)	- 566,686 (- 558,285)
iii)	Present Value of Unfunded Obligations	— (—)	— (—)	8,357 (10,816)	2,417 (3,458)	10,774 (14,274)
	Net Liability/-Asset recognized in Balance Sheet	- 4,586 (- 23,897)	14,623 (4,840)	8,357 (10,816)	2,417 (3,458)	20,811 (- 4,783)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- 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	17,778	8,931	433	174	27,316
		(17,070)	(9,787)	(445)	(185)	(27,487)
ii)	Interest Cost	20,670	19,519	795	267	41,251
		(18,421)	(19,351)	(729)	(243)	(38,744)
iii)	Expected Return on Plan Assets	- 23,905	- 19,195	—	—	- 43,100
		(-19,525)	(-16,956)	(—)	(—)	(-36,481)
iv)	Actuarial -Gains / Losses	44,226	8,144	- 1,677	- 1,158	49,535
		(5,137)	(-18,419)	(304)	(-351)	(-13,329)
	Total	58,769	17,399	- 449	- 717	75,002
		(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	
		Current Year	Previous Year	Current Year	Previous Year
i)	Government of India Securities	9.8%	9.0%	0.0%	0.0%
ii)	Corporate Bonds	5.3%	2.0%	0.0%	0.0%
iii)	Special Deposit Scheme	12.5%	14.0%	0.0%	0.0%
iv)	Equity Shares of Listed Companies	0.0%	0.0%	0.0%	0.0%
v)	Property	0.0%	0.0%	0.0%	0.0%
vi)	Insurer Managed Funds	71.9%	75.0%	100.0%	100.0%
vii)	Others	0.4%	0.0%	0.0%	0.0%
	Total	100.0%	100.0%	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:

				Rs. '000
Sr. No.	Particulars	Gratuity	Pension	Total
i)	Actual return on plan assets	24,925	22,538	47,463
		(17,377)	(22,869)	(40,246)

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

Particulars	Gratuity	Pension	Ex-gratia	PRMB
Discount Rate	8.20% (8.10%)	8.20% (8.10%)	8.20% (8.10%)	8.20% (8.10%)
Expected Rate of Return on Plan Assets	8.00% (8.00%)	8.00% (8.00%)	NA (NA)	NA (NA)
Salary Escalation Rate - Management Staff	7.00% (7.00%)	NA (NA)	NA (NA)	NA (NA)
Salary Escalation Rate - Non-Management Staff	5.50% (5.00%)	NA (5.00%)	NA (NA)	NA (NA)
Annual Increase in Healthcare Costs - First 9 years	NA (NA)	NA (NA)	NA (NA)	10.00% (10.00%)
Annual Increase in Healthcare Costs - Next 5 years	NA (NA)	NA (NA)	NA (NA)	8.00% (8.00%)
Annual Increase in Healthcare Costs - Thereafter	NA (NA)	NA (NA)	NA (NA)	6.00% (6.00%)

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	42 (40)	-36 (-35)
The accumulated post-employment benefit obligation for medical costs	226 (242)	-198 (-212)

- 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).

23. The Board of Directors of Cummins India Limited, at their meeting held on January 30, 2008 have in principle approved merger of the Company's subsidiaries, Cummins Sales and Service India Limited and Cummins Auto Services Limited into the Company from the Appointed Date April 1, 2008, subject to the approvals of regulatory authorities including that of the Hon'ble High Court. The said subsidiaries shall carry on and be deemed to carry on all their business and activities for and on account of and in trust for the Company from the above mentioned date.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

24. 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, 2008

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2008

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH, 2008

	Rs. '000
Total Liabilities(See Note 1)	11,362,062
Total Assets	11,362,062
Sources of Funds-	
Paid - up capital	396,000
Reserves & Surplus	10,640,851
Secured loans	287,165
Unsecured loans	915
Finance Lease Liability	37,131
Deferred tax Liability	—
Total :	11,362,062
Application of Funds -	
Net fixed assets	2,548,520
Investments	4,321,455
Lease Rent Receivables	—
Deferred tax asset	133,778
Net current assets	4,358,309
Miscellaneous expenditure	—
Accumulated losses	—
Total :	11,362,062

47th Annual Report 2008

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2008:

	Rs. '000
i) Turnover (net sales and other income as per the audited profit and loss account)	24,534,919
ii) Total Expenditure	20,574,887
iii) Profit before tax	3,960,032
iv) Profit after tax	2,806,910
v) Earning per share (See Note 2) (face value of Rs. 2)	14.18
vi) Dividend rate (%)	230%

V. PRODUCTS OF THE COMPANY

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

Item code no.

(ITC Code) Product description

8408.90 Compression ignition internal combustion engines

8409.99 Components parts of compression ignition internal combustion engines

N.A. Supply and maintenance of power generating equipment

Notes :

1. Total liabilities include share capital Rs. 396 million and reserves and surplus Rs. 10,641 million.
2. Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

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 22, 2008

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	3,649,560		2,577,098
Tax paid (net of refunds)	<u>(1,206,104)</u>		<u>(906,886)</u>
Net cash provided by operating activities		2,443,457	1,670,212
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(1,034,633)		(490,568)
Sale	6,124		8,752
Interest received	49,320		59,104
Dividend received	424,633		301,042
Investments			
Purchase	(14,725,547)		(14,379,396)
Sale/redemption	<u>13,261,672</u>		<u>14,073,048</u>
Net cash used for investing activities		(2,018,431)	(428,018)
III. Cash flows from financing activities :			
Bank Overdraft (Net)	263,101		(61,855)
Finance Lease Liability	(22,319)		58,501
Loans repaid	(303)		(358)
Interest paid	(6,665)		(4,718)
Dividend paid (including tax on dividend)	<u>(924,359)</u>		<u>(901,570)</u>
Net cash used for financing activities		(690,546)	(910,000)
IV. Net change in cash and cash equivalents (I+II+III)		(265,520)	332,194
V. Cash and cash equivalents at the beginning of the year		388,526	56,332
Cash and cash equivalents at the end of the year (IV+V)		123,005	388,526

47th Annual Report 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008 (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		3,960,032	3,460,023
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	329,620		326,020
Interest expense	6,665		14,060
Interest income (gross)	(48,534)		(56,362)
Dividend earned (gross)	(424,633)		(301,042)
Loss on assets sold,discarded etc;	1,986		5,693
Gain on redemption /sale of investments	(31,788)		(30,506)
Provision for doubtful debts	27,436		20,467
		(139,248)	(21,670)
b) Changes in working capital and other provisions :-			
Sundry debtors	(1,346,721)		(591,742)
Inventories	(400,211)		(480,278)
Loans and advances	(435,537)		(362,519)
Other current assets	8,625		10,400
Current liabilities	1,884,464		410,742
Provisions	118,156		152,142
		(171,224)	(861,255)
Total adjustments (a+b)		(310,472)	(882,925)
Cash generated from operations		3,649,560	2,577,098

- 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, 2008 (Contd.)

	Rupees '000 2007-08	Rupees '000 2006-07	Rupees '000 2005-06
3) Cash and cash equivalents comprise :			
Cash in hand	373	259	298
Balances with bank on current account :			
Unclaimed dividend account (restricted)	16,716	14,475	12,967
Other current accounts	105,916	310,180	43,067
Cheques on hand	—	63,612	—
Total	123,005	388,526	56,332

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 22, 2008

Pune
Date: May 22, 2008

Cummins India Limited

Consolidated Balance Sheet and
Profit and Loss Account

47th Annual Report 2008

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, 2008, 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. 1,099,585 ('000) as at March 31, 2008 and total revenues of Rs. 3,270,210('000) for the year ended on that date, which is based on the unaudited financial statements certified by the management. Our opinion, in so far as it relates to the amounts included in respect of the Associate Entity, is based solely on the certificate of the management.
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, 2008;
 - (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 22, 2008

Cummins India Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule Number	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	11,944,549		9,810,719
			12,340,549	10,206,719
Loan funds :				
Secured loans	3	287,165		33,319
Unsecured loans	4	918		228,357
			288,083	261,676
Finance Lease Liability			55,978	91,345
			12,684,610	10,559,740
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	5	6,979,553		5,997,549
Less : depreciation		4,235,757		3,897,840
Net block			2,743,796	2,099,709
Goodwill			4,047	4,857
Investments	6		4,867,371	3,191,352
Deferred Taxation :				
Deferred tax Asset	7	355,406		302,265
Deferred tax Liability		(204,841)		(199,528)
			150,565	102,737
Current assets, loans and advances :				
Inventories	8	3,799,239		3,418,402
Sundry debtors		5,813,485		4,463,087
Cash and bank balances		244,571		552,532
Other current assets		119,346		127,743
Loans and advances		2,148,150		1,640,722
		12,124,791		10,202,486
Less : Current liabilities and provisions :				
Current liabilities	9	5,688,411		3,781,467
Provisions		1,517,549		1,259,934
		7,205,960		5,041,401
Net current assets			4,918,831	5,161,085
			12,684,610	10,559,740

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 22, 2008

Pune
Date: May 22, 2008

47th Annual Report 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			26,555,212	21,228,158
Other Income			1,055,413	707,999
			27,610,625	21,936,157
EXPENDITURE :	11			
Cost of sales and other expenses		22,810,713		17,764,230
Depreciation		382,996		381,043
INTEREST :				
On fixed loans		13,144		25,894
Others		12,240		38,676
			25,384	64,570
Amortisation of goodwill			5,717	9,761
			23,224,810	18,219,604
PROFIT BEFORE TAX			4,385,815	3,716,553
PROVISION FOR TAX:				
Current Tax (including net short provision for earlier years Rs. ('000) 1,550 (previous year net excess provision Rs. ('000) 22,605)		1,418,324		1,289,635
Deferred Tax		(47,828)		(69,156)
Fringe Benefit Tax		25,501		20,134
			1,395,997	1,240,613
NET PROFIT AFTER TAX AND BEFORE SHARE IN ASSOCIATES' PROFIT			2,989,818	2,475,940
Add : Share in Associates' profit after tax (net)			259,313	203,734
NET PROFIT FOR THE YEAR			3,249,131	2,679,674
Balance carried forward from last balance sheet			1,989,574	874,783
APPROPRIATIONS :				
I Proposed final dividend			514,800	396,000
II Interim dividend			396,000	396,000
III Tax on dividend			204,501	147,837
IV Transferred to general reserve			739,426	625,046
Balance carried to balance sheet			3,383,978	1,989,574
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			16.41	13.53

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

Nasser Munjee
Director

Dinesh Castellino
Vice President Legal &
Company Secretary

Pune
Date: May 22, 2008

Pune
Date: May 22, 2008

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 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, 2008 Rupees '000	As at 31st March, 2007 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	7,814,140		7,248,445
Less : Transitional effect on account of AS 15 (revised 2005) -"Employee Benefits" (Refer Note 22 of Schedule 12)	—		59,351
Add : transferred from profit and loss account	739,426		625,046
		8,553,566	7,814,140
Capital reserve on consolidation		5	5
Profit and loss account		3,383,978	1,989,574
		11,944,549	9,810,719

Reserve and surplus include the Group's share in the post acquisition reserves of Joint Ventures amounting to **Rs.('000)96,806** (previous year Rs. ('000) 61,478)

47th Annual Report 2008

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, receivables and movable assets.	287,165	32,469
Term loans from banks (secured against respective fixed assets).	—	850
	<u>287,165</u>	<u>33,319</u>
SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. ('000) 212 ; previous year Rs. ('000) 289)	918	1,218
From Banks (payable within one year) Short term loans (including interest accrued and due Rs. ('000) NIL previous year Rs.('000) 4,626)	—	227,139
	<u>918</u>	<u>228,357</u>

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 5

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2007	Additions	Deductions	Gross block (at cost) as at 31st March, 2008	Depreciation as per Schedule 5A	Net block as at 31st March, 2008
Tangible Assets						
Land						
-Freehold	55,488	2,156	16,524	41,120	—	41,120
Leasehold improvements	1,108	—	—	1,108	949	159
Roads	13,784	12,237	744	25,277	5,066	20,211
Buildings *	290,819	382,516	34,211	639,124	121,735	517,389
Plant and machinery #	4,858,803	453,624	46,918	5,265,509	3,797,231	1,468,278
Furniture and fittings	93,492	18,072	8,235	103,329	42,365	60,964
Vehicles	63,722	1,741	5,110	60,353	31,807	28,546
Intangible assets						
Software	20,805	91,616	—	112,421	23,959	88,462
Technical Knowhow	42,000	163,984	—	205,984	41,185	164,799
Global Sourcing Consideration	214,327	—	—	214,327	171,460	42,867
	<u>5,654,348</u> (5,495,591)	<u>1,125,946</u> (357,298)	<u>111,742</u> (198,542)	<u>6,668,552</u> (5,654,348)	<u>4,235,757</u> (3,897,840)	<u>2,432,795</u> (1,756,508)

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

311,001 (343,201)		311,001 (343,201)
<u>6,979,553</u> (5,997,549)	<u>4,235,757</u> (3,897,840)	<u>2,743,796</u> (2,099,709)

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) 172,680** (previous year Rs. ('000) 175,706) (net block **Rs. ('000) 80,001** (previous year Rs. ('000) 95,724) given under operating lease arrangements and office equipment and computers costing **Rs. ('000) 127,411** (previous year Rs. ('000) 126,499) (net block **Rs. ('000) 62,004** previous year Rs. ('000) 101,818), acquired under finance leases.

Figures in brackets are in respect of the previous year.

47th Annual Report 2008

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 5 A

DEPRECIATION:

Rupees '000

Particulars	Depreciation upto 31st March, 2007	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2008
Tangible Assets				
Land				
-Freehold	—	—	—	—
Leasehold improvements	856	93	—	949
Roads	4,971	210	115	5,066
Buildings	118,842	8,802	5,909	121,735
Plant and machinery #	3,538,623	291,214	32,606	3,797,231
Furniture and fittings	39,660	6,508	3,803	42,365
Vehicles	28,970	5,483	2,646	31,807
Intangible assets				
Software	10,034	13,925	—	23,959
Technical Knowhow	27,289	13,896	—	41,185
Global Sourcing Consideration	128,595	42,865	—	171,460
	<u>3,897,840</u>	<u>382,996</u>	<u>45,079</u>	<u>4,235,757</u>
	<u>(3,668,561)</u>	<u>(381,043)</u>	<u>(151,764)</u>	<u>(3,897,840)</u>

includes depreciation of **Rs. ('000) 18,534** (previous year Rs. ('000) 18,112) 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, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 6			
INVESTMENTS:			
LONG TERM INVESTMENTS			
TRADE INVESTMENTS			
Investment in Associates			
(Refer Note 20, Schedule 12)			
Cummins Generator Technologies India Limited	512,691		375,095
Valvoline Cummins Limited	212,234		174,399
		724,925	549,494
OTHER THAN TRADE INVESTMENTS AT COST			
Tax free redeemable bonds	308,330		330,660
Government of India Bonds	250,665		250,665
Corporate bonds	164,702		164,702
Units of mutual funds	551,069		371,444
Others	74,489		41,329
		1,349,255	1,158,800
Total Long term investments	(A)	2,074,180	1,708,294
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS			
Units of mutual funds		2,793,191	1,483,058
Total Current Investments	(B)	2,793,191	1,483,058
Total Investments	(A+B)	4,867,371	3,191,352
Aggregate cost of quoted investments		764,991	787,321
Aggregate cost of unquoted investments		3,629,820	2,106,900
Aggregate market value of quoted investments		1,343,528	1,523,373

47th Annual Report 2008

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 7			
DEFERRED TAXATION :			
Deferred Tax Asset			
Provision for doubtful debts	44,224		32,687
Provision others	214,859		159,004
Provision for voluntary retirement scheme	1,791		9,429
Provision for employee benefits	50,901		80,676
Disallowances under section 43B	43,631		20,469
		355,406	302,265
Deferred Tax Liability			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act , 1961		(204,841)	(199,528)
		150,565	102,737

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories :			
Stores and Spares		66,608	64,279
Loose tools and gauges		102,591	76,586
Stock-in-trade :			
Raw materials and components	1,652,516		1,410,808
Work-in-progress	733,071		738,652
Finished goods	562,023		602,710
Service stocks	129,332		123,972
Materials in transit	553,098		401,395
		3,630,040	3,277,537
		3,799,239	3,418,402
Sundry debtors :			
Secured : considered good			
Debts outstanding for a period exceeding six months	10,756		5,746
Other debts	92,856		123,007
		103,612	128,753
Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	310,370		160,694
Considered doubtful	57,283		102,715
Other debts -			
Considered good	5,399,503		4,173,640
Considered doubtful	77,427		4,614
	5,844,583		4,441,663
Less: Provision for doubtful debts	134,710		107,329
		5,709,873	4,334,334
		5,813,485	4,463,087
Carried forward		9,612,724	7,881,489

47th Annual Report 2008

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 8 (Contd.)			
Brought forward		9,612,724	7,881,489
Cash and bank balances :			
Cash on hand	907		474
Cheques on hand	—		66,807
Balances with scheduled banks :			
on current account	240,397		483,007
on deposit account	3,267		2,244
		<u>244,571</u>	<u>552,532</u>
Other current assets :			
Interest accrued on investments	18,915		19,697
Lease rent receivable	5,141		12,603
Other receivables	95,290		95,443
		<u>119,346</u>	<u>127,743</u>
Loans and advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good	2,067,585		1,604,673
Considered doubtful	5,783		4,813
	<u>2,073,368</u>		<u>1,609,486</u>
Less: provision for doubtful advances	5,783		4,813
	<u>2,067,585</u>		<u>1,604,673</u>
Balance with Excise Department	10,205		24,495
Taxation (net of provisions)	70,360		11,554
		<u>2,148,150</u>	<u>1,640,722</u>
		<u><u>12,124,791</u></u>	<u><u>10,202,486</u></u>

Cummins India Limited

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS:			
Current liabilities:			
Acceptances	772,876		615,069
Sundry creditors - Others (Refer Note 6, Schedule 12)	4,400,206		2,768,264
Advances from customers	90,688		149,210
Dealer deposits	137,904		140,585
Dividend warrants posted but not encashed *	16,716		14,475
Other liabilities	270,021		93,864
		5,688,411	3,781,467
Provisions:			
Proposed dividend	514,800		396,000
Tax on dividend	87,490		67,300
Post retirement benefits and leave entitlement	233,243		284,764
Others	682,016		511,870
		1,517,549	1,259,934
		7,205,960	5,041,401

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

47th Annual Report 2008

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	30,361,472		24,136,165
Less : Excise duty	3,444,382		2,567,873
Net sales	26,917,090		21,568,292
Less : Commission	361,878		340,134
		26,555,212	21,228,158
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs.('000) 3,231 (previous year Rs. ('000) 2,966)	22,178		74,289
Net Profit on fixed assets sold or discarded	49,790		—
Miscellaneous income	482,121		265,817
Export benefits	223,702		154,618
Income from investments			
Long term investments-			
Trade investments	2,158		49
Other investments (tax deducted at source Rs. ('000) 4,727 (previous year Rs. ('000) 3,520)	43,951		64,642
	46,109		64,691
Current investments - other than trade	199,634		117,905
Gain on sale/redemption of long term investments	31,788		29,728
Gain on sale/redemption of current investments	91		951
		1,055,413	707,999
		27,610,625	21,936,157

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		14,969,452	11,853,217
Purchase of goods for resale		3,235,889	2,336,624
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	1,413,698		1,278,499
Company's contribution to provident and other funds	207,067		110,858
Welfare expenses	159,926		151,838
		1,780,691	1,541,195
Operation and other expenses :			
Stores, spares, consumable materials, etc.	464,783		390,372
Tools and gauges	68,710		41,657
Repairs to buildings	70,630		61,640
Repairs to machinery	63,986		40,779
Other repairs	18,747		39,866
Power and fuel	237,637		268,849
Rent	48,527		56,425
Rates and taxes	47,238		45,591
Insurance	20,327		24,101
Outside processing charges	185,383		160,000
Other expenses	1,175,408		923,379
Donations and contributions	20,000		20,546
Net loss on fixed assets sold or discarded	—		10,240
		2,421,376	2,083,445
Technical fees and royalties		364,831	279,312
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	562,023		602,710
Work-in-progress	733,071		738,652
	1,295,094		1,341,362
Opening inventories :			
Finished goods	602,710		413,985
Work-in-progress	738,652		622,671
	1,341,362		1,036,656
		46,268	(304,706)
		22,818,507	17,789,087
Less : cost of plant and machinery manufactured		7,794	24,857
		22,810,713	17,764,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

SCHEDULE NO.12

1. Basis of accounting

The financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under Section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

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, 2008.

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')	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
Cummins Exhaust India Limited	Joint Venture	50%
Cummins Research and Technology India Limited	Joint Venture	50%
Cummins Generator Technologies India Limited	Associate	48.5%
Valvoline Cummins Limited	Associate	50%

Each of the above companies is incorporated in India.

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

Name of the company	Relationship	Shareholding
Cummins Sales and Service India Limited ('CS&S')	Subsidiary	100%
Cummins Auto Services Limited ('CASL')	Subsidiary	100%
Cummins Exhaust India Limited	Joint Venture	50%
Cummins Research and Technology India Limited	Joint Venture	50%
Cummins Generator Technologies 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.
- 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 amortized over a period of their respective useful lives ranging between three years to seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

b) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. 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.
- 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.

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

- 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 respective Company managed trusts, the respective 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 respective Company's contributions and such shortfall are charged to the Profit and Loss Account as and when incurred. In other cases, the respective 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 respective 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.

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

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

the liability is the Projected Unit Credit method. Under this method, "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for active members of the Plan. The "projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan liability is the actuarial present value of the "projected accrued benefits" as of the beginning of the year for active members.

- 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

	Rs. '000	Previous year Rs. '000
Capital Commitments	433,040	440,660

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

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

6. Sundry creditors include :

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
i) Amounts due to small scale industrial undertakings	NIL	192,005
ii) Total outstanding dues of micro and small enterprises	194,186	Not Ascertained

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

		Rupees '000s						
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.	<table border="0"> <tr> <td>a. Principal</td> <td style="text-align: right;">Rs.192,142</td> </tr> <tr> <td>b. Interest</td> <td style="text-align: right;">Rs. 2,044</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">Rs.194,186</td> </tr> </table>	a. Principal	Rs.192,142	b. Interest	Rs. 2,044	Total	Rs.194,186
a. Principal	Rs.192,142							
b. Interest	Rs. 2,044							
Total	Rs.194,186							
2	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	<table border="0"> <tr> <td>a. Principal</td> <td style="text-align: right;">Rs. 335,502</td> </tr> <tr> <td>b. Interest</td> <td style="text-align: right;">Rs. NIL</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">Rs. 335,502</td> </tr> </table>	a. Principal	Rs. 335,502	b. Interest	Rs. NIL	Total	Rs. 335,502
a. Principal	Rs. 335,502							
b. Interest	Rs. NIL							
Total	Rs. 335,502							
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—						
4	The amount of interest accrued and remaining unpaid at the end of the year.	<table border="0"> <tr> <td>a. Total Interest accrued</td> <td style="text-align: right;">Rs. 2,044</td> </tr> <tr> <td>b. Total Interest unpaid</td> <td style="text-align: right;">Rs. 2,044</td> </tr> </table>	a. Total Interest accrued	Rs. 2,044	b. Total Interest unpaid	Rs. 2,044		
a. Total Interest accrued	Rs. 2,044							
b. Total Interest unpaid	Rs. 2,044							
5	The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	<i>Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.</i>						

The Group has compiled this information based on intimations received from the suppliers of their status as Micro or Small Enterprises and / or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

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.

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

8. Contingent liabilities

	As at 31st March, 2008 Rupees '000	As at 31st March, 2007 Rupees '000
a) Bills discounted not matured	291,207	86,942
b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Group	32,238	34,061
c) Central excise duty/customs duty / Sales tax demands not accepted by the Group	16,843	14,622
d) Sales Tax matters pending in appeal	23,635	10,498
e) Octroi matters	142	142
f) Civil liability / secondary civil liability in respect of suits filed against the Group	1,654	—
g) Claims against the Group not acknowledged as debts	34,939	32,073
h) Bond executed under the Central Excise Act, 1944 and Customs Act, 1962	14,115	13,516
i) 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.		

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

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, 2008.

		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.	1,281,846	—	—	—	—	—	1,281,846
		(1,136,231)	(—)	(—)	(—)	(—)	(—)	(1,136,231)
	Cummins Ltd. (U.K.)	—	1,186,676	—	—	—	—	1,186,676
		(—)	(1,249,573)	(—)	(—)	(—)	(—)	(1,249,573)
	Tata Cummins Limited	—	—	—	—	—	1,469,840	1,469,840
	(—)	(—)	(—)	(—)	(—)	(1,374,521)	(1,374,521)	
	Others	—	1,507,456	40,565	134,497	—	—	1,682,518
		(—)	(1,374,180)	(30,945)	(461,290)	(—)	(—)	(1,866,415)
Sale of goods	Cummins Ltd. (U.K.)	—	2,592,380	—	—	—	—	2,592,380
		(—)	(2,539,430)	(—)	(—)	(—)	(—)	(2,539,430)
	Cummins Power Generation, Kent	—	1,915,747	—	—	—	—	1,915,747
		(—)	(1,458,230)	(—)	(—)	(—)	(—)	(1,458,230)
	Cummins Power Generation, Singapore	—	1,129,776	—	—	—	—	1,129,776
		(—)	(956,670)	(—)	(—)	(—)	(—)	(956,670)
	Cummins Inc.	38,283	—	—	—	—	—	38,283
		(41,697)	(—)	(—)	(—)	(—)	(—)	(41,697)
	Tata Cummins Ltd.	—	—	—	—	—	885	885
		(—)	(—)	(—)	(—)	(—)	(9)	(9)
	Others	—	976,112	—	—	—	—	976,112
		(—)	(589,781)	(—)	(2,381)	(—)	(—)	(592,162)
Purchase of fixed assets	Cummins Inc.	—	—	—	—	—	—	—
		(9,745)	(—)	(—)	(—)	(—)	(—)	(9,745)
	Cummins Generator Technologies India Ltd.	—	—	—	752	—	—	752
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
	Nelson Burgess Ltd.	—	369	—	—	—	—	369
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
Services Rendered	Cummins Inc.	204,181	—	—	—	—	—	204,181
		(177,931)	(—)	(—)	(—)	(—)	(—)	(177,931)
	Cummins Power Generation Singapore	—	77,400	—	—	—	—	77,400
		(—)	(32,560)	(—)	(—)	(—)	(—)	(32,560)
	Tata Cummins Ltd.	—	—	—	—	—	141,910	141,910
	(—)	(—)	(—)	(—)	(—)	(27,684)	(27,684)	
	Others	—	47,045	2,444	24,282	—	2,566	76,337
		(—)	(39,000)	(589)	(47,839)	(—)	(—)	(87,428)

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

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	— (—)	— (—)	— (—)	— (—)	4,015 (4,183)	— (—)	4,015 (4,183)
Services Received	Cummins Inc.	10,503 (8,288)	— (—)	— (—)	— (—)	— (—)	— (—)	10,503 (8,288)
	Cummins Research and Technology India Ltd.	— (—)	— (—)	— (1,164)	— (—)	— (—)	— (—)	— (1,164)
	Cummins Power Generation, Singapore	— (—)	70,115 (—)	— (—)	— (—)	— (—)	— (—)	70,115 (—)
	Tata Cummins Ltd.	— (—)	— (—)	— (—)	— (—)	— (—)	13,364 (—)	13,364 (—)
	Others	— (—)	1,526 (166)	1,018 (—)	— (—)	— (—)	— (—)	2,544 (166)
Transfer of Technology including royalty	Cummins Inc.	429,458 (347,283)	— (—)	— (—)	— (—)	— (—)	— (—)	429,458 (347,283)
	Others	— (—)	— (18,403)	— (—)	— (—)	— (—)	— (—)	— (18,403)
Intercorporate Deposits Given and recovered	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	— (50,000)	— (—)	— (—)	— (50,000)
Intercorporate Deposits Given	Valvoline Cummins Limited	— (—)	— (—)	— (—)	100,000 (—)	— (—)	— (—)	100,000 (—)
Interest Received On inter corporate deposit	Cummins Generator Technologies India Ltd.	— (—)	— (—)	— (—)	— (1,060)	— (—)	— (—)	— (1,060)
	Valvoline Cummins Limited	— (—)	— (—)	— (—)	2,166 (—)	— (—)	— (—)	2,166 (—)
	Cummins Research and Technology India Ltd.	— (—)	— (—)	3,048 (3,150)	— (—)	— (—)	— (—)	3,048 (3,150)
Interest Income	Cummins Ltd (U.K.)	— (—)	— (12,567)	— (—)	— (—)	— (—)	— (—)	— (12,567)
	Cummins Power Generation, Singapore	— (—)	— (2,697)	— (—)	— (—)	— (—)	— (—)	— (2,697)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

								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
IT Service Charges	Cummins Inc.	54,753	—	—	—	—	—	54,753
		(35,282)	(—)	(—)	(—)	(—)	(—)	(35,282)
	Cummins Diesel Sales Corporation	—	26,236	—	—	—	—	26,236
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
Dividend Received	Cummins Exhaust India Ltd.	—	—	3,500	—	—	—	3,500
		(—)	(—)	(8,999)	(—)	(—)	(—)	(8,999)
	Cummins Generator Technologies India Ltd.	—	—	—	39,000	—	—	39,000
		(—)	(—)	(—)	(48,360)	(—)	(—)	(48,360)
	Valvoline Cummins Ltd.	—	—	—	28,499	—	—	28,499
		(—)	(—)	(—)	(11,875)	(—)	(—)	(11,875)
Dividend paid	Cummins Inc.	403,920	—	—	—	—	—	403,920
		(403,920)	(—)	(—)	(—)	(—)	(—)	(403,920)
	Fleetguard Inc.	—	3,500	—	—	—	—	3,500
		(—)	(—)	(—)	(—)	(—)	(—)	(—)

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

c) Amounts outstanding as at 31st March, 2008.

								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
Sundry Creditors	Cummins Inc.	691,496	—	—	—	—	—	691,496
		(416,561)	(—)	(—)	(—)	(—)	(—)	(416,561)
	Cummins Ltd. (U.K.)	—	354,009	—	—	—	—	354,009
		(—)	(126,588)	(—)	(—)	(—)	(—)	(126,588)
	Tata Cummins Ltd.	—	—	—	—	—	137,497	137,497
		(—)	(—)	(—)	(—)	(—)	(50,186)	(50,186)
	Others	—	254,456	5,907	92,786	—	—	353,149
		(—)	(103,792)	(4,019)	(49,802)	(—)	(—)	(157,613)
Sundry Debtors	Cummins Ltd. (U.K.)	—	785,770	—	—	—	—	785,770
		(—)	(567,491)	(—)	(—)	(—)	(—)	(567,491)
	Cummins Power Generation, Kent	—	398,236	—	—	—	—	398,236
		(—)	(522,047)	(—)	(—)	(—)	(—)	(522,047)
	Cummins Power Generation, Singapore	—	—	—	—	—	—	—
		(—)	(269,587)	(—)	(—)	(—)	(—)	(269,587)
	Cummins Inc.	66,160	—	—	—	—	—	66,160
		(50,597)	(—)	(—)	(—)	(—)	(—)	(50,597)
	Tata Cummins Limited	—	—	—	—	—	44,630	44,630
		(—)	(—)	(—)	(—)	(—)	(13,728)	(13,728)
	Others	—	368,302	1,566	21,813	—	—	391,681
		(—)	(133,118)	(405)	(26,710)	(—)	(—)	(160,233)
Inter Corporate Deposit Receivable	Cummins Research and Technology India Ltd.	—	—	35,000	—	—	—	35,000
		(—)	(—)	(35,000)	(—)	(—)	(—)	(35,000)
	Valvoline Cummins Limited	—	—	—	100,000	—	—	100,000
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
Interest Receivable on ICD Balance	Cummins Generator Technologies India Ltd.	—	—	—	—	—	—	—
		(—)	(—)	(—)	(690)	(—)	(—)	(690)
	Valvoline Cummins Limited	—	—	—	2,166	—	—	2,166
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
	Cummins Research and Technology India Ltd.	—	—	2	—	—	—	2
		(—)	(—)	(—)	(—)	(—)	(—)	(—)
Loans & Advances	Cummins Inc.	—	—	—	—	—	—	—
		(93,010)	(—)	(—)	(—)	(—)	(—)	(93,010)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

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 Limited Cummins Engine Company Pty. Ltd. Cummins Japan Ltd. Cummins Ltd. (U.K) 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 Diesel Recon Co.

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

Nature of Relationship	Name of the Party
	Diesel Recon, El Paso
	Diesel Recon-Memphis
	Fleetguard Inc.
	Fleetguard Singapore
	Holset Engineering Co. Limited
	Onan Corporation
	Newage Int'l Ltd.
	Cummins Engine Austria GmbH
	Wuxi Newage Alternators Ltd.
	Cummins Diesel Deutschland GmbH
	Nelson Burgess Ltd.
3. Joint Ventures	Cummins Exhaust India Ltd. Cummins Research 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, has 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, 2008.

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	Engine Business	Others	Elimination	Total
Primary segments				
i) Segment revenue @	25,668,568	3,668,579	- 2,404,796	26,932,351
	(21,850,230)	(1,987,982)	(-2,265,183)	(21,573,029)
ii) Segment result	3,636,418	484,283	- 8,467	4,112,234
	(3,356,056)	(230,274)	(-18,482)	(3,567,848)
Unallocated Other Income				298,965
				(213,275)
Interest				25,384
				(64,570)
Profit before tax				4,385,815
				(3,716,553)
Provision for tax				
Current tax				1,418,324
				(1,289,635)
Deferred tax				- 47,828
				(-69,156)
Fringe Benefit tax				25,501
				(20,134)
Net profit after tax and before share in Associates' profit				2,989,818
				(2,475,940)
Share in Associates' profit after tax (net)				259,313
				(203,734)

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

	Rs. '000			
Information about Primary segments	Engine Business	Others	Elimination	Total
Net Profit for the year				3,249,131 (2,679,674)
iii) Segment assets	13,998,022 (12,025,044)	1,802,916 (883,979)	-1,021,626 (-691,354)	14,779,312 (12,217,669)
Common assets				5,111,258 (3,330,197)
Enterprise Assets				19,890,570 (15,547,866)
iv) Segment liabilities	6,899,134 (4,869,232)	1,116,585 (519,179)	-1,085,622 (-738,921)	6,930,097 (4,649,490)
Common Liabilities				619,924 (691,657)
Enterprise Liabilities				7,550,021 (5,341,147)
v) Capital expenditure	902,799 (551,350)	190,947 (55,697)	— (—)	1,093,746 (607,047)
vi) Depreciation	327,123 (331,552)	55,873 (49,491)	— (—)	382,996 (381,043)
Information about geographical segments				
(Secondary segments)	Domestic	Export	Elimination	Total
vii) Segment revenue	21,837,004 (17,606,888)	7,500,143 (6,231,325)	-2,404,796 (-2,265,184)	26,932,351 (21,573,029)

@ Segment revenue from Other business includes Income from Lease **Rs. ('000) 15,261** (previous year Rs. ('000) 4,736).

Notes:

- i) The Group's tangible assets are located entirely in India.
- ii) 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, 2008.

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	373,434 (242,522)	128,933 (187,742)	9,505 (9,505)	511,872 (439,769)
Additions	343,740 (335,160)	57,715 (62,298)	— (—)	401,455 (397,458)
Utilizations	192,607 (204,250)	13,472 (27,642)	— (—)	206,079 (231,892)
Reversal	— (—)	25,232 (93,465)	— (—)	25,232 (93,465)
Closing Balance	524,567 (373,432)	147,944 (128,933)	9,505 (9,505)	682,016 (511,870)

- i) The provision for warranty is on account of warranties given on products sold by the Group. 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 Group anticipates probable outflow. The amount of provision is based on estimates made by the Group 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	2,895 (7,067)	2,953 (7,548)	5,848 (14,615)
Less : Unearned finance income	492 (1,234)	215 (778)	707 (2,012)
Present value of minimum lease payments receivable	2,403 (5,833)	2,738 (6,770)	5,141 (12,603)

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate **Rs. ('000) 8,180** (previous year Rs. ('000) 7,101).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate **Rs. ('000) 20,391** (previous year Rs. ('000)14,641).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate **Rs. ('000) 86,403** (previous year Rs. ('000) 89,142).
- v) Figures in brackets are in respect of the previous year.

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, 2008 are as follows:

	Due within 12 months Rs. '000	Due between 12 – 60 months Rs. '000	Total amount due Rs. '000
Minimum lease payments	40,010	19,774	59,784
	(42,332)	(58,829)	(101,161)
Less : Amount representing interest	3,225	581	3,806
	(5,975)	(3,841)	(9,816)
Present value of minimum lease payments	36,785	19,193	55,978
	(36,357)	(54,988)	(91,345)

- 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, 2008 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	28,433	77,735	11,139	117,307
	(35,927)	(94,487)	(26,784)	(157,198)

- 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	24,240	25,399
Included in rent	11,249	11,284

- 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, 2008.

14. The net exchange differences (gains/(losses)) arising during the year appropriately recognised in the profit and loss account are – **Rs. ('000) (21,242)** (previous year Rs. ('000) 49,184).

15. Managerial Remuneration

Particulars	Rs. ('000)	Previous Year Rs. ('000)
Salary	12	12
Perquisites	4,015	4,171
Commission - non-whole time directors	1,375	1,375
Sitting fees	305	270
Total	5,707	5,828

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

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	Previous Year Rs. '000
Audit fees (including consolidation of accounts)	7,200	6,900
Limited review	1,200	1,200
Tax audit	2,100	2,050
Other services	1,248	88
Reimbursement of out of pocket expenses	73	83
Total	11,821	10,321

17. Other expenses include provision for doubtful debts **Rs. ('000) 51,923** (previous year Rs. ('000) 48,715).

18. Research and development expenses aggregating **Rs. ('000) 306,939**, including **Rs. ('000) 37,247** on capital account (previous year Rs. ('000) 212,946 including Rs. ('000) 25,127 on capital account) have been incurred by the Group. The expenses disclosed above include expenses incurred on development of parts, etc.

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

19. Earnings Per share

	<u>As at March 31, 2008</u>	<u>As at March 31, 2007</u>
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)	3,249,131	2,679,674
b) Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) (Rupees)	16.41	13.53
Face value per share (Rupees)	2.00	2.00

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

	<u>Valvoline Cummins Limited</u>	<u>Rs. '000 Cummins Generator Technologies India Limited</u>
Carrying amount of investment as on March 31, 2007	174,399	375,095
Share in associates' results for the year	71,180	188,133
Dividends received during the year	(33,345)	(45,630)
Write off of goodwill for the year	—	(4,907)
Carrying amount of investment as on March 31, 2008	212,234	512,691

The carrying amount of investments as at March 31, 2008 includes goodwill arising on acquisition of Cummins Generator Technologies India Limited of **Rs. ('000) 19,621** (previous year Rs. ('000) 24,528).

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

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, 2008 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, 2008	As at March 31, 2007	As at March 31, 2008	As at March 31, 2007
Net assets				
Net Fixed Assets	16,590	17,292	25,159	34,885
Investments	33,154	28,236	—	—
Inventories	19,592	15,634	—	—
Debtors	51,067	26,247	35,892	26,172
Deferred Tax Asset		—		—
Cash & Bank Balances	2,742	4,855	2,410	11,700
Loans and Advances	7,375	5,130	38,112	20,536
Current Liabilities	(47,036)	(32,542)	(14,399)	(15,593)
Loans and Lease liability		—	(43,196)	(49,803)
Deferred tax liability	(904)	(1,038)	(1,142)	(1,245)
Net Assets	<u>82,580</u>	<u>63,814</u>	<u>42,836</u>	<u>26,652</u>
Profit & Loss Account				
Sales	239,036	169,466	153,845	124,262
Expenditure	(178,450)	(120,287)	(121,243)	(93,788)
Depreciation	(2,964)	(2,723)	(15,666)	(15,823)
Tax Provision	(14,287)	(10,775)	(753)	(1,490)
Net Profit	<u>43,335</u>	<u>35,681</u>	<u>16,183</u>	<u>13,161</u>

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

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

Particulars	Rs. '000 Total
Contribution to Employees Provident Fund	62,721 (53,690)
Contribution to Management Superannuation Fund	30,169 (36,547)
Total	<u>92,890</u> (90,237)

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

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 1 st April 2007	365,309 (353,821)	287,380 (318,017)	11,742 (12,084)	3,774 (4,031)	668,205 (687,953)
i)	Current Service Cost	22,761 (21,930)	9,643 (10,611)	470 (482)	188 (199)	33,062 (33,222)
ii)	Interest Cost	27,776 (24,976)	21,169 (21,150)	870 (792)	293 (267)	50,108 (47,185)
iii)	Actuarial -Gains / Losses	56,291 (-3,342)	11,665 (-15,185)	- 1,973 (274)	- 1,173 (-390)	64,810 (-18,643)
iv)	Benefits Paid	- 44,830 (-32,091)	- 51,569 (-47,213)	- 2,010 (-1890)	- 324 (-333)	- 98,733 (-81,527)
v)	Liabilities assumed on Acquisition	— (1,186)	— (—)	— (—)	— (—)	— (1,186)
vi)	Liabilities extinguished on settlement	— (-1,171)	— (—)	— (—)	— (—)	— (-1,171)
	Closing DBO as on 31 st March 2008	427,307 (365,309)	278,288 (287,380)	9,099 (11,742)	2,758 (3,774)	717,452 (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	397,342 (387,988)	289,376 (290,166)	— (—)	— (—)	686,718 (678,154)
i)	Expected Return on Plan Assets	31,647 (25,880)	21,433 (18,885)	— (—)	— (—)	53,080 (44,765)
ii)	Actuarial Gains / -Losses	- 6,760 (-1,071)	3,784 (6,538)	— (—)	— (—)	- 2,976 (5,467)
iii)	Contribution by the Employer	41,305 (16,636)	8,616 (21,000)	2,010 (1,890)	324 (333)	52,255 (39,859)
iv)	Benefits Paid	- 44,830 (-32,091)	- 51,569 (-47,213)	- 2,010 (-1,890)	- 324 (-333)	- 98,733 (-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	418,704 (397,342)	271,640 (289,376)	— (—)	— (—)	690,344 (686,718)

Cummins India Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

- 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	427,307 (365,309)	278,288 (287,380)	— (—)	— (—)	705,595 (652,689)
ii)	Fair value of Plan Assets	- 418,704 (-397,342)	- 271,640 (-289,376)	— (—)	— (—)	- 690,344 (-686,718)
iii)	Present Value of Unfunded Obligations	— (—)	— (—)	9,099 (11,742)	2,758 (3,774)	11,857 (15,516)
iv)	Amount not recognised as an Asset, because of the limit in Para 59 (b)	— (456)	— (4,733)	— (—)	— (—)	— (5,189)
	Net Liability	8,603 (-31,577)	6,648 (2,737)	9,099 (11,742)	2,758 (3,774)	27,108 (-13,324)

- 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	22,761 (21,930)	9,643 (10,611)	470 (482)	188 (199)	33,062 (33,222)
ii)	Interest Cost	27,776 (24,976)	21,169 (21,150)	870 (792)	293 (267)	50,108 (47,185)
iii)	Expected Return on Plan Assets	- 31,647 (-25,879)	- 21,433 (-18,885)	— (—)	— (—)	- 53,080 (-44,764)
iv)	Actuarial -Gains / Losses	63,051 (-2,270)	7,881 (-21,722)	- 1,973 (274)	-1,173 (-390)	67,786 (-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	81,941 (19,228)	17,260 (-4,428)	- 633 (1,548)	- 692 (76)	97,876 (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.

47th Annual Report 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2008.

- 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	12.1% (12.0%)	0.0% (0.0%)
ii)	Corporate Bonds	8.1% (6.0%)	0.0% (0.0%)
iii)	Special Deposit Scheme	16.7% (18.0%)	0.0% (0.0%)
iv)	Equity Shares of Listed Companies	0.0% (0.0%)	0.0% (0.0%)
v)	Property	0.0% (0.0%)	0.0% (0.0%)
vi)	Insurer Managed Funds	61.2% (62.0%)	100.0% (100.0%)
vii)	Others	1.9% (2.0%)	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.
- g. The Actual Return on Plan Assets is as follows:

Sr. No.	Particulars	Gratuity	Pension	Total
i)	Actual Return on Plan Assets	24,887 (24,808)	25,217 (25,424)	50,104 (50,232)

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

Particulars	Gratuity	Pension	Ex-gratia	PRMB
Discount Rate	8.20% (8.10%)	8.20% (8.10%)	8.20% (8.10%)	8.20% (8.10%)
Expected Rate of Return on Plan Assets	8.00% (8.00%)	8.00% (8.00%)	NA (NA)	NA (NA)
Salary Escalation Rate - Management Staff	7.00% (7.00%)	NA (NA)	NA (NA)	NA (NA)
Salary Escalation Rate - Non-Management Staff	5.50% (5.00%)	NA (5.00%)	NA (NA)	NA (NA)
Annual Increase in Healthcare Costs - First 9 years	NA (NA)	NA (NA)	NA (NA)	10.00% (10.00%)
Annual Increase in Healthcare Costs - Next 5 years	NA (NA)	NA (NA)	NA (NA)	8.00% (8.00%)
Annual Increase in Healthcare Costs - Thereafter	NA (NA)	NA (NA)	NA (NA)	6.00% (6.00%)

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, 2008.

- 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	46 (43)	-39 (-38)
The accumulated post-employment benefit obligation for medical costs	252 (268)	-221 (-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).

23. The Board of Directors of Cummins India Limited (CIL), at their meeting held on January 30, 2008 have in principle approved merger of CIL's subsidiaries, Cummins Sales and Service India Limited and Cummins Auto Services Limited into the CIL from the Appointed Date April 1, 2008, subject to the approvals of regulatory authorities including that of the Hon'ble High Court. The said subsidiaries shall carry on and be deemed to carry on all their business and activities for and on account of and in trust for CIL from the above mentioned date.

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 22, 2008

47th Annual Report 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rupees '000	Rupees '000	Previous year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	4,288,470		3,262,947
Tax paid (net of refunds)	<u>(1,502,630)</u>		<u>(1,123,110)</u>
Net cash provided by operating activities		2,785,840	2,139,837
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(1,058,630)		(628,113)
Sale	116,453		36,538
Interest received	46,891		61,557
Dividend received	278,606		192,518
Investments			
Purchase	(14,864,238)		(14,428,409)
Sale/redemption	<u>13,395,531</u>		<u>14,121,061</u>
Net cash used for investing activities		(2,085,387)	(644,848)
III. Cash flows from financing activities :			
Short term borrowings	(227,139)		(97,987)
Bank Overdraft (Net)	254,696		(72,623)
Finance lease liability	(35,367)		81,127
Repayment of term loans	(850)		(2,450)
Repayment of fixed deposits (net)	(300)		(266)
Interest paid	(25,384)		(51,528)
Dividend paid (including tax on dividend)	<u>(974,070)</u>		<u>(926,568)</u>
Net cash used for financing activities		(1,008,414)	(1,070,295)
IV. Net change in cash and cash equivalents (I+II+III)		(307,961)	424,694
V. Cash and cash equivalents at the beginning of the year		552,532	127,838
Cash and cash equivalents at the end of the year (IV+V)		244,571	552,532

Cummins India Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rupees '000	Rupees '000	Previous year Rupees '000
Notes :			
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		4,385,815	3,716,553
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	382,996		381,043
Interest expense	25,384		64,570
Interest income (gross)	(46,109)		(58,763)
Dividend earned (gross)	(199,634)		(123,834)
Loss/(gain) on assets sold,discarded etc;	(49,790)		10,240
Loss/(gain) on redemption /sale of investments	(31,879)		(30,679)
Amortisation of goodwill	5,717		9,761
Provision for doubtful debts / advances	51,923		49,565
		138,608	301,903
b) Changes in working capital and other provisions :-			
Sundry debtors	(1,402,321)		(457,798)
Inventories	(380,837)		(634,052)
Loans and advances	(448,622)		(426,558)
Other current assets	7,615		(29,676)
Current liabilities	1,869,587		657,002
Provisions	118,625		135,573
		(235,953)	(755,509)
Total adjustments (a+b)		(97,345)	(453,606)
Cash generated from operations		4,288,470	3,262,947

- 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.

47th Annual Report 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

3) Cash and cash equivalents comprise :

	Rupees '000 2007-08	Rupees '000 2006-07	Rupees '000 2005-06
Cash in hand	907	474	573
Cheques on hand	—	66,807	4,733
Balances with bank on current account :			
Unclaimed dividend account (restricted)	16,716	14,475	12,967
Other current accounts	223,681	468,532	107,542
Balances with bank on deposit account	3,267	2,244	2,023
Total	244,571	552,532	127,838

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 22, 2008

Pune
Date: May 22, 2008

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) (a) to (d) of the Act to the Annual Accounts of the Company. As per the said approval, the Company is giving the following information in respect of its two subsidiaries for the financial year ended March 31, 2008 and for the corresponding previous year ended March 31, 2007.

BALANCE SHEET

(Rs. '000)

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	As at March 31, 2008	As at March 31, 2007	As at March 31, 2008	As at March 31, 2007
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	600,002	500,000	500,000
- Amount	60,000	60,000	5,000	5,000
Reserves & Surplus	840,389	769,981	—	—
Assets				
Fixed Assets (Gross)	393,802	459,037	15,304	16,490
Less: Accumulated Depreciation	(243,580)	(233,435)	(12,034)	(11,089)
Net Fixed Assets	150,222	225,602	3,270	5,401
Investments	85,404	85,403	1	1
Deferred Tax	18,833	6,084	—	—
Current Assets, Loans and Advances	2,478,444	2,157,912	65,224	28,163
Total Assets:	2,732,903	2,475,001	68,495	33,564
Liabilities				
Secured Loans	—	2,493	—	6,764
Unsecured Loans	93,547	147,795	191,250	173,321
Current Liabilities and Provisions	1,729,184	1,479,031	77,815	40,564
Liability under finance lease	9,783	15,701	866	1,390
Total Liabilities:	1,832,514	1,645,020	269,931	222,039
Profit and Loss Account	—	—	(206,436)	(193,474)

47th Annual Report 2008

PROFIT AND LOSS ACCOUNT

(Rs. '000)

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	For the year ended March 31, 2008	For the year ended March 31, 2007	For the year ended March 31, 2008	For the year ended March 31, 2007
Income				
Turnover	5,188,202	4,745,231	57,530	36,550
Other Income	132,916	48,404	13,905	5,931
Total Income:	5,321,118	4,793,635	71,435	42,481
Profit / (Loss) before Taxation	561,420	352,169	(12,899)	(37,881)
Provision for Taxation	227,773	188,559	63	235
Profit / (Loss) after Taxation	333,647	163,610	(12,962)	(38,116)
Dividend - Interim	225,000	110,000	—	—

Note 1:

Details of Investments:

(Rs. '000)

Particulars	Cummins Sales and Service India Limited		Cummins Auto Services Limited	
	As at March 31, 2008	As at March 31, 2007	As at March 31, 2008	As at March 31, 2007
Trade Investments				
Kirloskar 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	4,999	4,998	—	—
Total:	85,404	85,403	1	1

Note 2:

There are no foreign currency amounts reported in the accounts of subsidiary companies which needs to be converted and reported in Indian Rupee equivalent as on 31st March, 2008.

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